INTERIM REPORT 2019

GREATIME INTERNATIONAL HOLDINGS LIMITED
廣泰國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)
Stock Code: 844

Contents

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Wang Bin
Ms. Tian Ying
Mr. Du Shuwei

NON-EXECUTIVE DIRECTOR

Mr. Zhang Yanlin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Dunkai
Ms. Feng Xin
Mr. Hu Quansen

AUTHORISED REPRESENTATIVES

Mr. Wang Bin
Ms. Tian Ying

AUDIT COMMITTEE

Mr. Hu Quansen *(Chairman)*
Ms. Feng Xin
Mr. Xu Dunkai

REMUNERATION COMMITTEE

Mr. Xu Dunkai *(Chairman)*
Ms. Tian Ying
Mr. Hu Quansen

NOMINATION COMMITTEE

Mr. Wang Bin *(Chairman)*
Ms. Feng Xin
Mr. Hu Quansen

COMPANY SECRETARY

Mr. Lee Yin Sing, *CPA*

AUDITOR

SHINEWING (HK) CPA Limited

LEGAL ADVISER

As to Hong Kong law:
Loeb & Loeb LLP

REGISTERED OFFICE

P.O. Box 3340
Road Town
Tortola
British Virgin Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 4408, 44/F
183 Queen's Road East
Wan Chai
Hong Kong
(with effect from 30 June 2017)

PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 102 Renmin Dong Road
Zhucheng City
Shandong Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BVI

Tricor Services (BVI) Limited
P.O. Box 3340, Road Town, Tortola
British Virgin Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank of China, Zhucheng sub-branch
The Hongkong and Shanghai Banking Corporation Limited

LISTING INFORMATION

Place of listing: Main Board of The Stock Exchange of Hong Kong Limited
Stock Code: 844

COMPANY'S WEBSITE

www.greatimeintl.com

FINANCIAL HIGHLIGHTS

KEY FINANCIAL INFORMATION

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Key Financial Information		
Revenue	**225,933**	147,291
Gross profit	**54,452**	19,896
Profit/(loss) before tax	**9,292**	(17,959)
Profit/(loss) for the period	**6,273**	(18,192)
Total comprehensive income/(expense) for the period	**5,031**	(17,074)

	As at 30 June 2019	As at 31 December 2018
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Non-current assets	**224,556**	214,518
Current assets	**283,285**	275,686
Current liabilities	**205,927**	193,621
Net current assets	**77,358**	82,065
Total assets	**507,841**	490,204
Total assets less current liabilities	**301,914**	296,583
Total equity	**301,145**	296,114
Cash and cash equivalents	**131,729**	147,664

KEY FINANCIAL RATIOS

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
Gross profit margin	**24.1%**	13.5%
Net profit/(loss) margin	**2.8%**	(12.4)%
Trade receivables turnover days	**41**	57
Inventory turnover days	**62**	79

	As at 30 June 2019	As at 31 December 2018
	RMB'000	RMB'000
Gearing ratio[(1)]	**23.8%**	24.7%
Current ratio[(2)]	**1.4**	1.4

Notes:

1. Gearing ratio represents the ratio of total borrowings to total assets.

2. Current ratio represents the ratio of current assets to current liabilities.

REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

	Six months ended 30 June			
	2019	**2019**	2018	2018
	RMB'000	**%**	RMB'000	%
Knitted fabrics	**55,687**	**24.6**	28,580	19.4
Innerwear products	**170,246**	**75.4**	118,711	80.6
Total	**225,933**	**100.0**	147,291	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Against the backdrop of intensifying Sino-US trade friction and the long sustaining uncertainties of Brexit, in the first half of 2019, the momentum of global economic activities remained weak, and the economic activities in emerging markets and developing countries were also weaker than expected. According to the figures released by National Bureau of Statistics of China, gross domestic product ("**GDP**") of China for the first half of 2019 reached RMB45.09 trillion, representing a year-on-year increase of 6.3% in terms of comparable price and the lowest GDP growth since 1990. Faced with tremendous pressure of economic downturn, demand for textile products in China was severely tested.

Since 10 May 2019, the United States officially increased tariffs on US$200 billion worth of products imported from mainland China to 25%, including yarns, fabrics, knitted fabrics, finished products for manufacturing use and some home textile products. This caused considerable pressure on the Chinese textile manufacturers with exports to the United States. Based on the statistics published by the General Administration of Customs of China earlier, the cumulative gross exports of textile clothing of China for the first half of 2019 amounted to US$124.23 billion, down by 2.37% year-on-year, which is 0.6 percentage point slower than the growth in the first quarter. While the Chinese textile industry faced a difficult situation, the Southeast Asian countries headed by Vietnam also began to quickly capture the textile market share.

BUSINESS REVIEW

The Group has been devoting active efforts to diversifying its business to reduce business risks and expanding source of income. During the period from 1 January 2019 to 30 June 2019 ("**Period under Review**"), the Group continued to play the role as an original equipment manufacturer ("**OEM**") innerwear supplier of numerous major international clothing brands, and operated production plants in China and Myanmar. During the Period under Review, the Group's revenue recorded an increase of 53.4% to approximately RMB225.9 million (2018: RMB147.3 million) and profit for the period was approximately RMB6.3 million (2018: loss of RMB18.2 million). The Group's revenue from knitted fabrics was approximately RMB55.7 million, whereas the revenue from innerwear products was approximately RMB170.2 million.

The positive turnaround in the Group's business was due to the organic growth of the Group in response to market development. During the Period under Review, the Ministry of Finance Japan ceased to grant tariff preferences under the Generalised System of Preferences scheme to products imported from mainland China since 1 April 2019. In spite of that, the Group recorded an increase in the export orders to Japan thanks to the mutual trust and long-term relationship between the Group and its customers. Apart from Japan, during the Period under Review, the Group continued to export garments to major export markets including the United States and Europe. For the six months ended 30 June 2019, the revenue generated from the export of garments amounted to approximately RMB128.7 million, representing 56.8% of the Group's total revenue. At the same time, the Group has been exploring more new markets of fabrics and innerwear products, such as seeking strategic partnerships with customers in the Association of Southeast Asian Nations region to cope with market changes and diversify risks.

In recent years, the Group has endeavoured to explore investment opportunities in the Belt and Road Initiative (the "**BRI**") region in response to the BRI of the Chinese government. The Group had an early start as it began to actively develop its production business in Myanmar. The Group's wholly-owned subsidiary, Win Glory International Manufacturing Company Limited ("**Win Glory**") maintained a stable sales revenue, contributing RMB8.5 million to the total revenue of the Group for six months ended 30 June 2019. Meanwhile, the Group paid 30 years' rent for another piece of land in Myanmar earlier to further expand its garment business. Currently, the progress of such land development is in line with expectation. The Group expects that the BRI will continue to generate tremendous opportunities along the belt and road regions. Coupled with the rapidly emerging textile industry in Myanmar in recent years, the Group expects to fully release its business potential by leveraging on the existing business in Myanmar with a view to achieving sustainable development in the long run.

During the Period under Review, the Group has been benefiting from different opportunities arising from the BRI. The rapid development of the Myanmese economy laid a solid foundation for the Group's business. The Group will continue to expand the production business in Myanmar, in order to release its commercial potential, and further mobilise the development of textile and garment industry in Myanmar through committing to a series of trading and commercial activities in achieving a mutually beneficial situation.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by business segment as a percentage of the Group's total revenue for the six months ended 30 June 2019, with corresponding comparative figures for 2018:

	Six months ended 30 June			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Knitted fabrics	**55,687**	**24.6**	28,580	19.4
Innerwear products	**170,246**	**75.4**	118,711	80.6
Total	**225,933**	**100.0**	147,291	100.0

For the six months ended 30 June 2019, the Group recorded a revenue of approximately RMB225.9 million (2018: RMB147.3 million), representing an increase of approximately RMB78.6 million, or approximately 53.4%, as compared with that for the corresponding period in 2018. The sales volume of fabrics and innerwear for the six months ended 30 June 2019 were approximately 1,840 tons and 11.4 million pieces respectively (2018: 1,420 tons and 8.0 million pieces respectively). The increase in revenue was mainly due to the increase in the sales of the Group's innerwear products and knitted fabrics from approximately RMB118.7 million and approximately RMB28.6 million respectively for the six months ended 30 June 2018 to approximately RMB170.2 million and approximately RMB55.7 million, respectively for the six months ended 30 June 2019.

Revenue from knitted fabrics amounted to approximately RMB55.7 million (2018: RMB28.6 million), representing an increase of approximately RMB27.1 million or 94.8% when compared to the corresponding period in 2018, and accounting for approximately 24.6% (2018: 19.4%) of the total revenue of the Group for the six months ended 30 June 2019. The increase was mainly due to the increase in sales volume and better utilisation of production capacity during the Period under Review. The sales volume of knitted fabrics increased by approximately 29.6% to approximately 1,840 tons for the six months ended 30 June 2019 (2018: 1,420 tons). The knitted fabrics products were mainly distributed to branded customers in China. For the six months ended 30 June 2019, the Group took up more fabric knitting orders which had a relatively higher unit selling price when comparing to dying and printing order which the Group had taken up relatively more in 2018.

Revenue from innerwear products amounted to approximately RMB170.2 million (2018: RMB118.7 million), representing approximately 75.4% (2018: 80.6%) of the total revenue for the six months ended 30 June 2019. The sales volume of innerwear products increased from 8.0 million pieces for the six months ended 30 June 2018 to 11.4 million pieces in corresponding period in 2019. The increase in the sales volume was mainly due to the increase in demand of certain recurring customers of the Group. Some of the recurring customers placed orders relatively earlier in the first half of 2019, when compared to 2018, leading to earlier delivery of products, hence earlier recognition of revenue. As a result, revenue from innerwear products increased for the six months ended 30 June 2019 when compared to the corresponding period in 2018. The average unit selling price of innerwear products slightly increased to RMB15.0 per piece in the six months ended 30 June 2019 (2018: RMB14.8 per piece). As the unit selling price increased and the total sales volume increased, the overall sales of innerwear products increased.

Cost of sales

Cost of sales increased by approximately 34.6% from approximately RMB127.4 million for the six months ended 30 June 2018 to approximately RMB171.5 million for the corresponding period in 2019. The increase in cost of sales was mainly due to the increase in both the sales and sales volume of knitted fabrics and innerwear products for the six months ended 30 June 2019.

Gross profit and gross profit margin

Gross profit increased by approximately RMB34.6 million, or approximately 173.9%, from approximately RMB19.9 million for the six months ended 30 June 2018 to approximately RMB54.5 million for the six months ended 30 June 2019 as a result of the increase in sales of innerwear products which contribute a relatively higher gross profit ratio when comparing to knitted fabrics products of the Group. The Group's gross profit margin increased from approximately 13.5% for the six months ended 30 June 2018 to approximately 24.1% for the corresponding period in 2019.

The following table sets forth the Group's gross profits and gross profit margins by products for the six months ended 30 June 2019, with corresponding comparative figures in 2018:

	Six months ended 30 June			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Knitted fabrics	**6,924**	**12.4**	1,280	4.5
Innerwear products	**47,528**	**27.9**	18,616	15.7
Total	**54,452**		19,896	

Other income and gains

Other income and gains amounted to approximately RMB3.7 million (2018: RMB3.8 million) for the six months ended 30 June 2019 which comprise mainly exchange gain, interest income from bank deposits and gains from sales of scrap materials.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB0.8 million to approximately RMB4.5 million (2018: RMB3.7 million) for the six months ended 30 June 2019. The increase in selling and distribution expenses was mainly due to the increase in salaries and commission expenses from approximately RMB1.6 million for the six months ended 30 June 2018 to approximately RMB2.1 million for the same period of 2019.

Administrative expenses

Administrative expenses increased by approximately 15.3% to approximately RMB41.4 million (2018: RMB35.9 million) for the six months ended 30 June 2019. The major component of the administrative expenses was staff benefits, which included salaries, social welfare and pension expenses.

Total staff benefits increased to RMB25.0 million for the six months ended 30 June 2019 as compared to RMB21.1 million in the corresponding period in 2018.

Finance costs

Finance costs increased to approximately RMB3.0 million (2018: RMB2.1 million) for the six months ended 30 June 2019 primarily due to the increase in average bank borrowings when compared to that for the same period in 2018. The effective interest rates charged on bank borrowings for the six months ended 30 June 2019 ranged from 4.35% to 5.22%, which were similar to that of the same period in 2018 (2018: 4.8% to 5.2%).

Profit (loss) before tax

The Group's profit before tax was approximately RMB9.3 million (2018: loss of RMB18.0 million) for the six months ended 30 June 2019. Such increase in profit before tax was mainly due to the increase in gross profit in both knitted fabrics and innerwear products. The gross profit of fabrics products and innerwear products increased from RMB1.3 million and RMB18.6 million, respectively, in six months ended 2018 to RMB6.9 million and RMB47.5 million, respectively, in the six months ended 2019.

Income tax expense

Income tax expense increased to approximately RMB3.0 million (2018: RMB0.2 million) for the six months ended June 2019. The Group's effective tax rate for the six months ended 30 June 2019 was 32.4% as compared to negative 1.3% for the corresponding period in 2018.

Profit (loss) for the period and profit margin

The Group's profit increased by approximately RMB24.5 million, from a loss of approximately RMB18.2 million for the six months ended 30 June 2018 to a profit of approximately RMB6.3 million for the corresponding period in 2019. The increase in the profit was mainly due to the increase in gross profit of approximately RMB34.6 million as mentioned in the above paragraphs. The profit margin for the six months ended 30 June 2019 was 2.8% (2018: loss margin of 12.4%).

Inventories

The inventory balances increased to approximately RMB60.1 million as at 30 June 2019 (as at 31 December 2018: RMB56.6 million). As the sales of the finished goods increased for the six months ended 30 June 2019, the increase of the inventory level is not as significant as the same period of 2018. For the six months ended 30 June 2019, the average inventories turnover days was 62 days (2018: 65 days).

Trade receivables

Trade receivables increased to approximately RMB59.1 million as at 30 June 2019 (as at 31 December 2018: RMB42.2 million). The increase in trade receivables was mainly due to the increase in sales activities for the six months ended 30 June 2019. The average trade receivables turnover days sightly decreased to approximately 41 days (for the year ended 31 December 2018: 44 days).

Trade payables

Trade payables increased to approximately RMB48.4 million as at 30 June 2019 (as at 31 December 2018: RMB46.3 million). The Group made more purchases of raw materials in anticipation of increased sales orders and delivery, which led to the increase in trade payables.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings. As at 30 June 2019, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.4 (as at 31 December 2018: 1.4). As at 30 June 2019, the Group had cash and cash equivalents of approximately RMB131.7 million (as at 31 December 2018: RMB147.7 million), which were mainly generated from and utilised in daily operations, including sales of products, purchase of materials and obtaining of the short-term bank loans of approximately RMB121.0 million (as at 31 December 2018: RMB121.0 million). As at 30 June 2019, the Group's gearing ratio (calculated as the total debt as at period-end divided by total assets as at period-end x 100%, where total debts are defined to include both current and non-current interest-bearing borrowings) was approximately 23.8%, as compared to approximately 24.7% as at 31 December 2018.

As at 30 June 2019, the Group had fixed rate bank borrowings of approximately RMB48 million (as at 31 December 2018: RMB48 million) and variable rate bank borrowings of approximately RMB73 million (as at 31 December 2018: RMB73 million). The effective interest rates on the Group's fixed rate borrowings was 4.35% to 4.80% and variable rate bank borrowings ranged from 5.17% to 5.22% per annum, as at 30 June 2019 (as at 31 December 2018: fixed rate bank borrowings 4.35% to 4.80%; variable rate bank borrowings ranged from 5.17% to 5.22% per annum). During the Period under Review, there was no material change to the Group's funding and treasury policy.

The majority of the Group's funds has been deposited in banks in China and licensed banks in Hong Kong. The management believes that the Group possesses sufficient cash and cash equivalents to meet its commitments and working capital requirements in the second half of the year.

The Group continues to implement prudent financial management policies and monitor its capital structure based on the ratio of liabilities to total assets.

Interest rate and foreign currency risk exposure

The Group's interest rate risk relates primarily to cash flow interest rate risk in relation to variable rate interest-bearing borrowings. The restricted bank deposits and bank balances also expose the Group to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on bank balances. The Group has not used any financial instruments to hedge potential fluctuations in interest rates. The management considers that the exposure of the restricted bank deposits and bank balances to cash flow interest rate risk is not significant as the Group does not anticipate significant fluctuation in the interest rates on bank deposits. To mitigate the impact of interest rate fluctuations, the Group will continually assess and monitor the Group's exposure to interest rate risk and will consider other necessary actions when significant interest rate risk exposure is anticipated.

The Group is exposed to foreign currency risk. A significant proportion of the Group's revenue was denominated in USD and certain trade and other receivables, cash and bank balances, and trade and other payables are denominated in USD, Japanese yen and HKD respectively, while substantial operating expenses were denominated in RMB, and the Group's reporting currency was RMB.

The Group does not have a foreign currency hedging policy. In the event of currency fluctuations, the Group may have to increase its product price to compensate for the increase in the cost of production. This would lower the Group's pricing competitiveness for its products and could result in a decrease in revenue. In the future, the management will monitor the Group's foreign exchange risk exposure and will consider hedging or factoring significant foreign currency exposure should the need arise.

Contingent liabilities

As at 30 June 2019, the Group had no material contingent liabilities.

Charges on Group assets

As at 30 June 2019, the Group's bank loans were secured by the Group's right-of-use assets, buildings and land use rights of carrying amounts of approximately RMB14.3 million, RMB76.5 million and nil, respectively (as at 31 December 2018: nil, RMB78.6 million and RMB11.2 million, respectively). As at 30 June 2019, the Group had also pledged its bank deposits of approximately RMB0.2 million (as at 31 December 2018: RMB0.2 million).

HUMAN RESOURCES

As at 30 June 2019, the Group employed approximately 2,300 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group would conduct periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. During the Period under Review, the Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains good relationships with its employees.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2019 (2018: Nil).

PROSPECTS

Looking into the second half of 2019, it is likely that geopolitical factors will dominate the global market and the economic outlook will turn gloomy. These uncertainties are not only limited to Asia or emerging markets but the entire world will be affected. Despite that textile products are goods with rigid demand, amid extremely high uncertainties in the global trade policies, coupled with rising raw materials price and cost of production, the textile industry will face an extremely severe business environment. The Group expects that, affected by the Sino-US trade friction, the economic growth in mainland China will gradually slow down and the retail sector will suffer another round of setbacks in the short- to medium-term.

While analysing the situation, the Group has taken proactive measures to adjust the capacity of the production facilities in each region and identified projects with more investment and development potential other than its principal business to mitigate the operational risks. Faced with the prevailing difficult environment, the Group hopes to seize business opportunities and cope with future challenges through diversifying its business mix and taking expedient and flexible measures and business strategies to achieve sustainable development and generate attractive returns to the shareholders.

USE OF PROCEEDS FROM SHARES PLACEMENT

As disclosed in the announcements of the Company dated 9 October 2017 and 17 October 2017, the Company had completed the placing of 82,388,000 ordinary shares on 17 October 2017 which generated a net proceed of approximately HK$68.9 million, which was intended to be used for general working capital of the Group to purchase raw materials and cover administrative expenses, and for developing new business opportunities that may be identified by the Company from time to time.

As at 30 June 2019, the aforesaid net proceed has been applied as follows:

		Intended use of proceeds HK$'000	Actual use of proceeds HK$'000
(i)	As general working capital to	68,900	
	(a) purchase raw materials	for (i)(a), (i)(b)	–
	(b) cover administrative expenses	and (ii)	12,900
(ii)	For developing new business opportunities		–
Total:		68,900	12,900

The above mentioned uses are consistent with the intended use of proceeds as disclosed in the announcement of the Company dated 9 October 2017. The Group will constantly evaluate its business plan and may change or modify such plan against the changing market condition to attain sustainable business growth of the Group. All the unutilised balances have been placed in licensed banks in Hong Kong. The unutilised balances will be applied by the Company for general working capital and for developing new business opportunities.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2019, the Group did not engage in any material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

On 19 August 2019, the Company, Mr. Zhang Lei and Ms. Zhang Yuan entered into a non-legally binding letter of intent in relation to a potential acquisition by the Company of the controlling interests in certain entities which provide integrated medical and elderly care services in Wuhan, China (the "**Potential Acquisition**"). For details of the Potential Acquisition, please refer to the announcement of the Company dated 19 August 2019.

Save for the Potential Acquisition, as at the date of this interim report, there is no significant event subsequent to 30 June 2019 which would materially affect the Group's operating and financial performance.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. The Company has adopted the code provisions and certain recommended best practices contained in the Corporate Governance Code (the "**CG Code**"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), as its code of corporate governance. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. During the six months ended 30 June 2019, the Company has complied with the code provisions set out in the CG Code.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors had complied with the required standards as set out in the Model Code during the six months ended 30 June 2019.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in note 16 to the condensed consolidated financial statements.

SHARE OPTION SCHEME

Prior to the listing of the Company's shares, the Company had conditionally adopted a share option scheme (the "**Share Option Scheme**") on 19 August 2011 which became unconditional and effective on 24 November 2011. The purpose of the Share Option Scheme is to enable the Group to grant options to the eligible participants (as specified in the section headed "Share Option Scheme" in the prospectus of the Company issued on 14 November 2011) as incentives or rewards for their contribution to the Group.

The total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 10% of the total number of shares of the Company in issue at the time of its adoption (i.e. 380,000,000 shares), without prior approval from the Company's shareholders in general meeting, and the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme must not exceed 30% of the total number of shares of the Company in issue from time to time. The number of shares issued and to be issued in respect of which options were granted and may be granted to any individual in any 12 months is not permitted to exceed 1% of the shares of the Company in issue at any point of time without prior approval from the Company's shareholders in general meeting. Options granted to substantial shareholders or independent non-executive directors, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the Company's issued share capital and with an aggregate value in excess of HK$5 million, based on the closing price of the Company's shares at the date of the grant, must be approved in advance by the Company's shareholders in general meeting.

Options granted must be taken up within 21 days from the date of offer of grant upon payment of HK$1 per grant. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

During the six months ended 30 June 2019, no options to subscribe for ordinary shares in the Company were granted under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the Directors and the chief executive of the Company did not have any interests and short positions in the Company's shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, laws of Hong Kong) ("**SFO**")), as recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, the Company, its parent company, or any of its subsidiaries or fellow subsidiaries did not, at any time during the six months ended 30 June 2019 and up to the date of this interim report, enter into any arrangements, which would enable the Directors, their respective spouses or any of their minor children, to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and neither the Directors, their respective spouses nor their minor children, had been granted any rights or exercised such rights to subscribe for securities of the Company.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as the Directors are aware of as at 30 June 2019, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company or any other members of the Group:

Name	Capacity	Number of shares(1)	Approximate percentage of shareholding
Junfun Investment Limited	Beneficial owner	260,661,501 (L)	52.73%
Joint Full International Limited	Through controlled corporation(2)	260,661,501 (L)	52.73%
Wintime Holding Group Co. Ltd.* (永泰控股集團有限公司) ("**Wintime Group**")	Through controlled corporation(2)	260,661,501 (L)	52.73%
Wintime Technology Investment Co. Ltd.* (永泰科技投資有限公司) ("**Wintime Investment**")	Through controlled corporation(2)	260,661,501 (L)	52.73%
Wang Guangxi	Through controlled corporation(2)	260,661,501 (L)	52.73%
Guo Tianshu	Interest of spouse(3)	260,661,501 (L)	52.73%

* *For identification purpose only*

Note:

(1) The letter "L" denotes long position in the shares.

(2) Junfun Investment Limited is wholly-owned by Joint Full International Limited, which is in turn wholly-owned by Wintime Group. Wintime Group is owned as to 98.48% by Wintime Investment, which is in turn wholly-owned by Mr. Wang Guangxi. By virtue of the SFO, each of Joint Full International Limited, Wintime Group, Wintime Investment and Mr. Wang Guangxi is deemed to be interested in the shares of the Company that Junfun Investment Limited is interested in.

(3) Ms. Guo Tianshu is the spouse of Mr. Wang Guangxi. By virtue of the SFO, Ms. Guo Tianshu is deemed to be interested in the shares of the Company that Mr. Wang Guangxi is interested in.

Save as disclosed above, as at 30 June 2019, the Directors were not aware of any persons who/entities which had any interest or short position in the securities in the Company that would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register required to be kept under section 336 of the SFO.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The audit committee of the Company ("**Audit Committee**") was established on 19 August 2011 with written terms of reference in compliance with the Listing Rules. The Audit Committee is responsible for (i) making recommendation to the Board on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, and dealing with any questions of resignation or dismissal of that auditor; (ii) monitoring the integrity of the financial statements, the annual reports and accounts, half-year reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and (iii) reviewing the financial controls, internal control and risk management systems.

The Audit Committee comprises Mr. Hu Quansen *(Chairman)*, Ms. Feng Xin and Mr. Xu Dunkai, who are the independent non-executive Directors.

The Audit Committee has reviewed this interim report, including the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2019.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and discussed and reviewed the adequacy and effectiveness of the auditing, internal controls and financial reporting systems of the Group.

REMUNERATION COMMITTEE

The remuneration committee (the "**Remuneration Committee**") of the Company was established on 19 August 2011 with written terms of reference in compliance with the Listing Rules. The Remuneration Committee is responsible for, among other functions, making recommendations to the Board on the policy and structure for all remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration; determining the specific remuneration packages of all the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; making recommendations to the Board on the remuneration of the non-executive Directors; and reviewing and approving performance- based remuneration by reference to corporate goals and objectives resolved by the Board from time to time. The Remuneration Committee comprises two independent non-executive Directors, Mr. Xu Dunkai and Mr. Hu Quansen and one executive Director, Ms. Tian Ying. The Remuneration Committee is chaired by Mr. Xu Dunkai.

NOMINATION COMMITTEE

The nomination committee (the "**Nomination Committee**") of the Company was established on 27 March 2012 with written terms of reference in compliance with the Listing Rules. The Nomination Committee is responsible for formulating the nomination policy for consideration of the Board and implementing the nomination policy laid down by the Board; reviewing the structure, size and composition of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy; identifying and nominating individuals suitable and qualified to become members of the Board and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors; and conforming to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the memorandum and articles of association of the Company or imposed by legislation. The Nomination Committee comprises two independent non-executive Directors, Mr. Hu Quansen and Ms. Feng Xin and one executive Director, Mr. Wang Bin. The Remuneration Committee is chaired by Mr. Wang Bin.

CHANGES OF INFORMATION IN RESPECT OF DIRECTORS

In the six months ended 30 June 2019 and up to the date of this report, there were no changes to information required to be disclosed by the Company pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules, where applicable.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
	NOTES	**2019 RMB'000 (Unaudited)**	2018 RMB'000 (Unaudited)
Revenue		**225,933**	147,291
Cost of sales		**(171,481)**	(127,395)
Gross profit		**54,452**	19,896
Other income and gains	*5*	**3,691**	3,824
Selling and distribution expenses		**(4,503)**	(3,669)
Administrative expenses		**(41,381)**	(35,923)
Finance costs	*6*	**(2,967)**	(2,087)
Profit (loss) before tax		**9,292**	(17,959)
Income tax expense	*7*	**(3,019)**	(233)
Profit (loss) for the period	*8*	**6,273**	(18,192)
Other comprehensive (expense) income for the period			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(1,242)**	1,118
Total comprehensive income (expense) for the period		**5,031**	(17,074)
Profit (loss) per share			
– Basic and diluted (RMB cents)	*10*	**1.3**	(3.7)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	NOTES	**30 June 2019 RMB'000 (Unaudited)**	31 December 2018 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	*11*	**191,084**	189,951
Right-of-use assets	*11.1*	**15,822**	–
Prepaid lease payments on land use rights	*11*	**–**	14,105
Prepayments and other receivables		**13,346**	9,758
Deposits paid to acquire non-current assets	*12*	**3,697**	74
Deferred tax assets		**607**	630
		224,556	214,518
Current assets			
Inventories		**60,106**	56,605
Trade receivables	*13*	**59,060**	42,237
Prepayments and other receivables		**12,390**	8,766
Prepaid lease payments on land use rights	*11*	**–**	414
Restricted bank deposits		**20,000**	20,000
Cash and bank balances		**131,729**	147,664
		283,285	275,686

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 JUNE 2019

	NOTES	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Current liabilities			
Trade payables	*14*	**48,438**	46,327
Accruals and other payables		**24,996**	19,127
Lease liabilities	*11.1*	**1,224**	–
Contract liabilities		**3,990**	1,833
Loan from a shareholder		**4,418**	4,412
Interest-bearing borrowings	*15*	**121,000**	121,000
Income tax payables		**1,861**	922
		205,927	193,621
Net current assets		**77,358**	82,065
Total assets less current liabilities		**301,914**	296,583
Non-current liabilities			
Deferred tax liabilities		**469**	469
Lease liabilities	*11.1*	**300**	–
		769	469
Net assets		**301,145**	296,114
Capital and reserves			
Share capital	*16*	**148,929**	148,929
Reserves		**152,216**	147,185
Total equity		**301,145**	296,114

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Attributable to owners of the Company						
	Share capital	**Statutory reserve**	**Exchange reserve**	**Special reserve**	**Other reserve**	**Retained earnings**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (a))		*(Note (b))*	*(Note (c))*		
As at 1 January 2018 (audited)	148,929	37,191	(259)	(83)	5,800	123,413	314,991
Loss for the period	–	–	–	–	–	(18,192)	(18,192)
Other comprehensive income for the period:							
Exchange differences arising on translation of foreign operations	–	–	1,118	–	–	–	1,118
Total comprehensive income (expense) for the period	–	–	1,118	–	–	(18,192)	(17,074)
As at 30 June 2018 (unaudited)	148,929	37,191	859	(83)	5,800	105,221	297,917
As at 1 January 2019 (audited)	**148,929**	**37,191**	**957**	**(83)**	**5,800**	**103,320**	**296,114**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**6,273**	**6,273**
Other comprehensive expense for the period:							
Exchange differences arising on translation of foreign operations	**–**	**–**	**(1,242)**	**–**	**–**	**–**	**(1,242)**
Total comprehensive income (expense) for the period	**–**	**–**	**(1,242)**	**–**	**–**	**6,273**	**5,031**
As at 30 June 2019 (unaudited)	**148,929**	**37,191**	**(285)**	**(83)**	**5,800**	**109,593**	**301,145**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED 30 JUNE 2019

Notes:

(a) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after tax of the Group's subsidiaries in the People's Republic of China (the "**PRC**"). In accordance with the relevant laws and regulations of the PRC and the articles of association of the Group's PRC subsidiaries, they are required to appropriate 10% of their respective profits determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of China, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reached 50% of the respective companies' registered capital, any further appropriation is optional.

(b) Special reserve

Special reserve represents the difference between the aggregate amount of issued and fully paid share capital of the subsidiary acquired by the Company and the nominal amount of the shares issued by the Company in exchange for the entire equity interest in the subsidiary as part of the group reorganisation.

(c) Other reserve

Other reserve represents the difference between the fair value of past services rendered by the employees and the net present values of the consideration payable by the employees in respect of the share transferred.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cash generated from (used in) operations		
Increase in inventories	**(3,457)**	(23,088)
Increase in trade receivables	**(17,039)**	(8,093)
Increase in prepayments and other receivables	**(2,996)**	(8,645)
Increase in trade payables	**2,111**	7,166
Increase in accruals and other payables	**4,613**	9,028
Increase in contract liabilities	**2,126**	–
Other operating cash flows	**23,560**	826
	8,918	(22,806)
PRC income tax paid	**(1,285)**	–
Withholding tax paid	**(772)**	–
Net cash generated from (used in) operating activities	**6,861**	(22,806)
Net cash used in investing activities		
Purchase of property, plant and equipment	**(11,288)**	(17,436)
Payments for right-of-use assets	**(590)**	–
Loan advanced	**(11,000)**	–
Repayment from loan receivables	**7,000**	–
Other investing cash flows	**(2,273)**	675
	(18,151)	(16,761)
Net cash (used in) generated from financing activities		
New borrowings raised	**50,000**	56,000
Repayment of borrowings	**(50,000)**	(41,000)
Payment of lease liabilities	**(46)**	–
Other financing cash flows	**(2,887)**	(1,970)
	(2,933)	13,030
Net decrease in cash and cash equivalents	**(14,223)**	(26,537)
Cash and cash equivalents at 1 January	**147,664**	160,868
Effect of foreign exchange rate changes	**(1,712)**	1,238
Cash and cash equivalents at 30 June, represented by cash and bank balances	**131,729**	135,569

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Greatime International Holdings Limited (the "**Company**"), which acts as an investment holding company, was incorporated in the British Virgin Islands (the "**BVI**") with limited liability under the Business Companies Act of the BVI (2004) on 8 December 2010. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 24 November 2011. The address of the registered office is located at P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Room 4408, 44/F, 183 Queen's Road East, Wan Chai, Hong Kong.

The Company and its subsidiaries (the "**Group**") are engaged in the manufacturing of and provision of processing services on innerwear products and knitted fabrics. The ultimate holding company of the Company is Junfun Investment Limited, a limited liability company incorporated in the Cayman Islands.

The condensed consolidated financial information of the Group is presented in Renminbi ("**RMB**"), which is also the functional currency of the Company and its subsidiaries located in the People's Republic of China (the "**PRC**"). Other than those PRC subsidiaries, the functional currency of subsidiaries established in Hong Kong and Myanmar are denoted in United States dollars and Myanmar Khamed.

The condensed consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except as described below.

In the current interim period, the Group has applied, for the first time, the following new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA which are effective for the Group's financial year beginning 1 January 2019.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

The adoption of HKFRS 16 resulted in changes in the Group's accounting policies and adjustments to the amounts recognised in the condensed consolidated financial statements. The new accounting policies are set out in note 3 below. The application of other new and amendments to HKFRSs in the current interim period has had no material effect on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts in adoption of HKFRS 16 Leases

HKFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating lease and finance lease and requiring the recognition of right-of-use asset and a lease liability for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new accounting policies are described in note 3. The Group has applied HKFRS 16 Leases retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of equity, where appropriate, at 1 January 2019, and has not restated comparatives for the 2018 reporting period as permitted under the specific transitional provisions in the standard. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 17 Leases.

On transition to HKFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which arrangements are, or contain, leases. It applied HKFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

The major impacts of the adoption of HKFRS 16 on the Group's condensed consolidated financial statements are described below.

The Group as lessee

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of HKAS 17 Leases (except for lease of low value assets and lease with remaining lease term of twelve months or less). These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's average borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.97%.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments to all leases.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts in adoption of HKFRS 16 Leases (Continued)

The Group as lessee (Continued)

The following table summarises the impact of transition to HKFRS 16 at 1 January 2019. Line items that were not affected by the adjustments have not been included.

	Notes	Carrying amount previously reported at 31 December 2018 RMB'000	Impact on adoption of HKFRS 16 RMB'000	Carrying amount as restated at 1 January 2019 RMB'000
Right-of-use assets	*a*	–	16,633	16,633
Prepaid lease payments	*b*	14,519	(14,519)	–
Lease liabilities	*a*	–	(2,114)	(2,114)

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately RMB2,114,000.

(b) Prepaid lease payments of approximately RMB14,519,000 which represent the upfront payments for leasehold lands in the PRC and Myanmar as at 31 December 2018 were adjusted to right-of-use assets.

2.2 Practical expedients applied

On the date of initial application of HKFRS 16, the Group has used the following practical expedients permitted by the standard:

- not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC)-4 Determining whether an Arrangement contains a Lease,
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous by applying HKAS 37 as an alternative to performing an impairment review,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases,
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

3. CHANGES IN ACCOUNTING POLICIES

Leases

Definition of a lease

Under HKFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the condensed consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs, less lease incentives received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, provision is recognised and measured under HKAS 37 "Provision, Contingent Liabilities and Contingent Assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses. They are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the "Property, plant and equipment" policy as stated in the Group's annual consolidated financial statements for the year ended 31 December 2018.

4. SEGMENT INFORMATION

The Group's operating segments, by category of products, based on information reported to the directors of the Company being the chief operating decision maker for the purpose of resource allocation and performance assessment are as follows:

1) Innerwear products – manufacturing and sale of and provision of processing services on innerwear and garments

2) Knitted fabrics – manufacturing and sale of and provision of processing services on knitted fabrics

The following tables present revenue and profit information for the Group's reportable segments for the six months ended 30 June 2019 and 2018, respectively.

	Six months ended 30 June 2019		
	Innerwear products RMB'000 (Unaudited)	Knitted fabrics RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External sales	170,246	55,687	225,933
Inter-segment revenue	80,731	21,063	101,794
Elimination	(80,731)	(21,063)	(101,794)
Group's revenue	170,246	55,687	225,933
Segment profit	17,470	1,743	19,213
Other income			908
Finance costs			(2,967)
Unallocated head office and corporate expenses			(7,862)
Profit before tax			9,292

4. SEGMENT INFORMATION (Continued)

	Six months ended 30 June 2018		
	Innerwear products RMB'000 (Unaudited)	Knitted fabrics RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External sales	118,711	28,580	147,291
Inter-segment revenue	56,049	22,057	78,106
Elimination	(56,049)	(22,057)	(78,106)
Group's revenue	118,711	28,580	147,291
Segment loss	(5,987)	(5,757)	(11,744)
Other income			830
Finance costs			(2,087)
Unallocated head office and corporate expenses			(4,958)
Loss before tax			(17,959)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment profit or loss represents the profit earned or loss made by each segment without allocation of bank interest income and interest income on loan receivables, directors' and chief executive's emoluments, finance costs and unallocated head office and corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at the prevailing market prices.

4. SEGMENT INFORMATION (Continued)

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Innerwear products	**187,870**	187,020
Knitted fabrics	**151,422**	126,101
Unallocated assets	**168,549**	177,083
Total assets	**507,841**	490,204
Innerwear products	**53,793**	45,573
Knitted fabrics	**22,888**	20,006
Unallocated liabilities	**130,015**	128,511
Total liabilities	**206,696**	194,090

For the purpose of monitoring segment performance and allocating resources between segments:

- all assets are allocated to operating segments other than property, plant and equipment for general operating, prepayments for general operating, certain other receivables, deferred tax assets, restricted bank deposits and cash and bank balances; and

- all liabilities are allocated to operating segments other than other payables for general operating, income tax payables, interest-bearing borrowings, loan from a shareholder and deferred tax liabilities.

Upon application of HKFRS 16, the Group's right-of-use assets and lease liabilities are now included in the measure of segment assets and segment liabilities respectively at 30 June 2019. In respect of segment result, there is a change of measurement of segment result due to recognition of depreciation of right-of-use assets, interest expense on lease liabilities, etc. Comparative information is not restated.

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	**718**	830
Exchange gain, net	**525**	584
Sales of scrap material	**1,145**	1,984
Gain on disposal of property, plant and equipment, net	**494**	–
Reversal of impairment recognised in respect of trade receivables, net	**253**	300
Interest income on other receivables	**149**	–
Others	**407**	126
	3,691	3,824

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank loans	**2,921**	2,106
Less: amounts capitalised in the cost of qualifying assets	**–**	(19)
	2,921	2,087
Interest expense on lease liabilities	**46**	–
	2,967	2,087

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Provision for the year	**2,996**	–
Deferred tax	**23**	233
	3,019	233

8. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after charging (crediting):		
Salaries and other benefits	**56,331**	54,184
Contributions to retirement benefit scheme	**6,211**	5,693
Total staff costs (including directors' emoluments)	**62,542**	59,877
Cost of inventories recognised as an expense	**171,481**	127,395
Release of prepaid lease payments	**–**	204
Depreciation of property, plant and equipment	**11,582**	12,154
Depreciation of right-of-use assets	**814**	–
(Gain) loss on disposal of property, plant and equipment, net	**(494)**	506
Operating lease rentals in respect of rented premises	**894**	1,509

9. DIVIDENDS

No dividends were paid, declared or proposed during the period (six months ended 30 June 2018: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

10. PROFIT (LOSS) PER SHARE

The calculation of basic and diluted profit (loss) per share for the six months ended 30 June 2019 is based on the profit attributable to owners of the Company of approximately RMB6,273,000 (six months ended 30 June 2018: loss attributable to owners of the Company of approximately RMB18,192,000) and weighted average number of ordinary shares of 494,335,330 in issue during the six months ended 30 June 2019 (six months ended 30 June 2018: 494,335,330).

Diluted profit (loss) per share for the six months ended 30 June 2019 and 2018 was the same as the basic profit (loss) per share as there were no dilutive potential ordinary share outstanding during the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

11. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS ON LAND USE RIGHTS

During the six months ended 30 June 2019, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB167,000 (six months ended 30 June 2018: approximately RMB757,000), resulting in a net gain on disposal of approximately RMB494,000 (six months ended 30 June 2018: net loss on disposal of approximately RMB506,000).

During the six months ended 30 June 2019, the Group acquired approximately RMB12,612,000 (six months ended 30 June 2018: RMB17,319,000) of property, plant and equipment.

During the six months ended 30 June 2018, no prepaid lease payment on land use rights was acquired by the Group.

11.1 Right-of-use assets and lease liabilities

(i) Right-of-use assets

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised right-of-use assets of approximately RMB2,114,000 and RMB14,519,000 in respect of the leased properties and prepaid lease payments on land use rights (note 2). As at 30 June 2019, the carrying amounts of right-of-use assets were approximately RMB1,506,000 and RMB14,316,000 in respect of the leased properties and prepaid lease payments on land use rights.

(ii) Lease liabilities

Upon adoption of HKFRS 16, on 1 January 2019, the Group recognised lease liabilities of approximately RMB2,114,000 (note 2). As at 30 June 2019, the carrying amount of lease liabilities was approximately RMB1,524,000.

(iii) Amounts recognised in profit or loss

	For the six months ended 30 June 2019 RMB'000
Depreciation expense on right-of-use assets	814
Interest expense on lease liabilities	46
Expense relating to short-term leases	962
Expense relating to leases of low value assets	5

(iv) Others

The total cash outflow for leases amount to approximately RMB1,603,000.

12. DEPOSITS PAID TO ACQUIRE NON-CURRENT ASSETS

As at 30 June 2019, the Group paid deposits of approximately RMB3,697,000 (31 December 2018: RMB74,000) to acquire certain property, plant and equipment for the expansion and improvement of production facilities.

13. TRADE RECEIVABLES

The Group generally allows an average credit period of 30 to 90 days to its trade customers. The ageing analysis of the Group's trade receivables net of allowance for impairment of trade receivables, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0–30 days	**41,114**	29,266
31–60 days	**14,069**	5,046
61–90 days	**1,746**	2,035
Over 90 days	**2,131**	5,890
	59,060	42,237

14. TRADE PAYABLES

The average credit period on purchase of raw materials granted by the Group's suppliers was from 30 to 180 days. The ageing analysis of trade payables, based on the invoice date at the end of the reporting period, is presented as follows:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
0–30 days	**32,454**	36,350
31–90 days	**12,718**	7,008
91–180 days	**1,568**	466
Over 180 days	**1,698**	2,503
	48,438	46,327

15. INTEREST-BEARING BORROWINGS

During the six months ended 30 June 2019, the Group obtained new bank borrowings amounting to approximately RMB50,000,000 (six months ended 30 June 2018: RMB56,000,000) and repaid the bank borrowings amounting to approximately RMB50,000,000 (six months ended 30 June 2018: RMB41,000,000).

16. SHARE CAPITAL

Authorised:

As at 30 June 2019 and 31 December 2018, the Company was authorised to issue a maximum of 1,000,000,000 shares with no par value.

Issued and fully paid:

	Number of shares	**Amount**
		RMB'000
Issued and fully paid:		
At 1 January 2018, 31 December 2018 (audited), 1 January 2019 and 30 June 2019 (unaudited)	494,335,330	148,929

17. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure the interest-bearing borrowings of the Group at the end of the reporting period:

	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
Right-of-use assets	**14,316**	–
Prepaid lease payments	**–**	11,235
Buildings	**76,478**	78,557
Restricted bank deposits	**20,000**	20,000
	110,794	109,792

18. MATERIAL RELATED PARTY TRANSACTIONS

(i) Balances:

The directors of the Company confirmed that there are no material balances due from/to related parties of the Company and the Group.

(ii) Transactions with related parties:

The directors of the Company confirmed that there are no material related party transactions entered into by the Company and the Group.

(iii) Key management compensation:

The remunerations of the directors of the Company and other members of key management of the Group during the period are as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Short-term benefits	**5,223**	3,217
Post-employment benefits	**44**	31
	5,267	3,248

The remuneration of directors of the Company and key management is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

19. EVENT AFTER THE REPORTING PERIOD

On 19 August 2019, the Company, Mr. Zhang Lei and Ms. Zhang Yuan entered into a non-legally binding letter of intent in relation to a potential acquisition by the Company of the controlling interests in certain entities which provide integrated medical and elderly care services in Wuhan, China (the "**Potential Acquisition**"). For details of the Potential Acquisition, please refer to the announcement of the Company dated 19 August 2019.

Save for the Potential Acquisition, as at the date of this interim report, there is no significant event subsequent to 30 June 2019 which would materially affect the Group's operating and financial performance.

20. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These condensed consolidated financial statements were approved and authorised for issue by the board of directors of the Company on 26 August 2019.