ANNUAL 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

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ANNUAL REPORT 2019

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

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Tortola
British Virgin Islands

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PRINCIPAL PLACE OF BUSINESS IN THE PRC
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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
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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 LAST FIVE YEARS

	For the year ended 31 December/As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Key Financial Information					
Revenue	**410,217**	347,196	314,119	334,297	389,317
Gross profit	**99,985**	66,553	47,892	62,841	75,179
(Loss) profit before tax	**313**	(19,697)	(29,757)	(8,119)	(1,915)
(Loss) profit for the year	**(6,745)**	(20,093)	(30,429)	(12,539)	(6,954)
Total comprehensive (expense) income for the year	**(6,051)**	(18,877)	(34,132)	(9,546)	(7,461)
Non-current assets	**248,178**	214,518	209,502	212,396	226,787
Current assets	**210,555**	275,686	259,880	219,196	258,097
Current liabilities	**166,297**	193,621	154,086	139,915	183,698
Net current assets (liabilities)	**44,258**	82,065	105,794	79,281	74,399
Total assets	**458,733**	490,204	469,382	431,592	484,884
Total assets less current liabilities	**292,436**	296,583	315,296	291,677	301,186
Total equity	**290,063**	296,114	314,759	291,068	300,614
Cash and cash equivalents	**93,755**	147,664	160,868	109,876	76,175
Key Financial Ratios					
Gross profit margin	**24.4%**	19.2%	15.2%	18.8%	19.3%
Net profit margin	**–**	–	–	–	–
Gearing ratio[1]	**21.4%**	24.7%	17.5%	20.4%	20.1%
Current ratio	**1.3**	1.4	1.7	1.6	1.4
Trade receivables turnover days	**37**	44	52	71	76
Inventory turnover days	**70**	65	60	69	66

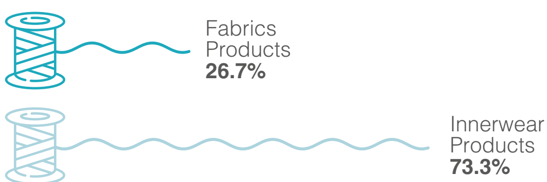
Note:

1 Gearing ratio represents the ratio between total interest-bearing borrowings and total assets.

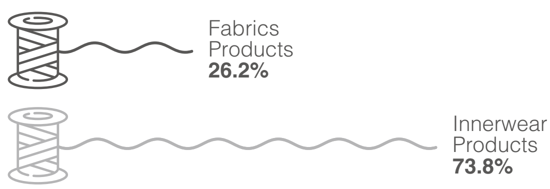
REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

	For the year ended 31 December			
	2019		2018	
	RMB'000		RMB'000	
Revenue of the Group by products				
Fabrics products	**109,442**	**26.7%**	91,085	26.2%
Innerwear products	**300,775**	**73.3%**	256,111	73.8%
Total	**410,217**	**100%**	347,196	100%

2019

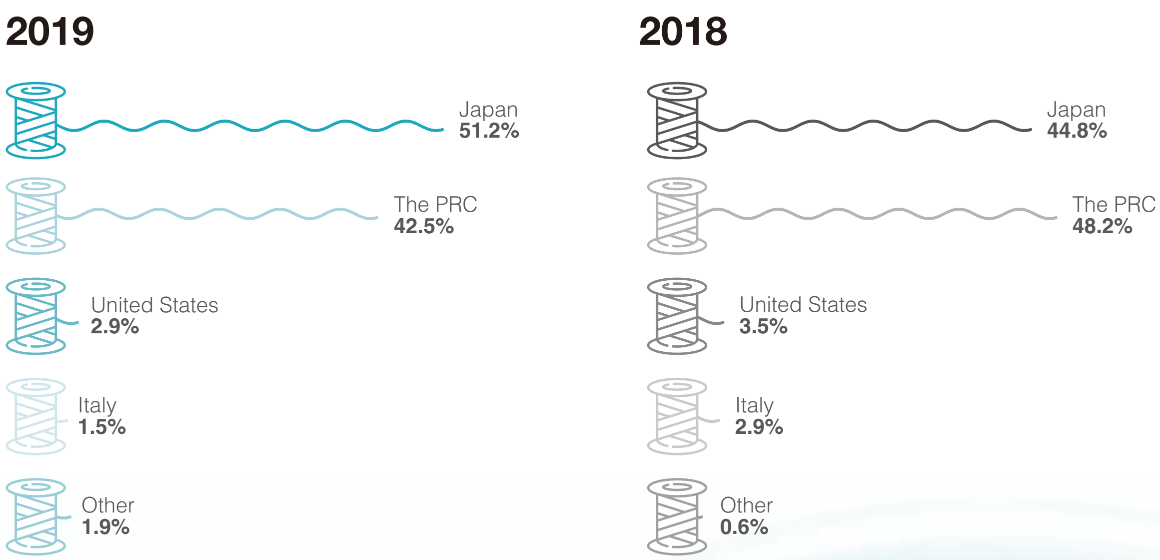


2018



REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	For the year ended 31 December			
	2019		2018	
	RMB'000		RMB'000	
Revenue of the Group by regional distribution				
Japan	**210,107**	**51.2%**	155,499	44.8%
The PRC	**174,400**	**42.5%**	167,262	48.2%
United States	**11,733**	**2.9%**	12,200	3.5%
Italy	**5,963**	**1.5%**	10,156	2.9%
Others	**8,014**	**1.9%**	2,079	0.6%
Total	**410,217**	**100%**	347,196	100%



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Greatime International Holdings Limited (the "Company", hereinafter together with its subsidiaries referred to as the "Group"), I would like to present to all shareholders the audited consolidated results of the Group for the year ended 31 December 2019 (the "Year under Review").

During the Year under Review, the Group recorded a turnover of approximately RMB410.2 million, representing an increase of approximately 18.1% as compared with that of 2018. The loss attributable to shareholders of the Group also decreased to approximately RMB6.7 million. Gross profit increased by approximately 50.2% to approximately RMB100.0 million. Gross profit margin increased to approximately 24.4%. The turnover of knitted fabrics and innerwear products were RMB109.4 million and RMB300.8 million respectively.

In 2019, China's textile industry faced increasingly more risks and challenges: Slow global economic recovery resulted in sliding growth in trade; growing popularity of unilateralism and trade protectionism around the world led to intensifying trade frictions between China and the U.S.; and various challenges faced by China domestically and abroad caused varying levels of adjustments to business activities. The economy faced tremendous downward pressure as a result. Exporters not only had to keep bearing rising costs, exchange fluctuations and decreasing market demand, but also had to face the incidental negative impacts of the large-scale and substantial tariffs imposed by the U.S. on China's goods. In 2019, unfavourable economic news was delivered one after another. The performance of manufacturing and foreign trade in China's textile industry was unsatisfactory. Corporate profitability and investment shrank, resulting in declining foreign trade. According to the figures reported by China National Textile and Apparel Council, in 2019, revenue from sizable textile enterprises decreased by 1.5%; gross profit decreased by 11.6% and fixed asset investment in China decreased by 5.8%. The data published by China Customs were worrying. In 2019, all foreign trades, exports and imports of China's textiles revealed a decline. In addition, the outbreak of coronavirus pneumonia at the beginning of 2020 put China to another test. Accordingly, uncertainties further increased.

Despite the increasing risks and challenges, the Group remains neutral on the prospects of China's textile industry, foreign trade and exports. As stated in the national address, China's economy will continue the general tone of achieving progress while maintaining stability. The focus of policy remains to maintain "steady growth". At the same time, in 2019, China reduced the value-added tax for enterprises and swiftly announced relevant tax relief measures given the coronavirus outbreak. Coupled with the rapid development of the Belt and Road countries, as the trade structure and major economies continue to optimise, China's textile industry up to the manufacturing industry as a whole and foreign trade will continue to enjoy their comparative advantages.

In face of a fast-changing market, the Group will continue to maintain its business philosophy of prudence and flexibly adjust the production capacity of its factories in various regions and seeking projects with high investment and development potential other than its principal business to balance the operational risks. Among which, the Group will continue to develop its business in Myanmar. It is expected that its business in Myanmar will generate steady sales revenue to the Group in the medium to long term and become an important cornerstone for its sustainable profitability. To achieve diversified development, the Group is also actively seeking new investment projects. Through enriching its business mix, the Group will fully capture the market opportunities to achieve sustainable development.

On behalf of the Board, I hereby express my heartfelt thanks to the staff of the Group for their efforts and contributions, and to all shareholders, investors and all customers for their support. We will make unremitted efforts to create reasonable values for our shareholders.

Chairman
Wang Bin

9 April 2020

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Despite that China and the United States (the "U.S.") eventually reached consensus on the initial trade agreement at the end of 2019, the trade war that lasted for more than a year has dampened the global economy. Economic growth in China and the U.S. both slowed down in 2019. For instance, the imports and exports were the first to take the hit as the tariffs imposed by China and the U.S. on each other's goods had resulted in shrinking foreign trade. For the third quarter of 2019, China only recorded a GDP growth of 6%, marking its lowest since 1992. Federal Reserve even changed its stance from rate hike to rate cut to drive the economy. With the tremendous downward pressure on the economy, China's textile industry was with no exception and faced an increasingly challenging business environment.

In 2019, the scale of China's textile industry had only maintained at the level in 2018. Based on the statistics published by China Customs, the foreign trades, imports and exports of China's textile clothing in 2019 had all declined. In particular, the list of increased tariffs by the U.S. which covered the majority of chemical fibres, yarns, fabrics, carpets, textiles for industrial use, apparels and household textiles in China had caused an immediate negative impact on China's textile industry. According to the statistics published by China Chamber of Commerce for Import and Export of Textile and Apparel, the decline in export of China's apparels to the U.S. had an impact on almost every category of products. In the fourth quarter of 2019, it recorded a double-digit decline from the level in the same period of last year. The gross exports to the U.S. as a percentage of China's total textiles products decreased from 43.8% to 37.2% in 2019 as compared to 2018. In terms of dollar terms, the percentage decreased from 34% to 25.5%. Despite that the trade activities between China and other regions remained normal, it is hard to offset the impact of the U.S. factor.

BUSINESS REVIEW

The Group has been committed to diversifying its business to reduce business risks and expand income source. For the year ended 31 December 2019 (the "Year under Review"), the Group continued to play the role as an original equipment manufacturer (the "OEM") underwear supplier of a number of major international clothing brands with plants running in China and Myanmar for production. During the Year under Review, the Group recorded revenue of approximately RMB410.2 million (2018: RMB347.2 million). Loss for the year was approximately RMB6.7 million (2018: loss of RMB20.1 million). The Group's revenue from knitted fabrics was approximately RMB109.4 million and the revenue from innerwear products was approximately RMB300.8 million.

During the Year under Review, Japan remained the Group's second largest country of exports. In 2019, Japan again adjusted the consumption tax from 8% to 10%. Consumption further shrank as a result. According to the statistics published by Ministry of Finance Japan, in 2019, the textile clothing imports of Japan from all over the world amounted to US$38.73 billion, down by 1.5%. Among which, the imports from China amounted to US$21.42 billion, down by 5.6%. Meanwhile, starting from 1 April 2019, the Ministry of Finance Japan suspended the preferential tariffs granted to products imported from China under the generalised system of preferences ("GSP"), adding uncertainties to the industry. However, benefiting from the longstanding and trusted relationship between the Group and its customers, the Group continued to record organic growth in export orders to Japan.

During the Year under Review, the Group continued to export garments to major export markets including the U.S. and Europe. Upon the elevation of tariffs by the U.S. on textile imports from China, based on the statistics published by the U.S. Department of Commerce, in 2019, the textile and clothing imports of the U.S. from China only amounted to US$40.14 billion, down by 9.2% from 2018. The economy of European Union (the "EU") region continued to slow down and the market sentiments remained poor. This negatively affected the demand for China's textiles. According to Eurostat data, in 2019, EU's imports from China amounted to US$44.47 billion, down by 3.1% from 2018. Despite the increasingly challenging business environment, for the Year under Review, the revenue generated from the export of garment amounted to approximately RMB235.8 million, representing 57.5% of the Group's total revenue.

On the contrary, the development in the Southeast Asian region was increasingly established and stable, revealing enormous potential. The Group was actively exploring new markets of fabrics and innerwear products, such as seeking strategic partnerships with customers in the Association of Southeast Asian Nations ("ASEAN") region to cope with market changes and diversify risks. Among which, the Group's business in Myanmar grew in an orderly manner. Yuhua Company Limited, a wholly-owned subsidiary of the Group maintained stable sales revenue, contributing RMB19.7 million to the total revenue of the Group for the Year under Review. At the same time, the Group paid 30 years' rent for another piece of land in Myanmar earlier to further expand its garment business. Currently, phase I development of such piece of land has completed successfully. It is expected that initial production will commence in 2020. The Group is confident that the Belt and Road Initiative will continue to generate tremendous opportunities. Coupled with the rapid development of Myanmar's textile industry in recent years, the Group expects that it can leverage on Myanmar's existing business to fully unleash its business potential for sustainable development.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by knitted fabrics and innerwear products and as a percentage of the Group's total revenue for the Year under Review, with corresponding comparative figures for the year ended 31 December 2018:

	Year ended 31 December			
	2019	**2019**	2018	2018
	RMB'000	**%**	RMB'000	%
Knitted fabrics	**109,442**	**26.7**	91,085	26.2
Innerwear products	**300,775**	**73.3**	256,111	73.8
Total	**410,217**	**100.0**	347,196	100.0

For the Year under Review, the Group recorded a revenue of approximately RMB410.2 million (2018: RMB347.2 million), representing an increase of approximately RMB63.0 million, or approximately 18.1%. The sales volume of knitted fabrics and innerwear products for the Year under Review were approximately 4,041 tons and 20.7 million pieces respectively (2018: approximately 3,295 tons and 17.5 million pieces respectively). The increase of revenue was mainly due to the increase in sales of innerwear products from approximately RMB256.1 million in 2018 to approximately RMB300.8 million in 2019.

Sales of knitted fabrics amounted to approximately RMB109.4 million (2018: RMB91.1 million) representing approximately 26.7% (2018: 26.2%) of the total revenue for the Year under Review. The increase in sales of knitted fabrics was mainly due to the efforts of the sales team on expanding the customer base since 2018. The sales volume of knitted fabrics increase by approximately 22.6% to approximately 4,041 tons for the Year under Review (2018: 3,295 tons). The knitted fabrics were mainly distributed to branded customers in China. For the Year under Review, the Group took up more orders on fabric knitting, the sales of fabric knitting increased from approximately RMB59.8 million in 2018 to approximately RMB66.6 million in 2019, where the sale of fabric sub-contracting process increased from approximately RMB31.2 million in 2018 to approximately RMB42.8 million in 2019. The overall revenue contributed by knitted fabrics was therefore increased by RMB18.3 million to RMB109.4 million for the Year under Review.

Sales of innerwear products amounted to approximately RMB300.8 million (2018: RMB256.1 million), representing approximately 73.3% (2018: 73.8%) of the total revenue for the Year under Review. An increase in sales of innerwear products in the amount of approximately RMB44.7 million was recorded for the Year under Review. The sales volume of innerwear products increased from approximately 17.5 million pieces for the year ended 31 December 2018 to approximately 20.7 million pieces for the Year under Review, representing an increase by 18.3%. The average unit selling price of innerwear products maintained at approximately RMB14.5 per piece in 2019 (2018: RMB14.6 per piece). The increase in sales of innerwear products for the Year under Review mainly due to the increase of the sales volume.

Cost of sales

Cost of sales increased by approximately 10.5% from approximately RMB280.6 million for the year ended 31 December 2018 to approximately RMB310.2 million for the Year under Review. The average unit production costs of innerwear products of the Group for the Year under Review decreased when compared to the unit production cost for the year ended 31 December 2018. The increase in the overall cost of sales was mainly due to the increase in the sales volume. Thus, the cost of sales of knitted fabrics products from RMB85.1 million for the year ended 31 December 2018 to RMB95.8 million for the Year under Review.

Gross profit and gross profit margin

Gross profit increased by approximately RMB33.4 million, or approximately 50.2%, from approximately RMB66.6 million for the year ended 31 December 2018 to approximately RMB100.0 million for the Year under Review. The Group's gross profit margin increased from approximately 19.2% for the year ended 31 December 2018 to approximately 24.4% for the Year under Review mainly due to the decrease in average unit production cost of the Group's products.

The Group's gross profit and gross profit margins by knitted fabrics and innerwear products for the Year under Review, with corresponding comparative figures for the year ended 31 December 2018, are as follows:

	Year ended 31 December			
	2019	**2019**	2018	2018
	Gross profit	**Gross profit margins**	Gross profit	Gross profit margins
	RMB'000	**%**	RMB'000	%
Knitted fabrics	**13,674**	**12.5**	5,966	6.5
Innerwear products	**86,311**	**28.7**	60,587	23.7
Total	**99,985**	**24.4**	66,553	19.2

Other income and other gains

Other income and other gains amounted to approximately RMB5.6 million (2018: RMB7.3 million) for the Year under Review which were mainly net exchange gain, interest income and sales of scarp materials. The decrease in other income and other gains was mainly due to the decrease in net exchange gain. For the Year under Review, no exchange gain was recorded (2018: RMB2.0 million).

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB1.8 million to approximately RMB13.4 million (2018: RMB11.6 million) for the Year under Review. Selling expenses mainly represented the transportation expenses, salaries and commission to the sales staff. The increase in selling expenses was mainly due to the increase in sales of the Group's product in 2019.

Administrative expenses

Administrative expenses increased to approximately RMB86.7 million (2018: RMB77.5 million) for the Year under Review. The increase in the administrative expenses was mainly due to the increase in the salaries and staff benefits, which included directors and staff salaries, social welfare and pension expenses and the increase of depreciation and amortisation of property, plant and equipment. Salaries and staff benefits increased from RMB45.0 million for the year ended 31 December 2018 to RMB48.4 million for the Year under Review. Such increase was mainly due to the increase in salaries to management personnel to better manage the subsidiaries of the Group. The depreciation and amortisation of property, plant and equipment was RMB12.2 million for the Year under Review (2018: RMB9.3 million). The increase of the depreciation and amortisation was mainly due to the increase in property, plant and equipment for administrative purpose in 2019.

Finance costs

Finance costs increased to approximately RMB5.2 million (2018: RMB4.5 million) for the Year under Review, primarily due to the increase in average bank borrowing during the Year under Review.

Profit before tax

The Group's profit before tax was approximately RMB0.3 million (2018: loss before tax RMB19.7 million) for the Year under Review primarily due to the increase in revenue, gross profit. The gross profit of fabrics products and innerwear products increased from RMB6.0 million and RMB60.6 million, respectively for the year ended 31 December 2018 to RMB13.7 million and RMB86.3 million, respectively for the Year under Review. The administrative expenses increased by RMB9.2 million to RMB86.7 for the Year under Review (2018: RMB77.5 million).

Income tax expense

Income tax expense increased to approximately RMB7.1 million (2018: RMB0.4 million) for the Year under Review. The Group's effective tax rate for the Year under Review was approximately 2,254.95%, as compared to approximately negative 2.01% for the year in 2018.

Loss for the year and loss margin

The Group's loss for the year decreased by approximately RMB13.4 million, from approximately a loss of RMB20.1 million for the year ended 31 December 2018, to a loss of approximately RMB6.7 million for the Year under Review. The decrease in the loss was mainly due to the increase in gross profit of approximately RMB33.4 million for the Year under Review as mentioned in the above paragraphs.

Inventories

The inventory balances increased to approximately RMB61.7 million as at 31 December 2019 (2018: RMB56.6 million).

The average inventory turnover days increased to approximately 70 days (2018: 65 days) for the Year under Review.

Trade receivables

Trade receivables slightly decreased to approximately RMB39.9 million (2018: RMB42.2 million) as at 31 December 2019.

The average trade receivables turnover days decreased to approximately 37 days (2018: 44 days) for the Year under Review as the management team better manage the collection of trade receivables in 2019. The trade receivables turnover days still fell within the credit terms granted to the customers of the Group.

Trade payables

Trade payables decreased to approximately RMB40.1 million (2018: RMB46.3 million) as at 31 December 2019. The average turnover days for trade payables decreased to approximately 51 days (2018: 60 days) for the Year under Review which were in line with the trade credit periods given by the suppliers of the Group.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sale of its products and bank borrowings. As at 31 December 2019, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.27 (as at 31 December 2018: 1.42). As at 31 December 2019, the Group had cash and cash equivalents of approximately RMB93.8 million (as at 31 December 2018: RMB147.7 million) and short-term bank loans of approximately RMB98.0 million (as at 31 December 2018: RMB121.0 million). As at 31 December 2019, the Group's gearing ratio (calculated as total debts as at year end divided by total assets for the year x 100%, while debts are defined to include current and non-current interest-bearing borrowings) measured on the basis of total bank loans was approximately 21.4%, as compared to approximately 24.7% as at 31 December 2018.

As at 31 December 2019, the Group had fixed rate bank loans of RMB50.0 million (2018: RMB48.0 million) and variable rate bank loans of approximately RMB48.0 million (2018: RMB73.0 million). The effective interest rate on the Group's fixed rate bank borrowings was 4.80%, and the effective interest rate for the Group's variable rate bank borrowings was 4.98% to 5.17% per annum as at 31 December 2019 (2018: fixed rate: 4.35% to 4.80%; variable rates: 5.17% to 5.22% per annum). During the Year under Review, there was no material change to the Group's funding and treasury policy.

The majority of the Group's funds have 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 next financial year.

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

Interest rate and foreign currency exposure

The Group is exposed to cash flow interest rate risks in relation to variable rate interest-bearing borrowings. The pledged bank deposits and bank balances also expose the Group to cash flow interest rate risk due to the fluctuation of the prevailing market interest rate on bank balances. The Group historically has not used any financial instruments to hedge potential fluctuations in interest rates. The management considers that the exposure of the pledged 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 rate on bank deposits. To mitigate the impact of interest rate fluctuations, the Group will manage the interest expenses by financing with both fixed and variable rate debts, and will continually assess and monitor the Group's exposure to interest rate risk and will consider other necessary actions when significant interest rate 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, trade and other payables and loan from a shareholder are denominated in USD, Japanese yen and HK$ respectively, while substantial operating expenses are denominated in RMB, and the Group's reporting currency is 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 pricing to compensate for the increase in cost of production. This would lower the Group's market competitiveness, on a price basis, for its products and could result in a decrease in revenue. In the future, the management will monitor foreign exchange exposure and will consider hedging or factoring significant foreign currency exposure should the need arise.

Contingent liabilities

As at 31 December 2019, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2019, the Group's bank loans were secured by the Group's bank deposits, buildings and land use rights of carrying amounts of approximately nil, RMB91.0 million and RMB10.9 million, respectively (as at 31 December 2018: RMB20.0 million, RMB78.6 million and RMB11.2 million, respectively).

HUMAN RESOURCES

As at 31 December 2019, the Group employed approximately 2,300 employees. The total staff costs (including directors' and key managements' emoluments) of the Group for the Year under Review were approximately RMB118.3 million (31 December 2018: RMB110.2 million). Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group conducts periodic reviews for the employees and their salaries and bonuses are performance related. 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 a good relationship with its employees.

FINAL DIVIDEND

No payment of a final dividend for the Year under Review was recommended by the Board (2018: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

No material acquisitions and disposals by the Group were noted during the Year under Review.

PROSPECTS

The Sino-U.S. trade issue and the geopolitical risks of various countries will continue to bring uncertainties to the industry. At the beginning of 2020, the unexpected outbreak of coronavirus pneumonia has put China in another difficult position. Due to the control over transportation, logistics and people mobility in various regions, resumption of production in factories after the Chinese New Year holidays has been further postponed, resulting in insufficient rate of operation. Each segment of the supply chain is facing great uncertainties in supply and demand. Despite that the Group has been actively coping with the government's requirements to strengthen the control over health protection, the general market remains in a semi-stagnant state up to now. It is expected that the production and trade of textile clothing will be adversely affected.

Fortunately, 10 ASEAN countries together with China, Japan, Korea, Australia and New Zealand issued a joint announcement at the end of 2019 that these 15 member states have concluded all text-based negotiations for the Regional Comprehensive Economic Partnership (the "RCEP") and essentially all their market access issues, and are ready to enter into the agreement within this year. Southeast Asia is currently the fastest growing emerging market of textile industry. In recent years, textile imports and exports have been taking off rapidly. Similarly, Japan, Korea, Australia and New Zealand are important countries of textile exports for China. It is expected that, upon entering into the RCEP, the complementary strengths of China and the Southeast Asian countries in the textile industry will be increasingly significant. In addition, the export tariffs on textiles will be further reduced, making China's textiles more competitive. It is expected that this will provide certain positive support to the industry's development.

Under such challenging environment domestically and abroad, the Group has taken proactive measures to adjust the capacity of production facilities in various regions and identified projects with investment and growth potential other than its principal business to reduce operational risks. Faced with the prevailing difficult business landscape, the Group hopes that it can maintain its firm position to cope with future challenges and achieve sustainability by diversifying business mix and adopting expedient and flexible measures and business strategies so as to generate attractive returns for shareholders.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WANG Bin, aged 55, is a representative of the Twelfth National People's Congress of the PRC, a doctoral supervisor and a part-time professor at the Southwestern University of Finance and Economics, as well as a PRC certified public accountant. He received his doctorate degree in economics from Southwestern University of Finance and Economics in June 2003. Mr. Wang Bin had assumed different positions in government authority and state-owned enterprise including the deputy director of State-owned Assets Supervision and Administration Commission of the State Council of Sichuan Province in the PRC and the chairman of Sichuan Development Holdings Co., Ltd.* (四川發展(控股)有限責任公司). Mr. Wang Bin has been serving as the vice chairman of Hainan Haide Industry Co., Ltd (海南海德實業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000567), since October 2015 and served as general manager concurrently from October 2015 to September 2016.

Mr. Wang has entered into a service agreement with the Company under which he acts as an executive director of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Wang will receive from the Company a director's fee of HK$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Wang for his directorship in the Company.

Ms. TIAN Ying, aged 55, is a senior accountant. She graduated from Dongbei University of Finance and Economics in July 1988 with a bachelor's degree in statistics. She graduated from Hong Kong Baptist University in November 2012 with a master's degree in accounting and finance. In March 2015 she was appointed as the chairlady at Huaxing Power Co., Ltd.* (華興電力股份公司). Before that, Ms. Tian had worked in Beijing Sanjili Energy Co., Ltd. (北京三吉利能源股份有限公司) for more than 15 years and had served in various positions, including its chief accountant and deputy general manager.

Ms. Tian has entered into a service agreement with the Company under which she acts as an executive director of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Ms. Tian will receive from the Company a director's fee of HK$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and her duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Ms. Tian for her directorship in the Company.

Mr. DU Shuwei, aged 52, is a vice president of Wintime Group Co., Ltd* (永泰集團有限公司). Mr. Du graduated from Zhongnan University of Economics in 1990 with a bachelor's degree in economics and graduated from Zhongnan University of Economics and Law with a master's degree in business administration in 2000. He graduated from Huazhong University of Science and Technology with a doctorate in management in 2009 and graduated from Université Grenoble Alpes of France with a master's degree in executive business administration in 2012.

Mr. Du served in Tongji Hospital of Tongji Medical University from July 1990 to September 2001. He worked as an accountant of the finance office from July 1990 to January 1996, a deputy director of the economic management office from January 1996 to January 1997, a director of the economic management office from January 1997 to March 1998 and a director of the finance office from March 1998 to September 2001. Mr. Du served as a chief accountant of Tongji Hospital of Huazhong University of Science and Technology from September 2001 to September 2008 and served as the vice president from September 2008 to January 2018. Since March 2018, Mr. Du has served as the vice president of Wintime Group Co., Ltd* (永泰集團有限公司).

Mr. Du has entered into a service agreement with the Company under which he acts as an executive director of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Du will receive from the Company a director's fee of HK$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Du for his directorship in the Company.

NON-EXECUTIVE DIRECTORS

Mr. ZHANG Yanlin, aged 51, graduated from Zhongnan University of Finance and Economics in July 1990 with a bachelor's degree in economics. He served as the general manager of Shenzhen Hua Sheng Investment Development Co., Ltd. (深圳華晟投資發展有限公司) from July 2002 to October 2004. From August 2002 to November 2004, he held the position of supervisor at MyHome Real Estate Development Group Co., Ltd. (美好置業集團股份有限公司) (previously known as Celebrities Real Estate Development Group Co., Ltd. (名流置業集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000667). From November 2004 to June 2008, Mr. Zhang Yanlin had worked as the director and general manager of Nanjing Xinsu Property Co., Ltd.* (南京新蘇置業有限公司), the director of the office of the board of directors at Wintime Investment Holding Co., Ltd.* (永泰投資控股有限公司), and the director, deputy general manager and representative chairman of Xuzhou Wintime Real Estate Development Co., Ltd.* (徐州永泰房地產開發有限公司). Since November 2015, he has been serving as the assistant of the chairman and general manager of the corporate governance department of Wintime Holding. Since 10 August 2016, he has been serving as the chairman and general manager of Shenzhen Wintime Finance Lease Co., Ltd.* (深圳市永泰融資租賃有限公司). Since 17 September 2016, he has been serving as a director and general manager of Wintime Technology Investment Co., Ltd.* (永泰科技投資有限公司).

Mr. Zhang has entered into a service agreement with the Company under which he acts as a non-executive director of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Mr. Zhang will receive from the Company a director's fee of HK$200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Zhang for his directorship in the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. XU Dunkai, aged 68, is currently the president of the Alumni Association of Zhongnan University of Economics and Law. He was previously the vice chairman of Higher Financial & Economic Education Branch of China Higher Education Association, and the legal representative of the Education Development Foundation of Zhongnan University of Economics and Law. He graduated from Hubei Institute of Finance and Economics in January 1982 with a bachelor's degree in philosophy. He completed the main courses of master of science in economics in Wuhan University from September 1984 to July 1985. He is the Author of "The History of Enterprise Management Thought in the Period of the Republic of China" (《民國時期企業經營管理思想史》). He organized the compilation of the dictionary of "Financial Dictionary (Second Edition)" (《財經大辭典》(第二版)). He has also led a national social science foundation research project.

Mr. Xu was appointed by way of a letter of appointment for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such letter of appointment, Mr. Xu will receive from the Company a director's fee of HK$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Xu for his directorship in the Company.

Ms. FENG Xin, aged 38, has more than 10 years of experience in the field of financial services, investment and financial management, including experience in investment banking, private equity investment, and financial auditing. She holds a bachelor's degree in accounting from Xiamen University and Master of Business Administration from Ross School of Business at the University of Michigan. Ms. Feng Xin had previously worked as the senior auditor of Deloitte Huayong Certified Public Accountants (Shenzhen branch) and was the vice president in the investment banking department of China International Capital Corporation (中國國際金融股份有限公司). She had also held the role as the general manager of Guo Kai Jin Tai Capital Co. Ltd.* (國開金泰資本投資有限責任公司). She is currently a managing director of Sequoia Capital China (紅杉資本中國基金).

Ms. Feng was appointed by way of a letter of appointment for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such letter of appointment, Ms. Feng will receive from the Company a director's fee of HK$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and her duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Ms. Feng for her directorship in the Company.

Mr. HU Quansen, aged 52, is a senior accountant and a PRC certified public accountant. He received a bachelor's degree in economics from Zhongnan University of Economics in July 1990 and a master's degree in finance from Zhongnan University of Economics and Law in December 2005. He served as the manager of audit division of Wuhan International Trust & Investment Co., Ltd.* (武漢國際信託投資公司) between May 2004 and October 2010. He also served as the general manager of the audit division of Guotong Trust Co., Ltd.* (國通信託有限責任公司) (previously known as Founder Bea Trust Co., Ltd.* (方正東亞信託有限責任公司)) from October 2010 to March 2015, and has been serving as the general manager of the trust asset management division of the same company since March 2015.

Mr. Hu was appointed by way of a letter of appointment for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such letter of appointment, Mr. Hu will receive from the Company a director's fee of HK$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Hu for his directorship in the Company.

SENIOR MANAGEMENT

Mr. LEE Yin Sing, aged 39, is the chief financial officer and company secretary of the Company (the "Company Secretary"). Mr. Lee is responsible for overseeing the Group's financial planning and management. Mr. Lee has over 11 years of experience in finance control and accounting through his prior employments. He acquired auditing experience through his prior employment with an audit firm of international repute from 2002 to 2007. He was appointed as an independent non-executive director of Lumina Group Limited, a company listed on the GEM Board (stock code: 8470), in September 2017. Prior to joining the Group as its chief financial officer in August 2010, he worked as the financial manager of Proview International Holdings Limited, a company listed on the Stock Exchange (stock code: 334), in 2009 during which he acquired experience in finance control, accounting and company secretarial matters. Mr. Lee graduated from the City University of Hong Kong in 2002 with a bachelor's degree in accounting. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2008.

Mr. WANG Shao Hua, aged 52, has over 23 years of experience in the knitting industry. He has been the general manager of Zhucheng Eternal Knitting Company Limited since May 2004 and was also appointed as its director in December 2009.

Mr. Wang graduated from Shandong Textile Industry School (山東省紡織工業學校) and obtained his junior college degree in textile (針織專業大學專科) in July 1987. He completed the part-time course in Shandong Provincial Party School of the Communist Party of China (中共山東省委黨校) during September 1993 to June 1996 in economic management and obtained his certificate.

He has also been a director of Zhucheng Yumin Knitting Company Limited since November 2004 and a director of Shandong Grand Concord Garment Company Limited since its establishment.

Mr. LIU Xin De, aged 53, is a director of Zhucheng Eternal Knitting Company Limited and Zhucheng Yumin Knitting Company Limited. Mr. Liu is responsible for product management and equipment administration of Zhucheng Yumin Knitting Company Limited. He joined Zhucheng Eternal Knitting Company Limited in March 2001 as merchandiser and was promoted as an office manager in June 2003. Mr. Liu obtained his bachelor's degree in national economic management from Shandong University (山東大學) in July 1989.

Ms. JI Tai Mei, aged 50, is the deputy general manager in charge of product management of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the head of product planning department and concurrently as the assistant of general manager of Zhucheng Eternal Knitting Company Limited from June 2004 until April 2010. Prior to joining the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd. (山東蘭鳳針織集團) from September 1989 to May 2004 and assumed the position of manager of the garment workshop from July 1999. Ms. Ji obtained her junior college degree in accounting from Shandong TV University (山東廣播電視大學) in July 1994.

Ms. ZHOU Li, aged 47, is the deputy general manager of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the sales manager of Zhucheng Eternal Knitting Company Limited since December 2005 and was also appointed as assistant of general manager of Zhucheng Eternal Knitting Company Limited on 15 August 2007. Before her engagement with the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd. (山東蘭鳳針織集團) from August 1992 to October 2005 and was the deputy general manager of import and export department before she left the same. Ms. Zhou graduated from Shandong Textile Industry School (山東省紡織工業學校) and obtained her degree of secondary vocational school diploma in textile on July 1992. She also obtained junior college degree in economic management (經濟管理大學專科) after completing the 3-year distance learning course from Shandong Cadres Correspondence College (山東省幹部函授大學) in June 1996.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

CONTENTS

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report (this "Report") serves as a review on the efforts and achievements made by Greatime International Holdings Limited and its subsidiaries (the "Company", together with its subsidiaries as the "Group") for its sustainability issues in 2019. This Report discloses the Group's policies and practices pertinent to sustainable development. As a platform for communication and to facilitate understanding with the Group's stakeholders, this Report also contains information on actions taken in response to the major expectations and concerns of stakeholders. This Report is to be read in conjunction with the Company's 2019 Annual Report, in particular the Corporate Governance Report contained therein.

This Report has been approved by the board (the "Board") of directors (the "Directors") of the Company.

Reporting Boundary

This Report covers the Group's sustainability-related issues, as well as correlated policies, measures, and activities under the control of the Group. This Report covers the period from 1 January 2019 to 31 December 2019 (the "Reporting Period"). The entities covered in this Report mainly include the subsidiaries in Hong Kong, the People's Republic of China ("PRC") and the Republic of the Union of Myanmar ("Myanmar"). The physical boundary includes offices in the PRC and the factories in the PRC and Myanmar.

The Group focuses on innerwear products and knitted fabrics and is mainly an original equipment manufacturer (the "OEM") supplier. Its operation, includes the activities of weaving and knitting, dyeing and finishing, printing, cutting, and sewing. The Group's major environmental impacts, as well as the social impacts, are generated from the activities relating to its operation in the PRC and Myanmar. Thus, the report boundary covers the factories in the PRC and Myanmar. The Group would continue to optimise and improve the disclosure to provide a more comprehensive view of its performance.

Basis of Preparation

This Report was prepared in accordance with the *ESG Reporting Guide* ("ESG Guide") contained in Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong Limited. This Report has complied with "comply or explain" provisions of the ESG Guide. Moreover, the selection of information for disclosure was based on the result of the materiality assessment.

The reporting principles (consist of Materiality, Quantitative, Balance, and Consistency) outlined in ESG Guide have been adopted in the Group's reporting practices.

Publication of this Report

This Report is available in both Traditional Chinese and English. Should there be any discrepancy between the Traditional Chinese version and the English version, the English version shall prevail. An electronic version of this Report can be accessed on the Group's website http://www.greatimeintl.com.

Feedback to this Report

The Group will continually improve and enrich the contents and presentation of its ESG reports. Your feedback on the Group's sustainability performance is welcomed. Please email us at info@greatimeintl.com.

OUR ENGAGEMENT

The Group attaches significance on maintaining communication and interaction with the stakeholders by establishing diversified communication channels as shown in Table 1. Through these communication channels, the Group maintains a good understanding of the expectations from the stakeholders, and hence allows the Group to further develop and optimise its sustainable development strategies.

Table 1 Expectations of Major Stakeholders and the Channels of Communication

Stakeholders	**Communication Channels**	**Expectations**
Government and Regulatory Authorities	• On-site inspections • Research and discussion through work conferences, work reports preparation and submission for approval • Consultation • Annual reports • Website	• Complying with the laws and regulations • Proper tax payment • Promoting regional economic development and employment • Information disclosure
Major Shareholders	• Annual general meeting and other shareholder meetings • Annual report and other announcements • Email, telephone communication, and corporate's website	• Sustainable income and protection of their investments • Protection of interests and fair treatment of shareholders
Financial Intuitions and Potential Investors	• Regular meetings • Annual report and other announcements • Email, telephone communication, and corporate's website	• Information disclosure and transparency
Retail Investors	• Annual report and other announcements • Email, telephone communication, and corporate's website	• Sustainable return on investment

Stakeholders	Communication Channels	Expectations
Employees	• Conferences • Training, seminars and briefing sessions • Cultural and sport activities • Newsletters • Intranet and emails	• Safeguarding the rights and interests of employees • Decent working environment • Career development opportunities • Self-actualization • Health and safety
Customers	• Website, brochures, and annual reports • Email and customer service hotline • Feedback forms • Regular meetings	• Safe and high-quality products • Stable relationship • Information transparency • Business integrity and ethics
Suppliers/Distributors	• Business meetings, supplier conferences, phone calls, and interviews • Regular meetings • Reviews and assessment • Tendering process	• Long-term partnership • Business honesty • Fairness and transparency • Information resource sharing • Risk reduction
Business Partners	• On-site visits • Irregular meetings	• Supply chain management • Product quality management
Peers/Industry Associations	• Industry conferences • Site visits	• Experience sharing • Corporations/Fair competition
Community	• Website, and ESG report	• Creating social benefits

Materiality Assessment

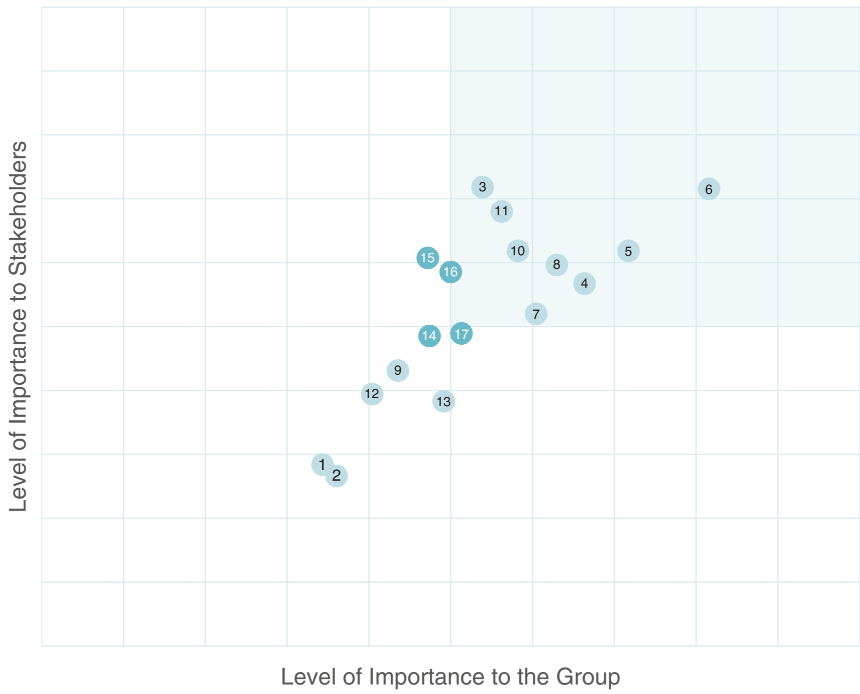
The Group conducted its second materiality assessment for its 2019 ESG reporting through surveying with the assistance of an independent third-party consultancy, as its ongoing effort in stakeholder engagement. The Group invited both its internal and external stakeholders to participate in the survey, where they expressed their views on the Group's materiality.

To identify the relevant ESG issues for the Group, the Group reviewed its list of ESG issues of 2018, and confirmed that it is still applicable in 2019, fully reflecting the Group's business nature and the outputs of communication with stakeholders over the reporting period. Thus, the ESG issues were subsequently incorporated in the survey, which the Group then distributed to the stakeholders.

The survey respondents (including major shareholders, senior management, employees, business partners and community) were asked to rank the ESG issues in order of the levels of importance to them or to the Group. The opinions from major shareholders and senior management represented the "Importance to the Group", while the other stakeholder groups' responses represented the "Importance to the Stakeholders".

A materiality matrix was created to illustrate the relative importance of the ESG issues and to identify the material issues for the Group. The issues located to the upper right corner of the materiality matrix are identified as material issues. The structure and disclosure of the Report were prepared to reflect the result of the materiality assessment.

Materiality Matrix



Social Issues

01. Anti-corruption
02. Community Partcipation and Contribution
03. Corporate Governance and Risk Management
04. Employee Development and Training
05. Employment and Welfare
06. Health and Safety
07. Indoor Air Quality
08. Labour Standards
09. Procurement
10. Product and Service Quality
11. Product Responsibility
12. Supply Chain Management
13. Women Working Conditions and Discrimination

Environmental Issues

14. Chemical Usage and Management
15. Discharge and Management
16. Energy Usage and Efficiency
17. Water Usage and Efficiency

According to the result of materiality assessment, the following issues are considered material for the Group:

Table 2 The Material Issues Identified and their Descriptions

Material Issues (in descending order of materiality)	**Brief Descriptions of the Issues for Communication with Survey Respondents**
Health and Safety	The safety-related management relating to the working environment and occupational hazards
Employment and Welfare	The management relating to the compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination etc.
Corporate Governance and Risk Management	The Group's governance, operation and risk management
Product Responsibility	The management relating to the privacy matter of customers, advertising, labeling, intellectual property rights etc.
Employee Development and Training	The management relating to the development and training of employees
Labour Standards	The management relating to child labour and forced labour
Product and Service Quality	The management relating to the quality of products and services
Indoor Air Quality	The air quality of indoor working environment

The Group fully takes note of the results of the above materiality assessment, and this Report responds to the identified material issues in the following sections.

Table 3 Sections of Report for Responding to the Material Issues Identified

Material Issues (in descending order of materiality)	Sections of the Report Responding to the Issue
Health and Safety	Our People – Health and Safety
Employment and Welfare	Our People – Employment and Labour Standards
Corporate Governance and Risk Management	Our Business – Corporate Governance
Product Responsibility	Our Business – Product Responsibility
Employee Development and Training	Our People – Development and Training
Labour Standards	Our People – Employment and Labour Standards
Product and Service Quality	Our Business – Product Responsibility
Indoor Air Quality	Our People – Health and Safety

OUR BUSINESS

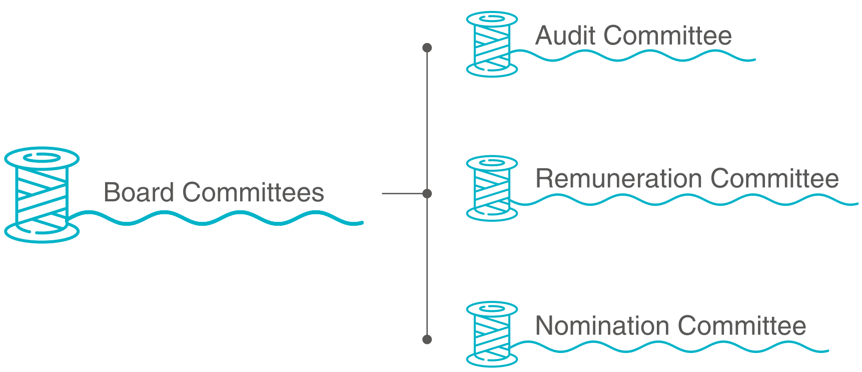
The Group strives for sustainable development so as to reduce risks and to seize opportunities associated with its business. The Group believes that upholding good corporate governance is vital to ensure effective internal control and to protect the long-term interests of the stakeholders. Shouldering the full responsibilities of its product, the Group dedicates its full efforts to maintain the quality of its products without compromising the standards of workplace safety and environmental protection, while recognizing the needs in building up a close and long-term business relationship with its suppliers. Besides, one of the core values of the Group is to maintain the highest standard of integrity in continuous business development.

The material issues – "Corporate Governance and Risk Management", "Product Responsibility", and "Product and Service Quality" are responded to in this section.

Corporate Governance

Governance

The Board, as the responsible party for leading and controlling the Company and overseeing the Group's businesses, strategic decisions, financial performance and corporate governance functions, has been assisted by various functional committees in discharging its duties, including the Audit Committee, the Remuneration Committee, and the Nomination Committee (collectively the "Committees"), with specific responsibilities assigned.



The senior management is responsible for the day-to-day management, administration, and operation of the Company, in which the heads of division are responsible for the management and operation of different aspects of the business. Major corporate matters that are specifically delegated by the Board to the senior management include preparation of interim and annual reports and announcements, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures, and compliance with relevant laws, rules, and regulations.

The Board recognises its responsibility to oversee ESG issues, which are as important as other corporate issues, and is planning the establishment of an ESG working group in the near future with the aim of assisting the Board to manage ESG issues. The ESG working group will be comprised of senior management and staff from different departments, and directly report to the Board.

Risk Management and Internal Control

The Group's risk management and internal control, as well as effectiveness review, are responsibilities of the Board. The senior management is required by the Board to establish and maintain sound and effective systems for risk management and internal control. The risk management function includes the activities of identifying risks, assessing risks, responding to risks, monitoring risks, and reporting in order to identify, evaluate and manage significant risks; while the internal control framework includes central direction, resources allocation and risk management of the activities of various business units, supported by human resources, information systems, and financial practice. Control procedures have been designed to safeguard assets against misappropriation and disposition; to ensure compliance with relevant laws, rules, and regulations; to ensure proper maintenance of accounting records for the provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

Processes have been set to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects. The Group's finance department is responsible for reviewing the Group's internal control systems, operational efficiency and compliance with the policies and procedures on a regular basis, and ensuring the existence of an effective internal control system in all business units. Independent reviews of risks associated with and controls over principal operations and critical applications, and reports to the Audit Committee with its findings are performed by the finance department, and its responsibility includes making recommendations to improve the internal controls of the Group.

For more details on corporate governance, risk management, and internal control, please refer to the Corporate Governance Report on page 61.

Product Responsibility

The Group is committed to fulfilling its responsibility for its products by securing the quality of the products.

The labels attached to innerwear products are prepared according to the customers' requirements because the Group has no control over labeling as an OEM supplier. For knitted fabrics, the Group prepares the labels in accordance with relevant laws and regulations. Advertising is not considered as a material matter by the Group because of the Group's main role as an OEM supplier.

Product Health and Safety

The Group strives to assure the safety and health of the products. Only dyes and chemicals approved to be sold and used by the relevant authorities in the PRC are selected and sourced from renowned chemical companies in the PRC and abroad. The chemical additives which contain banned chemicals in the European Union, the United States and the PRC are strictly prohibited from using in the Group's products.

Products including the knitted fabrics and baby wears are certified to meet the requirements of the STANDARD 100 by OEKO-TEX®, an international standard that tests for harmful substances such as azo dyes, formaldehyde, nickel, pesticides, and solvent residues to ensure harmlessness in human ecological terms. The subsidiary involving the processes of dyeing and finishing is in compliance with the criteria of Whitelist management system according to GB18401–2010 for concentration limits of prohibited aromatic amine, certified by China National Textile & Apparel Council.

Quality Control

The Group upholds the belief of "The quality today determines the market tomorrow" and strives to improve its quality management system for continuous quality improvement. Various quality control related systems are adopted in the factories.

The Group has established and reviewed its quality control policies, inspection requirements and procedures for various types of products, such as the *Procedures for Inspection and Control of Inspection Facilities*, to ensure the Group has a rigorous control over the product quality and meets the legal requirements as well as customers' standards. The quality inspection department is responsible for the execution of the relevant policies, performing quality inspections on procured materials, semi-finished goods and the finished products throughout different stages of production.

The procured materials for the fabric production mainly include cotton yarns and dyeing related materials, while the innerwear production involves the use of fabrics, sutures, buttons, and zippers. The procured materials shall pass the quality inspection before entering the warehouses, and be properly stored according to the Group's safety and quality requirements.

To ensure the product quality, the Group conducts various testing such as physical, chemical and bacteria tests to assess product health and safety, appearances, functionality and durability etc.

The subsidiaries of the Group as shown below have been certified to be in conformity with ISO 9001 (Quality management system).

Complaint Handling and Product Recall

The Group values customer expectations and opinions. To ensure high degree of customer satisfaction, the Group assigned its employees at the sales department to keep a close communication with every customer. Complaints received will be reported level by level to seek solutions if the customers' concern cannot be resolved. If the products that are delivered to customers are found to be unqualified or potentially unqualified, the issue will be treated seriously. The sales department and the quality inspection department will have to undertake corrective and preventive measures correspondingly.

During the Reporting Period, four complaints on products were received from customers. After investigation and analyzing the root causes, the Group replaced the defective products. Related corrective and prevention measures such as improving operation procedures and enhancing inspection and training were implemented to prevent the recurrence of similar incidents. All complaints received were properly settled with the customers. No product sold was subject to recalls for safety and health reasons during the Reporting Period.

Protection of Customer Privacy

The information relating to customers and their products are treated as highly confidential. The Group's employees are not allowed to disclose any information of customers in any circumstances. Permission to access the information of customers has been set in the computer system of the Group and is granted to the authorised personnel only.

Intellectual Property Protection

The Group has implemented several measures for intellectual property protection, such as entering into non-disclosure agreements, implementing internal security systems and policies, and compliance with relevant laws and regulations, to protect its intellectual property. The *Management Regulation on Customer-supplied Materials* prohibits the information provided from customers to be shared or used in other products or by any third parties. Employees are required to sign an agreement not to disclose any of the Group's proprietary intellectual property to any third parties.

Supply Chain Management

The Group emphasises the importance of supply chain management, in particular the social and environmental performance of its suppliers and subcontractors. The Group has formulated and implemented an internal policy, the *Suppliers/Subcontractors Social Responsibility Control Procedure* ("SSRCP"), to select suppliers and subcontractors based on their performance in social and environmental responsibility. The areas to be assessed include cases of child labour and forced labour, employees' wage and working hours, benefits such as paid leaves and insurance, fire safety provisions, availability of sewage discharge permit and waste sorting facilities. The supplies department of the Group is responsible of assessing the suppliers and subcontractors' performance.

Procedures for evaluating the social and environmental performance of suppliers and subcontractors are:

1. The supplies department examines the performance of suppliers and subcontractors by conducting documents review and on-site assessments.

2. The supplies department develops a file for each certified supplier and subcontractor, containing assessment results, supporting documents, and records of improvement, certifications related to social responsibility etc.

3. All suppliers and subcontractors shall sign and commit to take up their social and environmental responsibility as outlined in the SSRCP before entering into a contract with the Group.

4. The supplies department performs site visits to suppliers and subcontractors for evaluating and recording their performance.

5. Cooperation with suppliers and subcontractors will be terminated if the supplies department discovers any cases of child labour, forced labour or any other violation of the laws and regulations concerning labour rights and social responsibility management. The supplies department also studies the sub-providers of the suppliers and subcontractors in order to prevent child labour and forced labour in the workplaces of sub-providers.

6. Suppliers and subcontractors will not be selected if they refuse to be examined on-site.

7. If a supplier or subcontractor either obtains Social Accountability 8000 (SA8000) or conform to the world-renowned procurement evaluation standard, the on-site assessment may be exempted only if they can provide relevant certificates or evaluation reports for cross-checking of claimed good performance.

Table 4 Number of Suppliers by Geographical Region

		Numbers of Suppliers		
Geographical Regions		**Raw material suppliers**	**Packaging material suppliers**	**Total**
Mainland China	Shandong Province	60	124	184
	Shanghai	14	36	50
	Jiangsu Province	25	18	43
	Guangdong Province	3	16	19
	Zhejiang Province	4	14	18
	Other places in Mainland China	12	10	22
Myanmar		16	3	19
Japan		2	11	13
Hong Kong		0	1	1

Anti-corruption

The Group strictly prohibits bribery, extortion, fraud, money laundering, and other illegal acts. The Group's employees have been informed to follow the rules stated in the labour contracts and the employee handbook and they are encouraged to report on misconducts and malpractices through the whistleblowing system. The Group has established the *Policy on Reporting Management and Feedback System* and is committed to protecting the anonymity of whistle-blowers, providing protection against retaliation for whistle-blowers and remaining impartial during investigation. The channels for whistleblowing are disclosed. The human resources department is responsible for the management of the whistleblowing system and investigation of reported cases.

The anti-corruption related rules include but not limited to the followings:

- Requesting existing employees not to receiving any kind of benefit from the Group' s suppliers or business partners

- Requesting job applicants to declare the relationships with existing employees of the Group and its business partners, if any

To improve the accountability of the personnel and to protect the Group's interests, the *Policy on Resignation/ Dismissal Audit System* ("RDAS") is established to audit the liabilities and business risks from the individuals who have left the positions. The internal audit department is responsible for the corresponding organization, facilitation, and supervision. In general, RDAS requires to assess and define the responsibilities of employees during his or her job tenure, and these responsibilities include any risks and economic loss caused by misconducts and malpractices. Therefore, the individuals who left the positions still have to bear the relevant responsibilities.

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1.

OUR PEOPLE

The Group is committed to creating a work environment that is free of discrimination for its employees on any grounds and grateful to its employees who have helped the Group develop and deliver quality products.

The material issues – "Health and Safety", "Employment and Welfare", "Employee Development and Training", "Labour Standards", and "Indoor Air Quality" are responded in this section.

Employment and Labour Standards

The Group believes that its continual development is closely linked to its employees. The rights of all the employees are protected by the Group's practices in full compliance with the relevant laws and regulations and its labour-related regulations and policies. The use of child labour and forced labour is strictly prohibited. The standards of employee recruitment, promotion, remuneration, working hours, rest periods, holidays, contract termination, compensation, and benefits are all clearly stated in the *Regulation on Labour Resources Management* ("LRM") and introduced in *Employee Handbook*.

The recruitment and employment are conducted in a fair and equal manner. The recruitment process and employment decision focus on the job applicants' work experience, technical skills, and work performance without discrimination of any kind based on age, gender, nationality, race, sexual orientation, physical disability, or marital status. The Group also works towards a diverse workforce with various ethnicities, education backgrounds, work experiences, nationalities, and skills.

The Group sets the minimum age requirement for recruitment in alignment with relevant laws and regulations. Job applicants are requested to provide their identity cards to ensure they reach the minimum legal working age. The Group also follows the internal regulation to set up a procedure to receive employees' complaints and feedback on all issues, including child labour and forced labour. If any cases of non-compliance are reported, an investigation will be carried out to settle the case and prevent the repetition. Moreover, the Group will consult with the child's guardians on avenues for his or her return to school.

Labour contracts or employment agreements will be signed between the Group and employees upon employment for one month. The termination of labour contracts and dismissal of employees are carried out in strict compliance with the relevant laws and regulations to fully protect the rights and obligations of both employees and the Group.

Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus, and retirement benefit scheme. The Group also offers welfare to the employees. Employees are entitled to the statutory holidays, paid annual leaves, sick leaves, casual leaves etc. Various benefits, such as subsidies on holidays and festivals, home leaves, free meals and transportation are provided to employees and free accommodation for female employees.

Regarding the employee promotion, the Group examines the performance and competence of each employee to provide fair and adequate promotion opportunities.

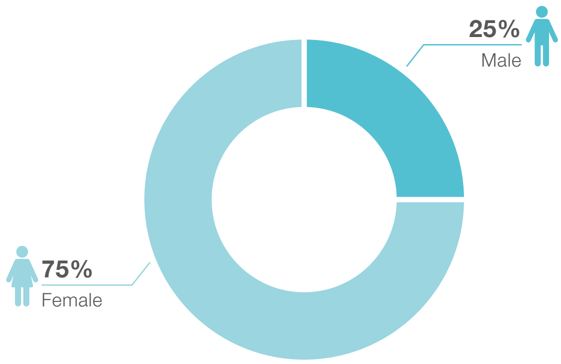
To listen to employees' concerns and provide them a better living environment, a feedback system is set up to collect employee comments and opinions regarding to the environment, catering, accommodation and transportation. Designated personnel from each office and human resources department are responsible for conducting quarterly surveying and solving problems if any. A suggestion box is also used to collect employees' opinions, and the Group responds to the feedback received weekly.

The Group provides employees with various activities such as annual dinners, knowledge competitions, leisure trips, outstanding employee awards competition, etc. Such activities can help employees to relax and enhance the communications among employees.

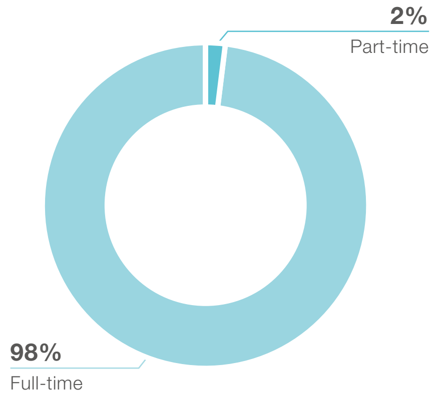
For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1.

2019 Workforce Information

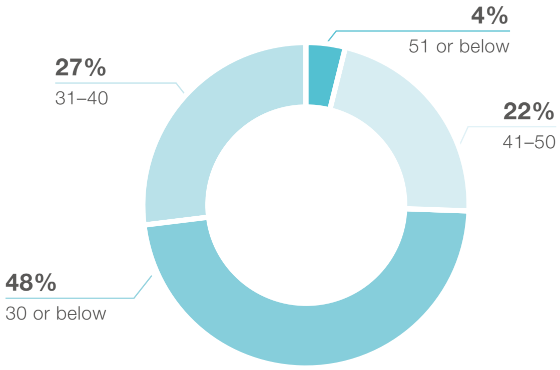
By Gender



By Employment Type



By Age Group



By Geographical Region

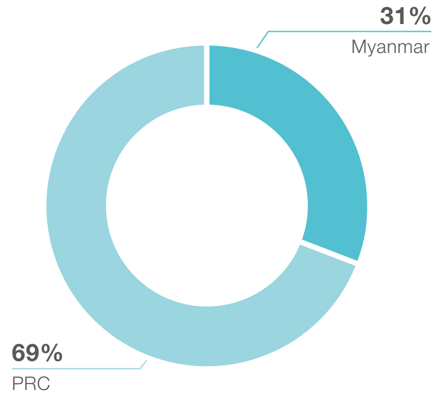


Table 5 Number of Employees

Workforce		
By gender	Male	515
	Female	1,531
By employment type	Full-time	2,006
	Part-time	40
By age group	30 or below	972
	31–40	548
	41–50	454
	51 or above	72
By geographical region	PRC	1,419
	Myanmar	627

Table 6 Employees' Turnover Rate

Turnover rate		
By gender	Male	26%
	Female	19%
By age group	30 or below	22%
	31–40	19%
	41–50	17%
	51 or above	32%
By geographical region	PRC	24%
	Myanmar	12%

Health and Safety

The Group gives particular importance to occupational health and safety. On top of the compliance with relevant laws and regulations, the human resources policies and procedures are in place with the aim to provide employees with good working conditions and a safe and healthy workplace. The Group believes that building up a healthy, safe and positive working environment can benefit its employees.

The *Regulation on Governing the Corporate Labour, Safety and Hygiene Educational Management* ("LSHE") was formulated. A production safety committee has thus been established for the implementation of LSHE and administration of production safety.

The Group has established procedures for operating machinery, such as garment cutters and dryers, and an industrial accident reporting mechanism. Machines and equipment are properly maintained or discarded according to relevant internal guidelines. Conveyor and moving parts are all covered properly. Besides, the Group also has electricity leakage protection, provides firefighting equipment and posts safety alert signs in the factories. Protective equipment such as wire gloves, googles and masks are provided for employees. Breaks are arranged for employees to exercise and take rest.

The Group also pays attention to maintaining good indoor air quality for employees. To minimise the indoor air pollutants such as fabric dust and formaldehyde, various measures are taken:

- Source control: Control of the indoor humidity to reduce dust generation

- Ventilation: Mechanical ventilation system and natural ventilation in place to reduce dust concentration; cleaning exhaust outlets regularly

- Housekeeping and cleaning: Wet mopping the floor twice a day

For the fugitive gases such as VOCs, NO_X and SO_2 generated from fabric printing and tentering, the processes take place in isolation with indoor working areas and the emission is treated by a purifier, so it will not affect the indoor air quality.

Safety trainings are also provided to raise employees' safety awareness. Safe production trainings to employees are conducted regularly. Electricians are provided with electrical safety trainings regularly. Every new employee receives safety trainings before taking up their duties, covering topics such as fire safety, electrical safety, machinery operation, and housekeeping rules. Fire drills are conducted regularly including evacuation and firefighting.

Every year, employees will receive an annual general medical examination. New employees would be provided with pre-employment health assessments. If the employees have been found abnormalities, the Group would discuss with them whether reassignment of job position is necessary.

Regular occupational hazards assessments are conducted to identify hazards in the factories and ensure the safety measures are implemented appropriately. Moreover, the Group regularly teams up with customers to conduct safety inspections as courtesy of continuously driving improvements in safety management. Customers are invited by the Group to conduct safety inspections on those areas that they are most interested in. The inspection usually covers safety production procedures, maintenance of safety equipment and fire safety. The Group maintains a safe environment and passed all safety requirements set by the customers.

Number of work-related fatalities during the Reporting Period	0
Lost days due to work injury during the Reporting Period	211.5

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1.

Development and Training

The Group believes that improving the professional skills of labours is in line with the Group's development strategies, hence increasing the Group's competitiveness. The Group regularly organises training for its employees and examines the skills required for the job positions. The *Human Resources Plan for Training* was formulated by the Group to arrange and organise training. The Group arranges various targeted and customised training to its employees on a regular basis, covering quality assurance, occupational safety, and skills related to production and accounting. Training is conducted in the form of orientation and on-the-job training. A training record is maintained for each training program and used for evaluation of the training efficiency.

Table 7 The Targeted Party and Corresponding Areas of Training

Targeted Party	Areas of training
The heads of divisions	• Environmental protection • Social Responsibility • Laws and regulations • Recruitment
The supervisors of production lines	• Social Responsibility
The monitors of units of production lines	• Social Responsibility
The personnel responsible for production	• Specialised skills • The Group's policies and systems
The new employees	• The Group's context
All employees	• Occupational health and safety • Fire safety • Emergency • Evacuation • Hazardous chemicals

Table 8 The Employees Trained

		Number of employees trained	Percentage of employees trained
By gender	Male	271	39.11%
	Female	1,065	56.62%
By employee category	Senior management	3	30.00%
	Middle management	11	15.28%
	General employee	1,322	53.05%

Table 9 Average Training Hours per Employee[1]

		Total training hours	Average training hours per employee
By gender	Male	921	1.33
	Female	4,218	2.24
By employee category	Senior management	36	3.60
	Middle management	124	1.72
	General employee	4,979	2.00

1 The reporting scope includes the operation in the PRC. The data for Myanmar is not yet available, but the Group is intended to improve its data collection system in the future.

OUR ENVIRONMENT

The Group is committed to fulfilling its environmental responsibilities and reducing the environmental impacts of its operation and corresponding activities. The Group's operation, focusing on the industry of textile and apparel, includes the activities of weaving and knitting, dyeing and finishing, printing, cutting, and sewing in the Group's production facilities in both the PRC and Myanmar. The major environmental impacts from the production activities are wastewater discharge, dust generation, greenhouse gas ("GHG") emissions, hazardous and non-hazardous waste generation, and noise emission. The Group ensures that its corporate decision-making process involves the consideration of the environment and its operation and corresponding activities are conducted in accordance with sound environmental practices.

Environmental Policy

The Group attaches foremost importance to environmental compliance in the locations where it operates. The major environmental policy of the Group is the *Policy on Environmental Operation and Management of Facilities* ("EOMF"). The Group has standardised the environmental practices relating to environmental protection and resource efficiency and instructed the subsidiaries to adopt accordingly. The policy was announced to all levels of employees and implemented in all factories. The Group's employees are responsible for continually striving to minimise these impacts as set forth in EOMF.

According to EOMF, the Group strives to

- Promote and obey the environmental-related laws and regulations in the locations where it operates
- Utilise natural resources and energy fully and reasonably
- Control and eliminate pollution
- Create a decent working and living environment
- Reduce the ecological and environmental impacts of the Group's operation and corresponding activities on adjacent areas

The environmental management systems in the subsidiaries in the PRC (as shown below) have been certified to be in conformity with the international standard of ISO 14001:2015 Environmental Management.

ZDHY

Beijing ZhongDaHuaYuan Certification Center

Environmental Management System Certification Certificate

Zhucheng Eternal Knitting Co.,Ltd.

System scope assessed

The environmental management activities of processing of knitted underwear garment of Zhucheng Eternal Knitting Co.,Ltd. It is situated in No.76 of East Renmin Road,Zhucheng City,Weifang City,Shandong Province,P.R.China(262200)

Registered address(zip):No.76 of East Renmin Road,Zhucheng City,Weifang City,Shandong Province,P.R.China (262200)

Environmental management system is in conformity with GB/T 24001-2016/ISO 14001:2015 《Environmental management systems-Requirements with guidance for use》

Issuing date:2017.6.15; Expiration date:2020.6.14

LIUHANGYI, Director of ZDHY

IAF CNAS MANAGEMENT SYSTEM CNAS C020-M

ZDHY

ZDHY

Beijing ZhongDaHuaYuan Certification Center

Environmental Management System Certification Certificate

Zhucheng Yu An Knitting Co.,Ltd.

System scope assessed

The environmental management activities of processing of general knitted baby's and kids wear of Zhucheng Yu An Knitting Co.,Ltd. It is situated in No.725 of Shunwang Street,Zhucheng City,Weifang City,Shandong Province,P.R.China(262200)

Registered address(zip):No.725 of Shunwang Street,Zhucheng City,Weifang City,Shandong Province,P.R.China (262200)

Environmental management system is in conformity with GB/T 24001-2016/ISO 14001:2015 《Environmental management systems-Requirements with guidance for use》

Issuing date:2017.6.16; Expiration date:2020.6.15

LIUHANGYI, Director of ZDHY

IAF CNAS MANAGEMENT SYSTEM CNAS C020-M

ZDHY

The Group's internal audit team is responsible for identifying measures related to environmental matters in order to manage and prevent environmental risks. The Group has kept broadening the scope of the green agenda and identifying opportunities for enhancing energy efficiency and adopting newly developed technologies to uphold sustainable development, environment-friendly and care attitude in the workplaces.

For more details on the Group's compliance with relevant laws and regulations, please refer to Appendix 1.

Environmental Impacts

Air Emissions

The Group strives to ensure its air emissions are in strict compliance with the relevant laws and regulations. The Group has phased out the use of coal-fuelled boiler and purchases steam for the Group's production, significantly reducing the emission of air pollutants such as sulphur dioxide and particles. Currently the major air pollution comes from emission of vehicles and a forklift, and canteens. Fabric printing and tentering processes also emit fugitive pollutants such as VOCs, NO_X and SO_2.

According to the Group's policy *Exhaust Gas Emission Management*, the Group has adopted the following measures to reduce its emissions:

- Regular examination and maintenance are conducted to maintain the conditions of the machinery
- The unwanted cotton dust is trapped and collected by the installation of filters
- The temperature and humidity in the factories are controlled for dust suppression
- A high-voltage ionization oxidation decomposition exhaust gas purifier has been installed to treat the fugitive gases from fabric printing and tentering processes

Table 10 Air Emissions

Air pollutant		Unit	2017	2018	**2019[1]**
Sulphur oxides (SO_X)	Amount	Kg	27,442.58	4,510.84	**2.09**
	Intensity[2]	Kg per RMB million revenue	88.52	12.99	**0.005**
Nitrogen oxide (NO_X)	Amount	Kg	8,263.55	1,908.31	**1,327**
	Intensity[2]	Kg per RMB million revenue	26.66	5.50	**3.10**
Particulate matter (PM)	Amount	Kg	152,660	27,972.96	**41.10**
	Intensity[2]	Kg per RMB million revenue	492.44	80.57	**0.10**

1 The emission sources reported include combustion of fossil fuels from vehicles, non-road mobile sources and cooking in the PRC; currently, the emissions of the vehicles in Myanmar are not reported due to a lack of information about the emission standards. The Group expanded the scope of calculation in which the air emissions from non-road mobile sources and cooking in the PRC during the Reporting Period are included.

The estimation of emissions is based on the methods and emission factors provided in the *Road Vehicles Air Pollutant Emission Inventory Preparation Technical Guide (Trial)*, *Non-road Mobile Source Air Pollutant Emission Inventory Preparation Technical Guide (Trial)* and the *Discharge Coefficients of Urban Pollutants in the First National General Survey of Pollution Sources* published by the Ministry of Ecology and Environment of the PRC.

All three types of air pollution decreased significantly, because the Group has stopped the coal-fired boiler since April 2018.

2 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2019 is RMB427.37 million.

GHG Emissions

The Group recognises the importance of GHG emission control and aims to reduce the emissions by enhancing the energy efficiency. The major source of the Group's carbon footprint comes from the indirect GHG emissions from purchased electricity and steam.

Besides, the Group encourages its employees to commute by public transport, bicycle, and vehicle that uses clean energy. The priority of usage of vehicle washing and parking facilities in the factories is given to the employees with vehicles either adopted clean fuels or rented from car-sharing.

Table 11 GHG Emissions

GHG emissions		Unit	2017	2018	2019[1]
Scope 1	Amount	Tonnes CO_2e	18,087.02	3,351.99	**712.99**[3]
Direct emissions	Intensity[2]	Tonnes CO_2e per RMB million revenue	58.35	9.65	**1.67**
Scope 2	Amount	Tonnes CO_2	9,571.24	8,267.45	**24,590.57**[4]
Indirect emissions	Intensity[2]	Tonnes CO_2 per RMB million revenue	30.87	23.81	**57.54**

1 The scope 1 GHG emissions reported includes vehicles, non-road mobile sources, cooking, and refrigerants in the PRC, and vehicles in Myanmar. The scope 2 GHG emissions reported includes the electricity and steam consumed in the PRC and the electricity consumed in Myanmar.

The calculation of scope 1 emissions is based on the *Guidelines for Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for On-road Transportation Enterprises (Trial)*, *Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)*, published by National Development and Reform Commission of the PRC, and the *2006 IPCC Guidelines for National Greenhouse Gas Inventories*, and *Fifth Assessment Report* by Intergovernmental Panel on Climate Change (IPCC).

The calculation of the GHG emission from purchased steam is based on the *Reporting Guidance on Greenhouse Gas Emissions for Other Industrial Enterprises (Trial)* by the National Development and Reform Commission of the PRC. The estimation of scope 2 emissions for purchased electricity in China in 2019 is based on the emission factors from the *Notice of Implementing 2018 Carbon Audit Reporting and Verification and Formulating Carbon Emission Monitoring Plans* published by the Ministry of Ecology and Environment of the PRC, while that in 2017 and 2018 were calculated using the emission factors from the *Guideline on GHG Monitoring and Reporting for Other Industries* and the *2011–2012 Average CO_2 Emission Factors of China's Sub-national Grids* published by the National Development and Reform Commission of the PRC. The scope 2 emissions for purchased electricity in Myanmar is estimated according to the *GHG Protocol tool for Stationary Combustion* published by World Resources Institute.

2 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2019 is RMB427.37 million.

3 The scope 1 emissions decreased significantly because the Group has stopped the operation of its coal-fired boiler in April 2018.

4 The scope 2 emissions increased significantly compared to the previous years, because in 2019 the Group has started to account the emission of purchased steam, which is a major GHG emission source for the Group's operation in the PRC, so as to provide a more comprehensive view of its emissions.

Wastewater

The wastewater of the Group mainly comes from the irregular discharge generated from the processes of dyeing, finishing, and printing under its fabric production segment. The Group operates and maintains its own wastewater treatment facilities to treat the wastewater and reduce contaminants to acceptable levels before discharging it into the municipal wastewater treatment facilities. There are no discharges into land. To ensure full compliance with relevant laws and regulations, the Group has adopted the following measures:

- Treatment tanks are set up to collect and treat wastewater through a series of biological contact oxidation processes.

- Real-time monitoring is in place via the installation of online detection devices at the wastewater outfalls, and the monitoring is connected to the environmental protection authorities.

Table 12 Contaminants in Wastewater

	Unit	2017	2018	**2019[1]**
Amount of discharged wastewater	Tonnes	Not reported		**681,632**
Average COD concentration[2]	mg/L	83.00	84.21	**51.36**
Average ammonia nitrogen concentration[3]	mg/L	Not reported		**7.15**

1 The reporting scope includes the factory for the business related to dyeing, finishing, and printing in the PRC. To reflect the information of wastewater generated more comprehensively, the Group has added two more indicators, total amount of wastewater discharge and the average ammonia nitrogen concentration for reporting.

2 COD is an important parameter in measuring wastewater quality, reflecting the capacity of water to consume oxygen during the decomposition of organic matter. The concentration of COD discharged shall not exceed 200 mg/L according to the requirement provisioned by the local authority.

3 The concentration of ammonia nitrogen in wastewater shall not exceed 20 mg/L according to the requirement provisioned by the local authority.

Hazardous and Non-Hazardous Wastes

The Group emphasises the importance of proper treatment of wastes generated from the production. The subsidiaries in the PRC strictly comply with the *Administrative Measures for Hazardous Waste Transfer Manifests and Measures for the Administration of Permits to Handle Dangerous Wastes* to ensure proper approaches for the waste transportation and disposal.

Wastewater sludge and domestic wastes are the major solid wastes of the Group. Hazardous wastes are separately stored and recorded in the ledger. Sludge is collected and handled by government-authorised organisations. Other hazardous wastes generated by the Group are the inner packaging materials for dyeing auxiliaries, used engine oil and waste lubricants, which is sold for recycling. The domestic wastes primarily include food waste and general non-hazardous solid wastes produced by employees, which are collected and treated by the local environmental hygiene department. The scraps, packaging materials, plastics and metals generated during operation are collected and recycled by qualified recycling companies.

The Group also recognises the importance of reducing waste generation, thus has encouraged employees to reuse the materials such as paper and plastics. The paper usage intensity is on decline over the past few years.

Table 13 Waste Generation[1]

		Unit	2017	2018	2019[2]
Hazardous waste					
Sludge	Amount	Tonnes	2.09	5,400.00	**3,555.00**
	Intensity	Tonnes per RMB million revenue	0.01	15.55	**8.32**
Inner packaging bags for dyeing auxiliaries	Amount	Bags	Not reported[3]		**1,430**
	Intensity	Bags per RMB million revenue	Not reported[3]		**3.35**
Non-hazardous waste					
Paper[4]	Amount	Pieces	884,500	597,000	**653,500**
	Intensity	Pieces per RMB million revenue	2,853.23	1,719.49	**1,529.12**

1 The reporting scope includes the operation in the PRC and Myanmar.

2 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2019 is RMB427.37 million.

3 The Group includes the inner packaging bags for dyeing auxiliaries in the existing reporting scope to provide a more comprehensive reporting on its performance.

4 The amount shown in this Report is estimated from the paper usage.

Noise

The Group realises that the noise generated from its operating machinery has a significant impact on the surrounding environment and its employees. The Group manages the noise issues by implementing physical insulation control and other mitigation measures. Sound insulation devices, sound arresters, and mufflers are installed, and trees are planted around the factories within the designated area to reduce noise pollution. Machinery generating a considerable level of noise is prohibited to be operated during the breaks, noon time and night time, and any extension of the length of time for operation due to special circumstances must be reported and approved by relevant departments.

Use of Resources

The Group is committed to utilising resources efficiently and reasonably. The manufacturing of innerwear products and knitted fabrics leads to a considerable demand for electricity and water. The Group pursues the strategy of resource-saving with the purpose of reducing energy usage and hence operation cost. According to the *Policy on Social Responsibility Management System*, various energy and water conservation related practices are implemented to reduce the consumption of energy and water.

Technologically advanced machinery is purchased for the Group's production to help improve the Group's energy efficiency and reduce its negative environmental impacts. In particular, the weaving machines, dyeing machines, pre-shrinking machines, stentering machines and flat screen and rotary screen printing machines were sourced from the manufacturers in Japan, Germany, Italy, Hong Kong, and Taiwan.

Energy Consumption

The Group strictly monitors and controls its energy usage. The following measures have been implemented to enhance energy management and efficiency:

- Improving management mechanism of heating by monitoring temperature on the Group's premises
- Setting up rules for employees on the premises. Turning off the lights, for instance, is required if employees leave the premise for more than an hour
- Attaching notices beside all the electrical devices to remind staff of the importance of saving energy
- Replacing non-energy efficient devices
- Replacing conventional light bulbs by energy-saving light bulbs
- Installing energy efficient motors in the factories

During the Reporting Period, to enhance the production efficiency and save energy, the Group is under the process of substituting the 380V three-phase motors of the sewing machines with the 220V two-phased energy-saving control devices or motors. At the end of 2019, 16 sets have been replaced. In addition, 81 sets of automatic thread-cutting devices have been installed on the four-thread overlock sewing machines, enhancing the efficiency and thus reducing energy consumption.

Table 14 Energy Consumption

Energy source		Unit	2017	2018	**2019[4]**
Gasoline[1]	Amount	L	48,283.23	43,626.89	**43,798.45**
	Intensity	L per RMB million revenue	155.75	125.65	**102.48**
Diesel[1]	Amount	L	92,872.20	36,350.90	**40,500.10**
	Intensity	L per RMB million revenue	299.59	104.70	**94.77**
Coal	Amount	Tonnes	8,623.79	1,579.00	**Not applicable[5]**
	Intensity	Tonnes per RMB million revenue	27.82	4.55	
Natural gas[2]	Amount	m^3	Not reported		**21,308.3**
	Intensity	m^3 per RMB million revenue			**49.86**
Steam[3]	Amount	Tonnes	42,476.2	52,455.60	**63,619**
	Intensity	Tonnes per RMB million revenue	137.02	135.22	**148.86**
Electricity	Amount	Kilowatt-hour (kWh)	11,028,505.00	9,564,861.00	**9,857,432**
	Intensity	kWh per RMB million revenue	35,575.82	27,548.88	**23,065.26**

1 The reporting scope of gasoline and diesel consumption from the vehicles used in the PRC and Myanmar, and non-road mobile sources in the PRC.

2 The reporting scope of natural gas consumption includes factories with canteens in the PRC. The Group has incorporated it as an indicator to better account for its resource consumption. No natural gas is used during the operation in Myanmar.

3 No steam is purchased and consumed during the operation in Myanmar.

4 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2019 is RMB427.37 million.

5 There is no more coal consumption because the Group's boiler has stopped operating.

Water Consumption

The dyeing and finishing process in the daily operation requires a considerable amount of water among the business activities in the Group. The Group has incorporated the concept of water conservation in daily operation. Condensate water from the dyeing division is reused.

Besides, plants are irrigated by the rainwater captured through a rainwater harvesting system established in the factories.

The Group's water is sourced from municipal water supply and underground water. There is no issue in sourcing water.

Table 15 Water Consumption

		Unit	2017	2018	**2019[1]**
Fresh water consumption	Amount	Tonnes	319,866	352,259	**561,390**
	Intensity	Tonnes per million RMB revenue	1,031.83	1,014.58	**1,313.59**

1 The reporting scope includes freshwater consumption by the factories in the PRC and Myanmar for operation and employees' drinking.

Packaging Materials

The Group has no control over the usage of packaging materials for products ready for delivery due to the nature of its business mode. The Group, entering into contracts with customers, acts as a contractor to produce products according to the criteria stated in the contracts with no control over the specifications of products and the selections of packaging materials. The exceeded packaging materials are either returned to customers or kept in the factories for other suitable products.

Therefore, the total packaging material used for finished products is considered as immaterial for the Group and not reported in this Report.

The Environment and Natural Resources

The Group's factories are located in the areas for industrial purpose and the Group strives to minimise the environmental impacts in the areas to fulfill the environmental responsibility of the Group.

To strengthen the management of the hazardous wastes generated by the Group, and minimise the impacts of leakage into air, soil or water in case of fire, explosion and other incidents, the *Hazardous Waste Emergency Contingency Plan* has been updated by the Group to provide guidance on the handling of such incidents.. In case of such emergency, related personnel are designated to activate the emergency contingency plan and lead the emergency responses and rescues. Emergency trainings are also provided for employees from related divisions, including a drill at least once a year.

OUR COMMUNITY

The Group considers itself closely linked with the community in the locations where it operates and takes notice of the needs and pursuance of its stakeholders. The Group focuses on managing its social impacts by carrying out activities relating to compliance, engagement and community investment.

During the Reporting Period, the Group supported primary school and special educational settings by donations of RMB4,000 in total. The Group also donated RMB50,000 for disaster alleviation and RMB30,000 for community sports event.

APPENDIX 1 THE GROUP'S COMPLIANCE WITH THE MATERIAL LAWS AND REGULATIONS DURING THE REPORTING PERIOD

The Laws[1] and Regulations Corresponding to the Aspects in the ESG Guide	Performance
Aspect A1: Emission	
PRC • *Environmental Protection Law of the People's Republic of China* • *Environmental Protection Tax Law of the People's Republic of China* • *Cleaner Production Promotion Law of the People's Republic of China* • *Water Pollution Prevention and Control Law of the People's Republic of China* • *Atmospheric Pollution Prevention and Control Law of the People's Republic of China* • *Soil Pollution Prevention and Control Law of the People's Republic of China* • *Law of the People's Republic of China on Prevention and Control of Pollution from Environmental Noise* • *Discharge Standards of Water Pollutants for Dyeing and Finishing of Textile Industry* • *Integrated Emission Standard of Air Pollutants* • *Wastewater Quality Standards for Discharge to Municipal Sewers* • *Standard for Pollution Control on Hazardous Waste Storage* • *Standard for Pollution Control of for General Industrial Solid Waste Storage and Disposal Sites* *Myanmar* • *Environmental Conservation Law*	During the Reporting Period, the Group did not have any material violation of the laws and regulations relating to environmental protection.

The Laws[1] and Regulations Corresponding to the Aspects in the ESG Guide	**Performance**
Aspect B1: Employment	
PRC • *Labour Law of the People's Republic of China*B2, B4* • *Labour Contract Law of the People's Republic of China* • *Labour Dispute Mediation and Arbitration Law of the People's Republic of China* • *Regulation on the Implementation of the Employment Contract Law of the People's Republic of China* • *Regulation on Paid Annual Leave for Employees*	During the Reporting Period, the Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes over compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare, nor has it experienced any material breach of or non-compliance with the applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.
Myanmar • *Myanmar Companies Law*B4, B6* • *Labour Organization Law*B2, B4* • *Settlement of Labour Dispute Law* • *Employment and Skill Development Law* • *Minimum Wage Law* • *Payment of Wages Law* • *Social Security Law*B2, B4*	The Group did not receive any complaint about unequal employment.
Aspect B2: Health and Safety	
PRC • *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* • *Work Safety Law of the People's Republic of China* • *Provisions on the Supervision and Administration of Occupational Health at Work Sites* • *Regulation on Work-Related Injury Insurance*	During the Reporting Period, the Group was not subject to any punishment by the government or and not involved in any lawsuit and there were no cases of fatality.

The Laws[1] and Regulations Corresponding to the Aspects in the ESG Guide	Performance
Aspect B4: Labour Standards	
PRC • *Law of the People's Republic of China on the Protection of Minors* • *Provisions on the Prohibition of Using Child Labour*	During the Reporting Period, there were no cases of illegal child and forced labour found in the factories of the Group.
Aspect B6: Product Responsibility	
PRC • *Trademark Law of the People's Republic of China* • *Product Quality Law of the People's Republic of China* • *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* • *Regulation on the Implementation of the Trademark Law of the People's Republic of China*	During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising and promotion, and property rights including intellectual property rights that would have a significant impact on the Group. There were no cases of recalling products for safety and health reasons. The Group neither experienced any customer data leakage nor received any complaints about inappropriate use of customer information during the Reporting Period that would have a significant impact on the Group.
Aspect B7: Anti-corruption	
PRC • *Criminal Law of the People's Republic of China* • *Anti-Money Laundering Law of the People's Republic of China* • *Company Law of the People's Republic of China*	During the Reporting Period, the Group did not receive any allegation against the Group or its employees of bribery, extortion, fraud, and money laundering. There were neither on-going or concluded legal cases regarding corrupt practices brought against the Group or its employees.
Myanmar • *Anti-corruption Law*	No whistleblowing disclosures relating to anti-bribery and anti-corruption were received.

1 Particular laws cover several topics provisioned in the Aspects; these laws are marked with an asterisk and codes of Aspects being covered.

APPENDIX 2 ESG CONTENTS INDEX

A. Environment	Subject Areas, Aspects, General Disclosures and KPIs "Comply or explain" Provisions	Section/Reasons for Omissions
Aspect A1: Emission	General Disclosure	Environmental Policy
	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NO_X, SO_X, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Appendix 1
	KPI A1.1 The types of emissions and respective emissions data.	Environmental Impacts
	KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	

	Subject Areas, Aspects, General Disclosures and KPIs	
A. Environment	**"Comply or explain" Provisions**	**Section/Reasons for Omissions**
	KPI A1.5 Description of measures to mitigate emissions and results achieved.	
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	
Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc	Use of Resources
	KPI A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.3 Description of energy use efficiency initiatives and results achieved.	
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
	KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	

Subject Areas, Aspects, General Disclosures and KPIs

A. Environment	"Comply or explain" Provisions	Section/Reasons for Omissions
Aspect A3: The Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources. KPI A3.1 Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Subject Areas, Aspects, General Disclosures and KPIs

B. Social		Section/Reasons for Omissions
Employment and Labour Practices		
Aspect B1: Employment	**"Comply or explain" Provisions** General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. **Recommended Disclosures** KPI B1.1 Total workforce by gender, employment type, age group and geographical region. KPI B1.2 Employee turnover rate by gender, age group and geographical region.	Employment and Labour Standard Appendix 1

B. Social	Subject Areas, Aspects, General Disclosures and KPIs	Section/Reasons for Omissions
Aspect B2: Health and Safety	**"Comply or explain" Provisions**	Health and Safety
	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Appendix 1
	Recommended Disclosures	
	KPI B2.1 Number and rate of work-related fatalities.	
	KPI B2.2 Lost days due to work injury.	
	KPI B2.3 Description of occupational health and safety measures adopted, how they are implemented and monitored.	

B. Social	Subject Areas, Aspects, General Disclosures and KPIs	Section/Reasons for Omissions
Aspect B3: Development and Training	**"Comply or explain" Provisions** General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer. **Recommended Disclosures** KPI B3.1 The percentage of employees trained by gender and employee category (e.g. senior management, middle management). KPI B3.2 The average training hours completed per employee by gender and employee category.	Development and Training
Aspect B4: Labour Standards	**"Comply or explain" Provisions** General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour. **Recommended Disclosures** KPI B4.1 Description of measures to review employment practices to avoid child and forced labour. KPI B4.2 Description of steps taken to eliminate such practices when discovered.	Employment and Labour Standards Appendix 1

Subject Areas, Aspects, General Disclosures and KPIs B. Social		Section/Reasons for Omissions
Operating Practices		
Aspect B5 : Supply Chain Management	**"Comply or explain" Provisions** General Disclosure Policies on managing environmental and social risks of the supply chain. **Recommended Disclosures** KPI B5.1 Number of suppliers by geographical region. KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management
Aspect B6: Product Responsibility	**"Comply or explain" Provisions** General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility Appendix 1

B. Social	Subject Areas, Aspects, General Disclosures and KPIs	Section/Reasons for Omissions
	Recommended Disclosures	
	KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	
	KPI B6.2 Number of products and service related complaints received and how they are dealt with.	
	KPI B6.3 Description of practices relating to observing and protecting intellectual property rights.	
	KPI B6.4 Description of quality assurance process and recall procedures.	
	KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	
Aspect B7: Anti-corruption	**"Comply or explain" Provisions**	Anti-corruption
	General Disclosure	Appendix 1
	Information on:	
	(a) the policies; and	
	(b) compliance with relevant laws and regulations that have a significant impact on the issuer	
	relating to bribery, extortion, fraud and money laundering.	
	Recommended Disclosures	
	KPI B7.1 Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	
	KPI B7.2 Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	

B. Social	Subject Areas, Aspects, General Disclosures and KPIs	Section/Reasons for Omissions
Community		
Aspect B8: Community Investment	**"Comply or explain" Provisions** General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. **Recommended Disclosures** KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport). KPI B8.1 Resources contributed (e.g. money or time) to the focus area.	Our Community

CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this report in the Group's annual report for the year ended 31 December 2019.

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 "Code Provision(s)"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining and improving high standards of corporate governance practices. During the year ended 31 December 2019, the Company has complied with the Code Provisions set out in the CG Code.

BOARD

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions and financial performance as well as its overall corporate governance functions. The management is delegated the authority and responsibility by the Board for the management of the Group under the leadership of the chairman. In addition, the Board has also delegated various responsibilities to the Audit Committee, the Remuneration Committee and the Nomination Committee (collectively the "Committees"), which assist the Board in discharging its duties and overseeing particular aspects of the Group's activities.

The types of decisions made by the Board include, among others, determining the Group's mission and corporate policy, providing its strategic direction and is responsible for the approval of strategic plans, approving the Company's financial statements, interim and annual reports, determining director selection, orientation and evaluation as well as regularly evaluating its own performance and effectiveness.

The day-to-day management, administration and operation of the Company are delegated to the senior management, with division heads responsible for different aspects of the business.

Major corporate matters that are specifically delegated by the Board to the senior management include preparation of interim and annual reports and announcements, execution of business strategies and initiatives adopted by the Board, implementation of adequate systems of internal controls and risk management procedures and compliance with relevant laws, rules and regulations.

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making.

The Board currently comprises three executive Directors, namely Mr. Wang Bin, Ms. Tian Ying and Mr. Du Shuwei, one non-executive Director, namely Mr. Zhang Yanlin and three independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Feng Xin and Mr. Hu Quansen. The biographies of the Directors are set out under the section headed "Biographies of Directors and Senior Management" of this annual report.

The independent non-executive Directors bring a wide range of business and financial expertise, experience and independent judgment to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all non-executive Directors make various contributions to the effective direction of the Company.

The Board is also characterised by significant diversity in areas of gender, professional backgrounds and skills. The Board formalised its existing diversity through the introduction of a board diversity policy, which is expected to bring further diversity in respect of business and financial experience to the Board for contributing to the effective direction of the Board.

The Nomination Committee will review annually the structure, size and composition of the Board and, where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy.

In reviewing and assessing the Board composition and the nomination of directors (as applicable), board diversity has to be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience and length of services.

The Company will also take into account factors relating to its own business model and specific needs from time to time. The ultimate decision is based on merit and contribution that the selected candidates will bring to the Board.

Save as disclosed in the section headed "Biographies of Directors and Senior Management" on pages 16 to 20 of this report, the Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced board composition is formed to ensure that strong independence exists across the Board.

During the year ended 31 December 2019 and up to the date of this report, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual confirmations of independence from the three independent non-executive Directors. The Board has assessed their independence and is satisfied that all the independent non-executive Directors are in full compliance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

The non-executive Director, namely Mr. Zhang Yanlin entered a service contract with the Company for an initial term of three years commencing from 12 October 2016, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Feng Xin and Mr. Hu Quansen, entered a service contract with the Company for an initial term of three years commencing from 12 October 2016. The non-executive Directors and the independent non-executive Directors are also subject to retirement from office by rotation and is eligible for re-election in accordance with the provisions of the Company's articles of association. At every annual general meeting, one-third of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office. As such, the Company considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Corporate Governance Code.

Training for Directors

Every newly appointed Director shall receive an information package from the Company on the first occasion of his appointment. This information package is a comprehensive, formal and tailored induction on the responsibilities and on-going obligations to be observed by the Director. In addition, the package includes materials on the operations and business of the Group. The Company will subsequently arrange for a briefing as is necessary to ensure that the newly appointed Directors have a proper understanding of the business and operations of the Group and that they are aware of their responsibilities under the relevant laws, rules and regulations.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, Directors are encouraged to enroll in and attend a wide range of professional development courses and seminars relating to the Listing Rules and corporate governance practices organised by professional bodies so that they can continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

According to the records maintained by the Company, all the Directors received trainings in the form of reading written materials and/or attending seminars with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2019.

Board meetings

Board meetings are held regularly, at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The attendance record of each member of the Board is set out in the section headed "Board Committees".

All Directors have access to the advice and services of the company secretary of the Company (the "Company Secretary"). All Directors have access to the senior management for enquiries and information when required. The Directors, upon reasonable requests, may also seek independent professional advice at the Company's expense.

Practices and conduct of meetings

Draft agenda of all Board meetings are made available to the Directors in advance.

Where practicable, notices of regular Board meetings and Committee meetings are served on all Directors at least 14 days before the meetings. Board papers are sent to all Directors at least three days before each Board meeting or Committee meeting to keep the Directors apprised of the latest developments and the financial position of the Company and to enable them to make informed decisions.

The Company Secretary is responsible for keeping minutes of all Board meetings and Committee meetings. Draft minutes are normally circulated to the Directors for comments within a reasonable time after each meeting and the final version is open for Directors' inspection.

According to current Board practice, any material transaction involving conflict of interests of a substantial shareholder or a Director will be considered and dealt with by the Board at a duly convened Board meeting. The Company's articles of association also contain a provision requiring the Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates (as defined under the Listing Rules) have a material interest.

Directors and officers liability insurance

Liability insurance for Directors and senior management of the Company was arranged by the Company with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

Corporate governance functions

The Board has adopted the terms of reference on corporate governance functions. The terms of reference of the Board in respect of corporate governance function are summarised as follows:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices to ensure compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the Code Provisions and its disclosure requirements in the Corporate Governance Report.

The work performed by the Board on corporate governance functions during the year ended 31 December 2019 included developing and reviewing the Company's policies on corporate governance and making recommendations.

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 have complied with the required standards as set out in the Model Code during the year ended 31 December 2019.

BOARD COMMITTEES

The Board established the Audit Committee and Remuneration Committee on 19 August 2011 and the Nomination Committee on 27 March 2012 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference or amended and restated terms of reference, where applicable. The independent views and recommendations of the Committees ensure proper control of the Group and the continual achievement of high corporate governance standards expected of a listed company. The chairman of each Committee reports the outcome of the Committee's meetings to the Board for further discussions and approvals.

The majority of the members of each Committee are independent non-executive Directors. The Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice at the Company's expenses.

The individual attendance records of each Director at the meetings of the Board, Audit Committee, Remuneration Committee, Nomination Committee and general meeting during the year ended 31 December 2019 are set out below:

	Number of meetings attended/held				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Annual General Meeting
Executive Directors					
Mr. Wang Bin	5/5	–	–	2/2	1/1
Ms. Tian Ying	5/5	–	2/2	–	1/1
Mr. Du Shuwei	1/1	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yanlin	3/3	–	–	–	1/1
Independent non-executive Directors					
Mr. Xu Dun Kai	3/3	2/2	2/2	–	1/1
Ms. Feng Xin	3/3	2/2	–	2/2	1/1
Mr. Hu Quansen	3/3	2/2	2/2	2/2	1/1

Audit Committee

The Audit Committee comprises solely independent non-executive Directors, namely, Mr. Hu Quansen, Mr. Xu Dunkai and Ms. Feng Xin. The Audit Committee is chaired by Mr. Hu Quansen, who possesses the appropriate professional qualifications and extensive experience in, and knowledge of, finance and accounting as required under Rule 3.10 of the Listing Rules. All Audit Committee members hold the relevant industry and financial experience necessary to advise the Board on strategies and other related matters. None of the Audit Committee members is a former partner of the Company's existing external auditors.

The Audit Committee is responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of those auditors; monitoring the integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Group's audited financial statements and annual report for the year ended 31 December 2019 had been reviewed by the Audit Committee, which was of the opinion that the preparation of such statements and report complied with the applicable accounting standards and requirements and that adequate disclosure had been made.

The Audit Committee has not taken any different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors.

At the committee meeting held on 31 March 2020, the Audit Committee concluded that it was satisfied with its review of the audit fee, process and effectiveness, independence and objectivity of SHINEWING (HK) CPA Limited. The Audit Committee has therefore made the recommendation to the Board that SHINEWING (HK) CPA Limited be re-appointed as the Group's external auditors at the forthcoming annual general meeting.

The Audit Committee met two times during the year ended 31 December 2019, in which the Audit Committee members reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures and financial results and reports and assessed the external auditors for re-appointment. The Audit Committee meeting was attended by the Audit Committee members, the chief financial officer and the external auditors. The attendance record of each member of the Audit Committee is set out in the section headed "Board Committees".

Remuneration Committee

The Remuneration Committee comprises two independent non-executive Directors, namely Mr. Xu Dunkai and Mr. Hu Quansen, and one executive Director, Ms. Tian Ying. The Remuneration Committee is chaired by Mr. Xu Dunkai. 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, and making recommendations to the Board of 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 met two time during the year ended 31 December 2019, in which the Remuneration Committee members reviewed the existing remuneration policy and structure of the Company and the remuneration packages and discretionary bonus of the Directors and senior management for 2019 and made recommendations to the Board to approve the proposals on the fees of the independent non-executive Directors. The attendance record of each member of the Remuneration Committee is set out in section headed "Board Committees".

For the year ended 31 December 2019, the remuneration of the senior management (excluding Directors) is listed as below by band:

Band of remuneration	**No. of persons**
Below RMB500,000	5
RMB500,001 to RMB1,000,000	3

Further details of the remuneration of Directors and five highest paid employees have been set out in notes 13 and 14 to the consolidated financial statements.

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely, Ms. Feng Xin and Mr. Hu Quansen, and one executive Director, Mr. Wang Bin. The Nomination Committee is chaired by Mr. Wang Bin.

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 qualified to become the 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.

During the year ended 31 December 2019, two meeting was held by the Nomination Committee. The major work performed by the Nomination Committee during the year included reviewing the Nomination Committee's terms of reference, proposing appointment of Directors, reviewing the policy relating to term of appointment of the independent non-executive Directors, and recommending to the Board for approval of the continuation of the independent non-executive Directors' term of appointment. The attendance record of each member of the Nomination Committee is set out in the section headed "Board Committees".

The Group adopted a nomination policy (the "Nomination Policy") on 23 January 2019. A summary of this policy is disclosed as below:

Selection Criteria

In evaluating and selecting any candidate for directorship, the following criteria should be considered:

- character and integrity
- qualifications including professional qualifications, skills, knowledge and experience and diversity aspects under the board diversity policy that are relevant to the Company's business and corporate strategy

- any measurable objectives adopted for achieving diversity on the Board
- requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning

Nomination Process

(a) Appointment of New Director

(i) The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, redesignation, referral by other member of the management and external recruitment agents.

(ii) The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

(iii) If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

(iv) The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

(v) For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

(b) Re-election of Director at General Meeting

(i) The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.

(ii) The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.

(iii) The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Company Secretary

The Company Secretary, namely Mr. Lee Yin Sing, is a full time employee of the Company and has day-to-day knowledge of the Company's affairs. The Company Secretary reports to the chairman of the Board and is responsible for advising the Board on governance matters. The Company Secretary has confirmed that he has taken no less than 15 hours of relevant professional training during the year ended 31 December 2019. The details of the Company Secretary are set out under the section headed "Biographies of Directors and Senior Management" of this annual report.

RESPONSIBILITIES IN RESPECT OF FINANCIAL STATEMENTS

The senior management has provided such explanation and information to the Board so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Board is responsible for presenting a clear and balanced view of the Company's annual and interim reports, inside information announcements, disclosures required under the Listing Rules, and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements for the year ended 31 December 2019.

AUDITORS' REMUNERATION

During the Year under Review, the remuneration paid/payable to the external auditors of the Company in respect of statutory audit service and agreed-upon procedures were approximately RMB750,000 and RMB219,000, respectively.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for risk management and internal control of the Group and for reviewing its effectiveness. The Board requires the senior management to establish and maintain sound and effective risk management and internal control.

Processes used to identify, evaluate and manage significant risks

The processes used to identify, evaluate and manage significant risks by the Group are summarised as follows:

Risk Identification

- Identifies risks that may potentially affect the Group's business and operations.

Risk Assessment

- Assesses the risks identified by using the assessment criteria developed by the management; and
- Considers the impact and consequence on the business and the likelihood of their occurrence.

Risk Response

- Prioritises the risks by comparing the results of the risk assessment; and
- Determines the risk management strategies and internal control processes to prevent, avoid or mitigate the risks.

Risk Monitoring and Reporting

- Performs ongoing and periodic monitoring of the risk and ensures that appropriate internal control processes are in place;
- Revises the risk management strategies and internal control processes in case of any significant change of situation; and
- Reports the results of risk monitoring to the management and the Board regularly.

Main features of the risk management and internal control systems

The internal control framework includes central direction, resources allocation and risk management of the activities of various business units, supported by the human resources, information systems and financial practice. As such, the Group has a clear organisational structure including appropriate segregation of duties and reporting systems. Limits of authorities have been established. Starting from the top, there is a list of matters reserved for Board approval. In carrying out key functions, senior management personnel are assigned levels of authority and accountability commensurate with their positions and duties. There are also relevant policies and procedures applicable to all business units to guide their business operations. All business units are required to produce annual budgets for the senior management's approval. The heads of all business units are required to assess the risk factors attributed to their businesses. In addition, all business units shall submit monthly management reports with comparisons between actual and budget results and give explanations and solutions for major variances.

Control procedures have been designed to safeguard assets against misappropriation and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information used within the business or for publication; and to provide reasonable assurance against material misstatement, loss or fraud.

Processes used to review the effectiveness of the risk management and internal control systems and to resolve material internal control defects

The Company does not have an internal audit function and is currently of the view that there is no immediate need to set up an internal audit function within the Group in light of the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for internal control of the Group and for reviewing its effectiveness.

Extensive financial controls, procedures, self-assessment exercises and risk activities are reviewed by the Group's finance department, which is responsible for reviewing the Group's internal control systems, operational efficiency and compliance with the policies and procedures on a regular basis, and ensuring the existence of an effective internal control system in all business units. The finance department performs independent reviews of risks associated with and controls over principal operations and critical applications, and reports to the Audit Committee with its findings and makes recommendations to improve the internal controls of the Group.

All key controls within the framework will be tested periodically by the finance department. External auditors will also test key controls for those processes which are most critical to producing complete and accurate financial reports. Semi-annual confirmations from chief executives of principal subsidiaries are obtained as to whether the internal controls are working properly and if any remedial actions are required on areas where control weaknesses are noted. External auditors also advise the senior management on whether the controls are in place and effective to ensure a proper financial controlling and reporting process of the Group.

The Board convened meetings periodically to discuss business risks, financial risks, compliance risks and operation and other risks. The Board, through the Audit Committee, has conducted a review of the effectiveness of the internal control system of the Group, covering all material controls such as financial, operational and compliance controls and risk management functions, and considered that the internal control system and procedures of the Group, including the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function, and their training programs and budget, are adequate and effective and have complied with the provisions of the Corporate Governance Code during the year.

The Board has engaged APAC Compliance Consultancy and Internal Control Services Limited as its risk management and internal control review adviser (the "IC Adviser") to conduct the annual review of the risk management and internal control systems for the year ended 31 December 2019. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The IC Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the IC Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

Procedures and internal controls for the handling and dissemination of inside information

The Company's general counsel assesses the likely impact of any unexpected and significant event that may impact the price of the Shares or their trading volume and decides whether the relevant information is considered inside information and needs to be disclosed as soon as reasonably practicable pursuant to Rules 13.09 and 13.10 of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO. Executive Directors and General Counsel also may have responsibility for approving certain announcements and/or circulars to be issued by the Company under powers delegated by the Board from time to time.

COMMUNICATIONS WITH SHAREHOLDERS

The Group reports to its shareholders twice a year. Interim and annual results are announced as early as possible to keep shareholders informed of the Group's performance. The general meetings of the Company provide a forum for communication between the shareholders and the Board. All shareholders are encouraged to attend the annual general meeting to discuss the progress of the Group's business. The chairman of the Board and the chairmen of the Audit Committee, the Nomination Committee and the Remuneration Committee, or in their absence, other members of the respective Committees, and where applicable, the independent Board committee, are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. The Company's website, which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group, enables the shareholders to access information on the Group on a timely basis.

Shareholders' Rights

Convening an extraordinary general meeting

Pursuant to article 10.3 of the articles of association of the Company, extraordinary general meetings of the Company (the "EGM(s)") shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company. The EGMs may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the nominal value of the issued shares in the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionists(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed the them by the Company.

Putting enquiries to the Board

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available. Any such questions shall be first directed to the Company Secretary at the Company's head office and principal place of business in Hong Kong or the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Shareholders may at any time raise any enquiry in respect of the Company via email at the email address of the Company at ir@greatimeintl.com.

Shareholders are reminded to lodge their questions together with their detailed contact information in order to receive prompt response from the Company if it deems such response to be appropriate.

Putting forward proposals at Shareholders' meeting

Shareholders can put forward proposed resolutions at a general meeting of the Company by lodging a written notice of his/her/its proposal ("proposed resolution") with his/her/its detailed contact information via email at the email address of the Company at ir@greatimeintl.com.

The identity of the shareholder and his/her/its request will be verified with the Company's branch share registrar in Hong Kong and upon confirmation by the branch share registrar that the request is proper and in order and made by a shareholder, the Board will determine in its sole discretion whether the proposed resolution may be included in the agenda for the general meeting to be set out in the notice of meeting.

The notice period shall not be less than 21 days in writing if the proposed resolution requires approval by way of an ordinary resolution in an annual general meeting or a special resolution of the Company; and not less than 14 days in writing if the proposed resolution requires approval in meeting other than an annual general meeting or approval by way of a special resolution of the Company.

Shareholders may also lodge their proposed resolutions with the Company through the following means:

Hotline no.: 2818 1982
By post: Room 4408, 44/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

CONSTITUTIONAL DOCUMENTS

The Company's articles of association are available on the websites of the Company and the Stock Exchange. During the year ended 31 December 2019, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2019.

CORPORATE INFORMATION

The Company was incorporated in the British Virgin Islands with limited liability under the Business Companies Act of the British Virgin Islands (2004) on 8 December 2010.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing of knitted fabrics and innerwear. Details of the principal activities of the Company's principal subsidiaries are set out in note 38 to the consolidated financial statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the year as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong), including a discussion of the principal risks and uncertainties facing the Group and an indication of likely future developments in the Group's business, can be found in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report.

PERMITTED INDEMNITY

The articles of association of the Company provides that every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

A directors' liability insurance is in place to protect the Directors with appropriate coverage for certain legal liabilities which may arise in the course of performing their duties.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2019 and its state of affairs as at that date are set out in the consolidated financial statements on pages 88 to 94.

No interim dividend was paid during the year. The Directors did not recommend payment of a final dividend for the year ended 31 December 2019.

Dividend Policy

On 23 January 2019, the Board has approved and adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements, future business growth and its shareholding value.

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years is set out on page 3 of this annual report. This summary does not form part of the audited consolidated financial statements.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group that have significant impact on the business and operations of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's share capital during the year are set out in note 30 to the consolidated financial statements.

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 Board may, at its absolute discretion, grant an option to eligible participant(s) to subscribe for the shares of the Company at an exercise price and subject to the other terms of the Share Option Scheme. The offer of a grant of share options may be accepted within 28 days from the date of offer, with consideration of HK$1 payable by the grantee upon acceptance. The total number of shares of the Company available for issue under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 38,000,000 shares of the Company, being approximately 7.7% of the total number of shares of the Company in issue as at the date of this report.

The exercise price of share options is determined by the Board, but shall be at least the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option.

The total number of shares of the Company issued and to be issued upon exercise of the options granted to or to be granted to each eligible participant under the Share Option Scheme and any other schemes of the Company or any of its subsidiaries (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the shares in issue. The Share Option Scheme will remain in force for a period of 10 years from 24 November 2011. Under the Share Option Scheme, each option has a 10-year exercise period. As at the date of this annual report, no option has been granted under the Share Option Scheme.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

DISTRIBUTABLE RESERVES

At 31 December 2019, the Company's reserves available for distribution amounted to Nil (as at 31 December 2018: Nil).

DIRECTORS

The Directors during the year and up to the date of this report were:

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

In accordance with Article 14.2 of the Company's articles of association, Mr. Wang Bin, Mr. Zhang Yanlin and Mr. Hu Quansen will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received from each independent non-executive Director an annual confirmation of his independence from the Group, and as at the date of this report still considers them to be independent pursuant to Rule 3.13 of the Listing Rules.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group are set out on pages 16 to 20 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Mr. Wang Bin, Ms. Tian Ying and Mr. Du Shuwei entered into a service contract with the Company for an initial term of three years commencing from 12 October 2016, 12 October 2016 and 1 November 2018, respectively, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The non-executive Director, namely Mr. Zhang Yanlin entered a service contract with the Company for an initial term of three years commencing from 12 October 2016, which shall be renewed and extended automatically by three years on the expiry of such initial term or at any time thereafter. The appointments of the independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Feng Xin and Mr. Hu Quansen, have been renewed for a term of three years commencing from 12 October 2016.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Board has the general power of determining the Directors' remuneration, subject to authorisation of the shareholders of the Company at the annual general meeting each year. The remuneration of the executive Directors is subject to review by the Remuneration Committee, and their remuneration is determined with reference to the Directors' qualifications, experience, duties, responsibilities and performance and results of the Group. As for the non-executive Directors and independent non-executive Directors, their remuneration is determined by the Board, upon recommendation from the Remuneration Committee. Details of the emoluments of the Directors and the five highest paid individuals are set out in notes 13 and 14, respectively, to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except for the service contracts and the Share Option Scheme as disclosed in this annual report, there were no transactions, arrangements, or contracts of significance in relation to the business of the Group, to which the Company, its parent company, its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 December 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 annual report, the Company, its parent company, or any of its subsidiaries or fellow subsidiaries did not, at any time during the year ended 31 December 2019 and up to the date of this annual 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 31 December 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, which would fall to be disclosed to the Company 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	260,661,501 (L)	52.73%
永泰控股集團有限公司	Through controlled corporation	260,661,501 (L)	52.73%
永泰科技投資有限公司	Through controlled corporation	260,661,501 (L)	52.73%
Wang Guangxi	Through controlled corporation	260,661,501 (L)	52.73%
Guo Tianshu	Interest held by spouse	260,661,501 (L)	52.73%

Note:

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

Save as disclosed above, as at 31 December 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 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.

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the usual course of business are set out in note 40 to the Consolidated Financial Statements. In the course of preparing this annual report, it has come to the Directors' attention that the related party transactions mentioned under note 40 to the Consolidated Financial Statements constitute connected transactions of the Company, of which those mentioned under note 40(i), (v), (vi) and (vii) to the Consolidated Financial Statements are fully exempt connected transactions under Chapter 14A of the Listing Rules. In relation to the related party transactions mentioned under note 40(ii), (iii) and (iv) to the Consolidated Financial Statements which constitute non-exempt connected transactions and/or continuing connected transactions (as defined in Chapter 14A of the Listing Rules) of the Company, the Company has not complied with the requirements in accordance with Chapter 14A of the Listing Rules due to inadvertent omission. The Company will make an announcement relating to such non-exempt connected transactions and/or continuing connected transactions as soon as possible.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2019, none of the Directors and their respective close associates had any interests in any business, apart from the business of the Group, which competes or likely to compete (either directly or indirectly) with the business of the Group.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The Company has received annual confirmations from the controlling shareholders, Junfun Investment Limited, in respect of their compliance with the non-competition undertaking provided in favour of the Company. The independent non-executive Directors have reviewed the said undertaking and are of the view that Junfun Investment Limited has complied with the non-competition undertaking during the year ended 31 December 2019.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor did any such contract subsist at any time during the year.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

PRE-EMPTIVE RIGHTS

There were no provisions of pre-emptive rights under the Company's articles of association or the laws of the British Virgin Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders unless otherwise required by the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

In the Year under Review, the Group's largest supplier accounted for 9.9% (2018: 15.1%) of the Group's total purchases. The Group's five largest suppliers accounted for 23.0% (2018: 34.3%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 45% (2018: 41.0%) of the Group's total sales. The Group's largest customer accounted for 13% (2018: 16.3%) of the Group's total sales.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any shareholders which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital has any beneficial interest in the Group's five largest customers or five largest suppliers.

Key relationship with the customers and suppliers

(a) Customers

The Group's customers are mainly based in Mainland China, Japan and the United State. We have maintained business relationships with most of them for more than five years. Consistent with usual industry practice, the Group does not enter into any long-term sales agreements with its customers, but will request them to place purchase orders with us for every season. Our team is committed to providing customers with high quality products and efficient after sales services. The Directors regard the interest of customers as one of our top priorities.

(b) Suppliers

We carefully select our suppliers based on various criteria, including but not limited to: (i) the quality of the products supplied by them; (ii) their ability to deliver products to us in a timely manner; and (iii) their reputation in the industry. We have maintained business relationships with most of our suppliers for more than five years.

The Directors consider that it is commercially beneficial to build up a close and long-term business relationship with our suppliers as our long-term collaboration would allow us to provide reliable and quality products to our customers.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Audit Committee was established on 19 August 2011 with written terms of reference in compliance with the Listing Rules. The terms of reference of the Audit Committee have been recently revised on 23 January 2019. The Audit Committee is responsible for making recommendation to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of that auditor; monitoring integrity of the financial statements, the annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them; and reviewing the financial controls, internal control and risk management systems.

The Audit Committee has reviewed the Company's internal controls and risk management process, financial reporting and compliance procedures and financial results and reports, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2019. The consolidated financial statements for the year ended 31 December 2019 have been audited by the Company's external auditors, SHINEWING (HK) CPA Limited.

CORPORATE GOVERNANCE

The Company has published its corporate governance report, which is set out on pages 61 to 73 of this annual report.

AUDITOR

During the year, SHINEWING (HK) CPA Limited were appointed as the external auditors of the Company.

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint SHINEWING (HK) CPA Limited as the external auditors of the Company.

On behalf of the Board

Wang Bin
Chairman

Hong Kong, 9 April 2020

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)
會計師事務所有限公司
香港銅鑼灣
希慎道33號利園一期43樓

TO THE SHAREHOLDERS OF GREATIME INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Greatime International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 88 to 174, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of trade receivables and loan and other receivables

Refer to notes 22 and 25 to the consolidated financial statements and the accounting policies on pages 113 to 117.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group has trade receivables and loan and other receivables of approximately RMB39,920,000 and RMB22,188,000 respectively. For the year ended 31 December 2019, an impairment loss on trade receivables and loan and other receivables of approximately RMB320,000 and RMB80,000 were recognised in profit or loss respectively. In addition, trade receivables of approximately RMB181,000 was written off as bad debt. We have identified impairment of trade and loan and other receivables as a key audit matter due to its significance to the consolidated financial statements and the measurement of expected credit loss involves the Group's significant degree of judgment and a number of assumptions are applied to develop the expected credit losses ("ECL") models for calculating the impairment provision.	Our procedures were designed to review management's assessment on the ECL model on trade receivables and loan and other receivables. We have evaluated the key controls which govern credit control, debt collection and ECL estimation. We have reviewed and assessed the application of the Group's policy for calculating the ECL. We have evaluated the methodologies, inputs used by the external valuer to estimate the impairment of trade receivables, and loan and other receivables and evaluated the techniques and methodology in the ECL model against the requirements of HKFRS 9. We have checked on a sample basis, the accuracy and appropriateness of the input data provided by management to the external valuer such as information of aging of trade receivables and historical data. We have evaluated the external valuer's competence, capabilities and objectivity. We have also assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgments, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance.

Impairment of property, plant and equipment

Refer to notes 4 and 17 to the consolidated financial statements and the accounting policies on page 119.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group has property, plant and equipment of approximately RMB195,249,000. The valuation process was inherently subjective and dependent on a number of estimates. The Group engaged an external valuer to perform the valuation for the property, plant and equipment in determining the recoverable amount. We have identified impairment of property, plant and equipment as a key audit matter due to its significance to the consolidated financial statements and the assessment involves the Group's significant degree of judgment.	We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. Our procedures in relation to management's impairment assessment of property, plant and equipment included: We have understood the methodologies used by the external valuer to estimate market values of the property, plant and equipment. We have assessed the appropriateness of the valuation methodology by challenging the data used as inputs for the valuation, which included second hand market prices of comparables, transaction costs, reviewed the basis of calculation and compared the input data to market sources. We have evaluated the external valuer's competence, capabilities and objectivity. We have checked on a sample basis, the accuracy and appropriateness of the input data provided by management to the external valuer such as information of property, plant and equipment and historical data. We have assessed the key assumptions and input data used by management to estimate market values based on our knowledge of the business and industry. We have considered the potential impact of reasonably possible downside changes in these key assumptions.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Hon Kei, Anthony.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Wong Hon Kei, Anthony
Practising Certificate Number: P05591

Hong Kong
9 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	7	**410,217**	347,196
Cost of sales		**(310,232)**	(280,643)
Gross profit		**99,985**	66,553
Other income and gains	9	**5,589**	7,343
Selling and distribution expenses		**(13,398)**	(11,582)
Administrative expenses		**(86,668)**	(77,501)
Finance costs	10	**(5,195)**	(4,510)
Profit (loss) before tax		**313**	(19,697)
Income tax expense	11	**(7,058)**	(396)
Loss for the year	12	**(6,745)**	(20,093)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		**694**	1,216
Other comprehensive income for the year		**694**	1,216
Total comprehensive expense for the year		**(6,051)**	(18,877)
Loss per share:			
– Basic and diluted (RMB)	16	**(0.01)**	(0.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	17	**195,249**	189,951
Investment property	18	**3,983**	–
Right-of-use assets	19	**22,273**	–
Goodwill	20	**–**	–
Prepaid lease payments	21	**–**	14,105
Prepayments and other receivables	22	**13,850**	9,758
Deposits paid to acquire property, plant and equipment		**12,430**	74
Deferred tax assets	23	**393**	630
		248,178	214,518
Current assets			
Inventories	24	**61,651**	56,605
Trade receivables	25	**39,920**	42,237
Prepayments and other receivables	22	**13,581**	8,766
Amounts due from related companies	26	**1,648**	–
Prepaid lease payments	21	**–**	414
Pledged bank deposits	27	**–**	20,000
Cash and bank balances	27	**93,755**	147,664
		210,555	275,686
Current liabilities			
Trade payables	28	**40,055**	46,327
Accruals and other payables	29	**19,331**	19,127
Contract liabilities	31	**975**	1,833
Amount due to a related company	26	**132**	–
Loan from a shareholder	32	**4,496**	4,412
Interest-bearing borrowings	30	**98,000**	121,000
Lease liabilities	19	**1,736**	–
Income tax payables		**1,572**	922
		166,297	193,621
Net current assets		**44,258**	82,065
Total assets less current liabilities		**292,436**	296,583
Non-current liabilities			
Lease liabilities	19	**1,757**	–
Deferred tax liabilities	23	**616**	469
		2,373	469
Net assets		**290,063**	296,114

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 RMB'000	2018 RMB'000
Capital and reserves			
Share capital	33	**148,929**	148,929
Reserves		**141,134**	147,185
Total equity		**290,063**	296,114

The consolidated financial statements on pages 88 to 174 were approved and authorised for issue by the board of directors on 9 April 2020 and are signed on its behalf by:

Mr. Wang Bin	**Ms. Tian Ying**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company						
	Share capital RMB'000	**Statutory reserve** RMB'000 (Note (a))	**Exchange reserve** RMB'000	**Special reserve** RMB'000 (Note (b))	**Other reserve** RMB'000 (Note (c))	**Retained earnings** RMB'000	**Total** RMB'000
As at 1 January 2018	148,929	37,191	(259)	(83)	5,800	123,413	314,991
Loss for the year	–	–	–	–	–	(20,093)	(20,093)
Other comprehensive income for the year:							
Exchange differences arising on translating foreign operations	–	–	1,216	–	–	–	1,216
Total comprehensive income (expense) for the year	–	–	1,216	–	–	(20,093)	(18,877)
As at 31 December 2018	148,929	37,191	957	(83)	5,800	103,320	296,114
Loss for the year	–	–	–	–	–	(6,745)	(6,745)
Other comprehensive income for the year:							
Exchange differences arising on translation of foreign operations	–	–	694	–	–	–	694
Total comprehensive income (expense) for the year	–	–	694	–	–	(6,745)	(6,051)
Appropriation to statutory reserve	–	1,044	–	–	–	(1,044)	–
As at 31 December 2019	148,929	38,235	1,651	(83)	5,800	95,531	290,063

Notes:

(a) Statutory reserve

The statutory reserve, which is non-distributable, is appropriated from the profit after taxation of the Group's People's Republic of China (the "PRC") subsidiaries. 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 its net 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 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

On 7 March 2011, in recognition of the services of two senior executives of the Group's subsidiaries, Global Wisdom Capital Holdings Limited, being the Company's former holding company, transferred a total of 1,300,000 shares of the Company to the executives of the Company. The shares consideration was paid by the executives in cash by three installments which was fully settled on 7 March 2011, 7 March 2012 and 7 March 2013.

The transaction was accounted for as an equity settled share-based payment and accordingly, 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, amounted to RMB5,800,000, was recorded as other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
Profit (loss) before tax	**313**	(19,697)
Adjustments for:		
Depreciation of property, plant and equipment	**23,487**	23,400
Depreciation of investment property	**442**	–
Depreciation of right-of-use assets	**2,912**	–
(Reversal of) impairment loss on inventories	**(1,011)**	898
Amortisation of prepaid lease payments	**–**	409
Net (gain) loss on disposal of property, plant and equipment	**(259)**	801
Loss on written off of property, plant and equipment	**–**	2,100
Impairment loss on trade receivables	**320**	224
Impairment loss on loan receivables	**41**	89
Impairment loss on other receivables	**39**	–
Impairment loss on amounts due from related companies	**263**	–
Bad debt written off	**181**	–
Finance costs	**5,195**	4,510
Bank interest income	**(2,161)**	(1,916)
Interest income on loan receivables	**(82)**	(168)
Government grants	**(533)**	(250)
Operating cash flows before movements in working capital	**29,147**	10,400
Increase in inventories	**(4,032)**	(13,720)
Decrease in trade receivables	**1,836**	318
(Increase) decrease in prepayments and other receivables	**(778)**	3,282
(Decrease) increase in trade payables	**(6,272)**	1,023
Decrease in accruals and other payables	**(626)**	(317)
Decrease in contract liabilities	**(858)**	(1,084)
Cash generated from (used in) operations	**18,417**	(98)
PRC income tax (paid) refunded	**(4,383)**	528
Withholding tax paid	**(1,552)**	(553)
Myanmar income tax paid	**(112)**	–
NET CASH GENERATED FROM (USED IN) OPERATING ACTIVITIES	**12,370**	(123)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(31,818)**	(25,089)
Loans advanced	**(17,473)**	(7,500)
Deposits paid to acquire property, plant and equipment	**(12,430)**	(74)
Earnest money paid for potential acquisition	**(4,474)**	–
Advanced to related companies	**(1,912)**	–
Withdrawal of pledged bank deposits	**20,000**	3,999
Loans repayment	**10,500**	–
Interest received	**2,243**	1,916
Proceeds from disposal of property, plant and equipment	**975**	339
Placement of pledged bank deposits interest received	**–**	(22,451)
NET CASH USED IN INVESTING ACTIVITIES	**(34,389)**	(48,860)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES		
Repayments of borrowings	**(121,000)**	(88,000)
Interest paid	**(5,755)**	(4,538)
Repayment of lease liabilities	**(3,841)**	–
New borrowings raised	**98,000**	127,000
Government grant received	**533**	250
Advance from a related company	**132**	–
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(31,931)**	34,712
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(53,950)**	(14,271)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**147,664**	160,868
Effect of foreign exchange rate changes	**41**	1,067
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER, represented by cash and bank balances	**93,755**	147,664

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATION

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) (the "Companies Act") 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 is located at Room 4408, 44/F, 183 Queen's Road East, Wan Chai, Hong Kong.

The Company and its subsidiaries (hereinafter collectively referred to as 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 ("Junfun"), a limited liability company incorporated in the Cayman Islands.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs, which include HKFRSs, Hong Kong Accounting Standard ("HKAS") and HK(IFRIC) Interpretation ("HK(IFRIC)-Int") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

The adoption of HKFRS 16 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the consolidated financial statements as summarises below.

The application of other new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Impacts on 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. Comparative information has not been restated and continues to be reported 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 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 incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 were from 5.21% to 5.78%.

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.

The Group as lessor

The Group leases some of the properties. The accounting policies applicable to the Group as lessor remain substantially unchanged from those under HKAS 17.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Impacts on adoption of HKFRS 16 Leases (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 as 31 December 2018 RMB'000	Impact on adoption of HKFRS RMB'000	Carrying amount as restated at 1 January 2019 RMB'000
Right-of-use assets	a, b	–	22,226	22,226
Prepaid lease payments	b	14,519	(14,519)	–
Prepayments and other receivables	b	8,766	(3,268)	5,498
Lease liabilities	a	–	4,439	4,439

Notes:

(a) As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of approximately RMB4,439,000.

(b) Prepaid lease payments of approximately RMB14,519,000 which represent the upfront payments for leasehold lands in the PRC and Myanmar and the prepaid rental of approximately RMB3,268,000 as at 31 December 2018 were reclassified to right-of-use assets.

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. The total cash flows are unaffected.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Impacts on adoption of HKFRS 16 Leases (Continued)

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	RMB'000
Operating lease commitment disclosed as at 31 December 2018	6,073
Less: Short-term leases and other leases with remaining lease term ended on or before 31 December 2019	(1,421)
	4,652
Discounted using the incremental borrowing rate at 1 January 2019	(213)
Lease liabilities recognised as at 1 January 2019	4,439
Analysed as	
Current portion	3,570
Non-current portion	869
	4,439

Practical expedients applied

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

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- reliance on assessments on whether leases are onerous by applying HKAS 37 immediately before the date of initial application 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 assets at the date of initial application.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020.

2 Effective for annual periods beginning on or after 1 January 2021.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of other new and amendments HKFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries

Control is achieved where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Company reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Goodwill

Goodwill arising from a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Investments in subsidiaries

Investments in subsidiaries are stated on the statement of financial position of the Company at cost less accumulated impairment loss, if any.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognised revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially same.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

Contract assets and contract liabilities

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

The Group recognised revenue from the following major sources:

- sales of innerwear products and knitted fabrics
- provision of processing services on innerwear products and knitted fabrics

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract assets and contract liabilities (Continued)

Revenue from sales of innerwear products and knitted fabrics is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of innerwear products and knitted fabrics).

Service income from provision of processing services on innerwear products and knitted fabric is recognised at the point when the control of the goods is transferred to the customers (generally on delivery of innerwear products and knitted fabrics).

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

Leasing

(Accounting policy applicable on or after 1 January 2019)

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

(Accounting policy applicable on or after 1 January 2019) (Continued)

The Group as lessee

For contracts entered into or modified on or after the date of initial application, 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 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

(Accounting policy applicable on or after 1 January 2019) (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 significant event or change in circumstances resulting in 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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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. The depreciation starts at the commencement date of the lease.

The Group presents right-of-use assets as a separate line in the consolidated statement of financial position. The right-of-use assets that meet the definition of investment property are presented within "investment property".

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

(Accounting policy applicable on or after 1 January 2019) (Continued)

The Group as lessee (Continued)

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient for all leases.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

(Accounting policy applicable on or after 1 January 2019) (Continued)

The Group as lessor (Continued)

When a contract includes both lease and non-lease components, the Group applies HKFRS 15 to allocate the consideration under the contract to each component.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Accounting policy applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and buildings

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term benefits

Short-term employees benefits are recognised as the undiscounted amount of the benefits expected to be paid as and when employee rendered the service. A liability is recognised for benefits accruing to employees in respect of short-term employee benefits after deducting any amount already paid.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probably that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

Current and deferred tax are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to allocate the cost of items of property, plant and equipment (other than construction in progress) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profits or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Owned investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

If an item of property, plant and equipment becomes an investment property when there is a change in use, transfers between investment property, and property, plant and equipment do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes under cost model.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

Cash and bank balances in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and bank balances as defined above.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group's financial assets are subsequently measured at amortised cost.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

(i) Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at amortised cost (debt instruments) (Continued)

(i) Amortised cost and effective interest method (Continued)

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "other income and gains" line item (note 9).

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the worldwide economic growth and global probability of corporate default, obtained from economic expert reports and financial analysts.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular debtor, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of the reporting period.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment losses on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgment in applying accounting policies

The following is the critical judgment, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Legal title of buildings

As at 31 December 2019, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB10,033,000 (2018: RMB10,293,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment, and if the expectation differs from the original estimate, such a difference may impact the depreciation charged in the year and the estimate will be changed in the future period. As at 31 December 2019, the carrying amount of property, plant and equipment was approximately RMB195,249,000 (2018: RMB189,951,000).

Impairment of trade receivables and loan and other receivables

The impairment provisions for trade receivables and loan and other receivables are based on assumptions about ECL. The Group has engaged an external valuer to assist in performing an impairment assessment on these receivables. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of trade receivables and loan and other receivables (Continued)

At 31 December 2019, the carrying amount of trade receivables is approximately RMB39,920,000 (2018: RMB42,237,000), net of loss allowance of approximately RMB1,864,000 (2018: RMB1,541,000).

At 31 December 2019, the carrying amount of loan and other receivables is approximately RMB22,188,000 (2018: RMB11,232,000), net of loss allowance of approximately RMB170,000 (2018: RMB89,000).

During the year ended 31 December 2019, an impairment loss of approximately RMB320,000 and RMB80,000 (2018: RMB224,000 and RMB89,000) was recognised on trade receivables and loan and other receivables respectively. Bad debts of approximately RMB181,000 (2018: nil) was recognised during the year.

Impairment of inventories

The Group reviews an ageing analysis at the end of each reporting period, and makes impairment for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices. As at 31 December 2019, the carrying amount of inventories was approximately RMB61,651,000 (2018: RMB56,605,000).

During the year ended 31 December 2019, reversal of impairment loss on inventory of approximately RMB1,011,000 (2018: impairment loss of approximately RMB898,000) was recognised.

Impairment of property, plant and equipment and right-of-use assets

At the end of the reporting period, the directors of the Company review the carrying amount of the property, plant and equipment and right-of-use assets and identified if there is any indication for possible impairment of property, plant and equipment and right-of-use assets. The Group has engaged an external valuer to assist in performing a valuation of property, plant and equipment in determining the recoverable amount. The impairment loss for property, plant and equipment and right-of-use assets were recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment and right-of-use assets are the greater of the fair value less costs to sell and value-in-use. In determining the recoverable amount, data such as second hand market prices of comparables, and transaction costs are used. As at 31 December 2019, the carrying amount of property, plant and equipment and right-of-use assets were approximately RMB195,249,000 and RMB22,273,000 (2018: RMB189,951,000 and nil) respectively. No impairment loss on property, plant and equipment and right-of-use assets were recognised for both years.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Income taxes

As at 31 December 2019, deferred tax assets of approximately RMB393,000 (2018: RMB630,000), in relation to unused tax losses, unrealised profit on inventories and accelerated tax depreciation, has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on tax losses arising in PRC and Hong Kong of approximately RMB46,935,000 (2018: RMB51,635,000) as at 31 December 2019, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more/less than expected, a material recognition/reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition/reversal takes place.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the interest-bearing borrowings and loan from a shareholder as disclosed in note 30 and note 32 respectively, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company regularly review the capital structure. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new shares issues, the issue of new borrowings or repayment of existing borrowings.

6. FINANCIAL INSTRUMENTS

a. *Categories of financial instruments*

	2019 RMB'000	2018 RMB'000
Financial assets		
Financial assets at amortised cost	**154,694**	218,265
Financial liabilities		
Financial liabilities at amortised cost	**159,215**	188,225

b. *Financial risk management objectives and policies*

The Group's major financial instruments include trade receivables, other receivables, amounts due from related companies, pledged bank deposits, cash and bank balances, trade payables, accruals and other payables, amount due to a related company, loan from a shareholder, lease liabilities and interest-bearing borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include credit risk, market risk (currency risk and interest rate risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk

As at 31 December 2019, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from cash and cash equivalents, trade receivables and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on an individual basis for customer with significant balances and/or collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For other non-traded related receivables and amounts due from related companies, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The loan and interest receivables included in other receivables are unsecured. The maximum exposure to credit risk in respect of the loans at the end of the reporting period and the key terms of the loans are disclosed in note 22.

Management considered other receivables to be low credit risk and thus impairment provision recognised during the year was limited to 12-month ECL. The Group determines the ECL on an individual basis by using probability of default. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas.

6. FINANCIAL INSTRUMENTS (Continued)

b. *Financial risk management objectives and policies (Continued)*

Credit risk (Continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant increase in credit risk on other financial instruments of the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower

In order to minimise credit risk, the management develops and maintains the Group's credit risk grading to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising ECL
Performing	For financial assets where there has low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1)	12-month ECL
Doubtful	For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2)	Lifetime ECL – not credit impaired
Default	Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3)	Lifetime ECL – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

The credit quality of the Group's financial assets and the Group's maximum exposure to credit risk by credit risk rating grades are disclosed in notes 22, 25 and 26 respectively.

As at 31 December 2019, the Group's concentration of credit risk by geographical locations is mainly in Japan and the PRC which accounted for 19% and 76% (2018: Italy and the PRC which accounted for 10% and 77%) respectively of the total receivables.

As at 31 December 2019, the Group has concentration of credit risk as 13% (2018: 2%) and 45% (2018: 25%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

6. FINANCIAL INSTRUMENTS (Continued)

b. *Financial risk management objectives and policies (Continued)*

Market risk

Foreign currency risk

The Group has foreign currency sales, which expose the Group to foreign currency risk. During the year ended 31 December 2019, approximately 57% (2018: 51%), of the Group's sales are denominated in USD, a currency other than the functional currencies of the group entities making the sales, whilst almost 100% (2018: 100%) of costs are denominated in the group entity's respective functional currencies.

Also, certain trade and other receivables, cash and bank balances, other payables and loan from a shareholder are denominated in USD, RMB and Hong Kong dollars ("HKD") which are currencies other than the functional currency of the relevant group entities. The carrying amounts of the Group's major foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	2019 **RMB'000**	2018 RMB'000
Assets		
USD	**52,167**	67,852
HKD	**4,819**	1,796
RMB	**3,770**	4,014
Liabilities		
USD	**4,807**	4,412
HKD	**1,309**	1,744

The Group currently does not have a foreign currency hedging policy. However, the directors of the Company continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

6. FINANCIAL INSTRUMENTS (Continued)

b. *Financial risk management objectives and policies (Continued)*

Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

The Group entities are mainly exposed to the fluctuation of USD, RMB and HKD.

The following table details the Group's sensitivity to a 5% (2018: 5%) increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies. 5% (2018: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in relevant foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower.

A positive number below indicates a decrease in post-tax loss where the respective foreign currency strengthens 5% (2018: 5%) against the relevant functional currency. For a 5% (2018: 5%) weakening of the respective foreign currency against the relevant functional currency, there would be an equal and opposite impact on the profit or loss.

	USD impact	
	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Decrease in loss	**1,776**	2,108

6. FINANCIAL INSTRUMENTS (Continued)

b. *Financial risk management objectives and policies (Continued)*

Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

	HKD impact	
	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Decrease in loss	**132**	2

	RMB impact	
	Year ended 31 December 2019 RMB'000	Year ended 31 December 2018 RMB'000
Decrease in loss	**141**	151

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate loan receivables (note 22) and interest-bearing borrowings (note 30) and cash flow interest rate risk in relation to variable-rate interest-bearing pledged bank deposits (note 27), bank balances (note 27) and borrowings (note 30). The Group currently does not have an interest rate hedging policy. However, the directors of the Company continuously monitor the related interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the interest rate offered from the People's Bank of China arising from the Group's interest-bearing borrowings.

6. FINANCIAL INSTRUMENTS (Continued)

b. *Financial risk management objectives and policies (Continued)*

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including interest-bearing pledged bank deposits, bank balances and interest-bearing borrowings at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2018: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rate.

If interest rates had been 100 basis points (2018: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2019 (2018: post-tax loss) would decrease or increase by approximately RMB457,000 (2018: RMB547,000).

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturities for its non-derivative financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

As at 31 December 2019	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities			
Trade payables	40,055	40,055	40,055
Accruals and other payables	16,532	16,532	16,532
Amount due to a related company	132	132	132
Loan from a shareholder	4,496	4,496	4,496
Interest-bearing borrowings			
– fixed rate	50,000	50,000	50,000
– variable rate	48,000	48,000	48,000
	159,215	159,215	159,215

Additional information about the maturity of lease liabilities is provided in the following table:

As at 31 December 2019	Less than one year RMB'000	1–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Lease liabilities	1,860	1,842	3,702	3,493

6. FINANCIAL INSTRUMENTS (Continued)

b. *Financial risk management objectives and policies (Continued)*

Liquidity risk (Continued)

As at 31 December 2018	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities			
Trade payables	46,327	46,327	46,327
Accruals and other payables	16,486	16,486	16,486
Loan from a shareholder	4,412	4,412	4,412
Interest-bearing borrowings			
– fixed rate	48,000	48,000	48,000
– variable rate	73,000	73,000	73,000
	188,225	188,225	188,225

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. As at 31 December 2019 and 2018, the aggregate undiscounted principal amounts of these bank loans amounted to RMB98,000,000 and RMB121,000,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to RMB100,718,000 (2018: RMB124,638,000).

7. REVENUE

Revenue represents the amounts received and receivable for manufacture and sales of and provision of processing services on innerwear products and knitted fabrics, net of discounts and sales related taxes. Revenue is analysed as follows:

Revenue from contracts with customers within the scope of HKFRS 15

Disaggregated by major products or services lines

	2019 **RMB'000**	2018 RMB'000
Manufacture and sale of products:		
– Innerwear products	**289,392**	242,129
– Knitted fabrics	**66,598**	59,841
	355,990	301,970
Processing services income:		
– Innerwear products	**11,383**	13,982
– Knitted fabrics	**42,844**	31,244
	54,227	45,226
	410,217	347,196

Disaggregation of revenue by timing of recognition

	Year ended 31/12/2019 RMB'000	Year ended 31/12/2018 RMB'000
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	**410,217**	347,196

8. 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 makers ("CODM") for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments 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

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable and operating segment.

	Year ended 31 December 2019		
	Innerwear products RMB'000	**Knitted fabrics RMB'000**	**Total RMB'000**
Revenue			
External sales	**300,775**	**109,442**	**410,217**
Inter-segment revenue	**140,430**	**47,774**	**188,204**
Segment revenue	**441,205**	**157,216**	**598,421**
Eliminations			**(188,204)**
Group's revenue			**410,217**
Segment profit (loss)	**30,193**	**(4,840)**	**25,353**
Other income and gains			**2,464**
Finance costs			**(5,065)**
Unallocated head office and corporate expenses			**(22,439)**
Profit before tax			**313**

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Year ended 31 December 2018		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Revenue			
External sales	256,111	91,085	347,196
Inter-segment revenue	122,041	52,060	174,101
Segment revenue	378,152	143,145	521,297
Eliminations			(174,101)
Group's revenue			347,196
Segment profit (loss)	5,102	(6,785)	(1,683)
Other income and gains			2,084
Finance costs			(4,510)
Unallocated head office and corporate expenses			(15,588)
Loss before tax			(19,697)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit earned by (loss from) each segment without allocation of bank interest income, rental income and interest income on loan receivables, directors' and chief executive's emoluments, certain finance costs and unallocated head office and corporate expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market price.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Year ended 31 December 2019		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	184,735	151,580	336,315
Unallocated assets:			
Property, plant and equipment			585
Investment property			3,983
Right-of-use assets			3,394
Cash and bank balances			93,755
Deferred tax assets			393
Prepayments			985
Other receivables			19,323
Consolidated assets			458,733
Segment liabilities	38,311	20,839	59,150
Unallocated liabilities:			
Other payables			1,343
Loan from a shareholder			4,496
Income tax payables			1,572
Interest-bearing borrowings			98,000
Lease liabilities			3,493
Deferred tax liabilities			616
Consolidated liabilities			168,670

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Year ended 31 December 2018		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	187,020	126,101	313,121
Unallocated assets:			
Property, plant and equipment			836
Cash and bank balances			147,664
Pledged bank deposits			20,000
Deferred tax assets			630
Prepayments			46
Other receivables			7,907
Consolidated assets			490,204
Segment liabilities	45,573	20,006	65,579
Unallocated liabilities:			
Other payables			1,708
Loan from a shareholder			4,412
Income tax payables			922
Interest-bearing borrowings			121,000
Deferred tax liabilities			469
Consolidated liabilities			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 operation, investment property for general operation, right-of-use assets for general operation, prepayments for general operation, certain other receivables, deferred tax assets, pledged bank deposits and cash and bank balances.

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

8. SEGMENT INFORMATION (Continued)

Other segment information

	Year ended 31 December 2019			
	Innerwear products RMB'000	Knitted fabrics RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation of property, plant and equipment	11,485	11,738	264	23,487
Depreciation of right-of-use assets	1,427	208	1,277	2,912
Net (gain) loss on disposal of property, plant and equipment	(433)	174	–	(259)
Provision (reversal) of impairment loss on inventories (Note)	144	(1,155)	–	(1,011)
Deposits paid to acquire property, plant and equipment	1,907	10,523	–	12,430
Provision (reversal) of impairment loss on trade receivables	523	(203)	–	320
Bad debt written off	–	181	–	181
Impairment on amounts due from related companies	262	1	–	263
Interest on lease liabilities	130	–	85	215
Additions to non-current assets	5,370	27,648	7,061	40,079
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Depreciation of investment property	–	–	442	442
Impairment loss on loan receivables	–	–	41	41
Impairment loss on other receivables	–	–	39	39
Bank interest income	(406)	(1,084)	(671)	(2,161)
Interest income on loan receivables	–	–	(82)	(82)
Interest expense	3,588	1,392	–	4,980
Income tax expense	5,549	–	1,509	7,058

Note: During the year, certain long aged inventories were sold. As a result, a reversal of write-down of inventories of approximately RMB1,155,000 (2018: RMB888,000) has been recognised and included in cost of sales in the current year.

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Year ended 31 December 2018			
	Innerwear products RMB'000	Knitted fabrics RMB'000	Unallocated RMB'000	Total RMB'000
Amounts included in the measure of segment profit or loss or segment assets:				
Depreciation and amortisation	11,642	11,915	252	23,809
Net loss on disposal of property, plant and equipment	445	356	–	801
Loss on written off of property, plant and equipment	–	2,100	–	2,100
(Reversal of) impairment loss on inventories (Note)	(888)	1,786	–	898
Deposits paid to acquire property, plant and equipment	74	–	–	74
Impairment loss on trade receivables	52	172	–	224
Additions to property, plant and equipment	7,472	18,703	1	26,176
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Impairment loss on loan receivables	–	–	89	89
Bank interest income	(573)	(265)	(1,078)	(1,916)
Interest income on loan receivables	–	–	(168)	(168)
Interest expense	3,218	1,292	–	4,510
Income tax (credit) expense	(64)	–	460	396

8. SEGMENT INFORMATION (Continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the destination where the products are delivered. Information about the Group's non-current assets is presented based on geographical location of the assets.

	Revenue from contracts with external customers		Non-current assets	
	2019	2018	**2019**	2018
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**174,400**	167,262	**192,944**	191,220
Japan	**210,107**	155,499	**–**	–
United States	**11,733**	12,200	**–**	–
Africa	**7,209**	–	**–**	–
Italy	**5,963**	10,156	**–**	–
Myanmar	**760**	1,406	**36,808**	14,147
Others	**45**	673	**4,183**	942
	410,217	347,196	**233,935**	206,309

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2019	2018
	RMB'000	RMB'000
Customer A (note (a))	**73,198**	56,459

Note:

(a) Revenue from manufacture and sales of and provision of processing services on innerwear and garments segment and from overseas customer.

9. OTHER INCOME AND GAINS

	2019	2018
	RMB'000	RMB'000
Bank interest income	**2,161**	1,916
Sales of scrap materials	**2,114**	1,984
Interest income on loan receivables	**82**	168
Government grants (Note)	**533**	368
Exchange gain, net	**–**	2,037
Net gain on disposal of property, plant and equipment	**259**	–
Rental income from an investment property		
– Lease payments that are fixed	**221**	–
Insurance claim received	**8**	456
Others	**211**	414
	5,589	7,343

Note:

Government grants recognised as other income are awarded to the Group by (a) the PRC government as incentives primarily to encourage the technology development of the Group and the contribution to the local economic development; and (b) the Hong Kong Special Administrative Region government to encourage the Group to promote its business to overseas market. The government grants are one-off with no specific condition attached.

10. FINANCE COSTS

	2019	2018
	RMB'000	RMB'000
Interest on lease liabilities	**215**	–
Interest on bank loans	**5,540**	4,538
Less: amounts capitalised in the cost of qualifying assets	**(560)**	(28)
	5,195	4,510

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 2.6% (2018: 2.3%) per annum to expenditure on qualifying assets.

11. INCOME TAX EXPENSE

	2019	2018
	RMB'000	RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")		
– Provision for the year	**4,291**	–
Overseas income tax		
– Provision for the year	**720**	–
– Under- provision in prior years	**112**	–
Withholding tax	**1,552**	553
Deferred tax (note 23)	**383**	(157)
	7,058	396

(a) Overseas income tax

Pursuant to the rules and regulations of the BVI, the BVI subsidiary and the Company are not subject to any income tax in the BVI.

Pursuant to the rules and regulations of Myanmar, the Myanmar subsidiaries are subject to income tax at 25%.

(b) Hong Kong Profits Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HKD2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%. For the years ended 31 December 2019 and 2018, Hong Kong profits tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

No provision for Hong Kong Profits Tax had been made for the years ended 31 December 2019 and 2018 as there was no estimated assessable profit derived from Hong Kong subsidiaries.

11. INCOME TAX EXPENSE (Continued)

(c) EIT

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the years ended 31 December 2019 and 2018. No provision for EIT had been made for the year ended 31 December 2018 as there was either no estimated assessable profit derived from PRC subsidiaries or the assessable profit is wholly absorbed by tax losses brought forward.

(d) Withholding tax

According to the joint circular of the Ministry of Finance and State Administration of Taxation – Cai Shui 2008 No. 1, withholding tax of 10% is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards.

The tax charge of the year can be reconciled to the profit (loss) before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **RMB'000**	2018 RMB'000
Profit (loss) before tax	**313**	(19,697)
Tax at the domestic income rate of 25% (2018: 25%)	**78**	(4,924)
Tax effect of income not taxable for tax purpose	**(203)**	(211)
Tax effect of expenses not deductible for tax purpose	**4,723**	2,398
Tax effect of tax deductible temporary difference not recognised	**298**	578
Utilisation of tax deductible temporary difference previously not recognised	**(344)**	(316)
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**1,510**	461
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2,202**	1,371
Tax effect of tax losses not recognised	**1,308**	2,615
Under-provision in prior years	**112**	–
Utilisation of tax losses previously not recognised	**(2,626)**	(1,576)
Income tax expense for the year	**7,058**	396

Details of deferred taxation are set out in note 23.

12. LOSS FOR THE YEAR

	2019 RMB'000	2018 RMB'000
Loss for the year has been arrived at after charging (crediting):		
Salaries and other benefits	**106,300**	98,010
Contributions to retirement benefit schemes	**11,952**	12,200
Total staff costs (including directors' and chief executive's emoluments)	**118,252**	110,210
Auditor's remuneration	**820**	759
Amortisation of prepaid lease payments	**–**	409
Depreciation of property, plant and equipment	**23,487**	23,400
Depreciation of investment property	**442**	–
Depreciation of right-of-use assets	**2,912**	–
Net loss on disposal of property, plant and equipment	**–**	801
Exchange loss, net	**1,843**	–
Loss on written off of property, plant and equipment	**–**	2,100
Bad debt written off	**181**	–
Amount of inventories recognised as an expense	**284,731**	238,387
(Reversal of) impairment loss on inventories (included in cost of sales)	**(1,011)**	898
Impairment loss on trade receivables (included in administrative expenses)	**320**	224
Impairment loss on loan receivables	**41**	89
Impairment loss on other receivables	**39**	–
Impairment loss on amounts due from related companies	**263**	–
Operating lease rentals in respect of rented premises	**–**	3,358

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors and chief executive of the Company were as follows:

For the year ended 31 December 2019

Name of Director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive directors				
Mr. Wang Bin	–	1,058	–	1,058
Ms. Tian Ying	–	1,058	–	1,058
Mr. Du Shuwei	–	1,058	–	1,058
	–	3,174	–	3,174
Non-executive director				
Mr. Zhang Yanlin	176	–	–	176
Independent non-executive directors				
Mr. Xu Dunkai	132	–	–	132
Ms. Feng Xin	132	–	–	132
Mr. Hu Quanse	132	–	–	132
	396	–	–	396
Total	572	3,174	–	3,746

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

For the year ended 31 December 2018

Name of Director	Fees RMB'000	Salaries and other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive directors				
Mr. Wang Bin	–	1,011	–	1,011
Ms. Tian Ying	–	1,011	–	1,011
Mr. Du Shuwei (appointed on 1 November 2018)	–	253	–	253
Mr. Lam Tet Foo (resigned on 1 November 2018)	–	267	–	267
	–	2,542	–	2,542
Non-executive director				
Mr. Zhang Yanlin	168	–	–	168
Independent non-executive directors				
Mr. Xu Dunkai	126	–	–	126
Ms. Feng Xin	126	–	–	126
Mr. Hu Quanse	126	–	–	126
	378	–	–	378
Total	546	2,542	–	3,088

The amounts above represent emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings. No emoluments were paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings.

No directors or chief executive of the Company waived or agreed to waive any emolument paid by the Group during the years ended 31 December 2019 and 2018. No emoluments were paid by the Group to any of the directors or chief executive of the Company as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2019 and 2018.

Ms. Tian Ying resigned from the chief executive on 1 November 2018 and her emoluments disclosed above included those for services rendered by her as the chief executive until the date of resignation.

Mr. Du Shuwei was also appointed as chief executive of the Group on 1 November 2018 and his emoluments disclosed above include those for services rendered by him as the chief executive.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2018: two) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining two (2018: three) individuals were as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other benefits	**4,304**	3,615
Contributions to retirement benefit schemes	**7**	44
	4,311	3,659

Their emoluments were within the following bands:

	2019 No. of Employees	2018 No. of Employees
HKD1,000,001 to HKD1,500,000 (2019: equivalent to approximately RMB882,001 to RMB1,323,000, 2018: equivalent to approximately RMB878,001 to RMB1,317,000)	**1**	2
HKD1,500,001 to HKD2,000,000 (2019: equivalent to approximately RMB1,323,001 to RMB1,764,000, 2018: equivalent to approximately RMB1,317,001 to RMB1,757,000)	**–**	1
HKD3,500,001 to HKD4,000,000 (2019: equivalent to approximately RMB3,087,001 to RMB3,528,000, 2018: equivalent to approximately RMB3,074,001 to RMB3,513,000)	**1**	–

No emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office during the years ended 31 December 2019 and 2018.

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2019 is based on the loss for the year attributable to owners of the Company of approximately RMB6,745,000 (2018: RMB20,093,000) and the weighted average of 494,335,330 ordinary shares (2018: 494,335,330) in issue during the year.

Diluted loss per share for the years ended 31 December 2019 and 2018 was the same as the basic loss per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2019 (2018: nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Office Equipment	Motor vehicles	Construction in progress	Total
	RMB'000 (Note)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST:							
As at 1 January 2018	169,997	20,887	126,593	11,350	9,908	7,958	346,693
Additions	503	2,919	13,278	1,459	139	7,878	26,176
Disposals	10,263	–	–	–	–	(10,263)	–
Transfer	(222)	–	(2,079)	(215)	(721)	–	(3,237)
Written off	–	–	(2,620)	–	–	–	(2,620)
Exchange adjustments	–	–	(310)	(65)	85	(216)	(506)
As at 31 December 2018 and 1 January 2019	180,541	23,806	134,862	12,529	9,411	5,357	366,506
Additions	–	4,472	15,335	2,729	2,368	8,114	33,018
Transfer	289	11	–	–	–	(300)	–
Transferred to investment property	(5,426)	–	–	–	–	–	(5,426)
Disposals	–	–	(6,110)	(330)	(2,979)	–	(9,419)
Exchange adjustments	–	61	368	133	77	444	1,083
As at 31 December 2019	175,404	28,350	144,455	15,061	8,877	13,615	385,762
ACCUMULATED DEPRECIATION:							
As at 1 January 2018	47,049	16,379	75,933	9,953	6,581	–	155,895
Provided for the year	8,826	2,635	10,050	888	1,001	–	23,400
Eliminated on disposals	(81)	–	(1,409)	(204)	(404)	–	(2,098)
Eliminated on written off	–	–	(520)	–	–	–	(520)
Exchange adjustments	–	–	(170)	(14)	62	–	(122)
As at 31 December 2018 and 1 January 2019	55,794	19,014	83,884	10,623	7,240	–	176,555
Provided for the year	8,713	2,021	10,580	1,125	1,048	–	23,487
Transferred to investment property	(1,001)	–	–	–	–	–	(1,001)
Eliminated on disposals	–	–	(5,532)	(286)	(2,885)	–	(8,703)
Exchange adjustments	–	3	91	38	43	–	175
As at 31 December 2019	63,506	21,038	89,023	11,500	5,446	–	190,513
CARRYING VALUES:							
As at 31 December 2019	111,898	7,312	55,432	3,561	3,431	13,615	195,249
As at 31 December 2018	124,747	4,792	50,978	1,906	2,171	5,357	189,951

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis according to the following estimated useful lives and after taking into account their estimated residual values, as follows:

Buildings held for own uses	Over the shorter of term of the lease and 20 years
Leasehold improvements	5 years
Machinery	2–10 years
Office equipment	3–5 years
Motor vehicles	3–5 years

Note: As at 31 December 2019, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB10,033,000 (2018: RMB10,293,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

As at 31 December 2019, certain Group's buildings with an aggregate carrying amounts of approximately RMB90,995,000 (2018: RMB78,557,000) were pledged to secure the bank borrowings granted to the Group (note 36).

18. INVESTMENT PROPERTY

	RMB'000
COST	
Transferred from property, plant and equipment	5,426
ACCUMULATED DEPRECIATION	
Transferred from property, plant and equipment	1,001
Provided for the year	442
	1,443
CARRYING VALUE	
As at 31 December 2019	3,983

18. INVESTMENT PROPERTY (Continued)

During the year ended 31 December 2019, the Group has transferred a property with carrying amount of approximately RMB4,425,000 from property, plant and equipment to investment property due to the change in use, which evidenced by inception of an operating lease to another party.

The fair value of the Group's investment property as at 31 December 2019 was approximately RMB4,893,000. The fair value has been arrived at based on a valuation carried out by APAC Appraisal and Consulting Limited, an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions and is categorized as level 3 of the fair value hierarchy. There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The above investment property is depreciated on a straight-line basis at the following rates per annum:

Buildings	Over the shorter of the term of the lease and 16 years

19. LEASES

(i) Right-of-use assets

	31/12/2019	1/1/2019
	RMB'000	RMB'000
Land	**14,165**	14,519
Buildings (factories, office and staff quarters)	**8,108**	7,707
	22,273	22,226

At 31 December 2019, right-of-use assets of approximately RMB14,165,000 (1 January 2019: RMB14,519,000) represent land use rights located in the PRC and Myanmar.

The Group has lease arrangements for buildings. The lease terms generally range from two to five years with fixed lease payment and no renewal/termination option. The Group also entered into short term lease arrangements in respect of staff quarters, machinery and office equipments.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to approximately RMB2,636,000, due to a new lease of office.

As at 31 December 2019, the Group's right-of-use assets with an aggregate carrying amount of approximately RMB10,938,000 were pledged to secure the bank borrowings granted to the Group (note 36).

19. LEASES (Continued)

(ii) Lease liabilities

	31/12/2019 RMB'000	1/1/2019 RMB'000
Non-current	**1,757**	869
Current	**1,736**	3,570
	3,493	4,439

Amounts payable under lease liabilities	**31/12/2019 RMB'000**
Within one year	**1,736**
After one year but within two years	**895**
After two years but within five years	**862**
	3,493
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,736)**
Amount due for settlement after 12 months	**1,757**

During the year ended 31 December 2019, the Group entered into a new lease agreement in respect of office and recognised lease liability of approximately RMB2,636,000.

(iii) Amounts recognised in profit or loss

	Year ended 31/12/2019 RMB'000
Depreciation expense on right-of-use assets:	
– Land	**415**
– Buildings (factories, offices and staff quarters)	**2,497**
	2,912
Interest expense on lease liabilities	**215**
Expense relating to short-term leases	**2,001**
Expense relating to leases of low value assets	**10**

19. LEASES (Continued)

(iv) Others

During the year ended 31 December 2019, the total cash outflow for leases amount to approximately RMB6,067,000.

20. GOODWILL

	RMB'000
COST	
At 1 January 2018, at 31 December 2018 and at 31 December 2019	1,008
IMPAIRMENT	
At 1 January 2018, at 31 December 2018 and at 31 December 2019	1,008
CARRYING VALUES	
At 31 December 2019	–
At 31 December 2018	–

For the purposes of impairment test, goodwill with indefinite useful lives has been allocated to individual cash-generating unit, being the subsidiary of Yuhua Company Limited (formerly known as Win Glory International Manufacturing Company Limited) ("Yuhua").

Goodwill was fully impaired as at 31 December 2019 and 2018.

21. PREPAID LEASE PAYMENTS

	2018 RMB'000
Analysed for reporting purposes as:	
Non-current asset	14,105
Current asset	414
	14,519

As at 31 December 2018, the Group's prepaid lease payments with an aggregate carrying amount of approximately RMB11,235,000 were pledged to secure the bank borrowings granted to the Group (note 36).

Upon adoption of HKFRS 16 on 1 January 2019, the carrying amount of prepaid lease payments of approximately RMB14,519,000 was reclassified to right-of-use assets.

22. PREPAYMENTS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	RMB'000
Non-current asset:		
Loan receivables (notes a & c)	**13,974**	7,668
Less: Loss allowance on loan receivables	**(124)**	(89)
	13,850	7,579
Prepayments	**–**	2,179
	13,850	9,758
Current assets:		
Loan receivables (notes b & c)	**668**	–
Less: Loss allowance on loan receivables	**(6)**	–
	662	–
Other receivables (note d)	**7,716**	3,653
Less: Loss allowance on other receivables	**(40)**	–
	7,676	3,653
Prepayments	**4,543**	3,988
Advance to suppliers	**700**	1,125
	13,581	8,766
	27,431	18,524

Notes:

(a) The amounts are unsecured, interest-free (2018: interest bearing at 4.35% per annum) and repayable on or before 14 March 2021.

(b) The amounts are unsecured, interest-bearing at 4.35% per annum and repayable on 8 March 2020.

(c) The loans were advanced to related companies that are controlled by the director of subsidiaries or a close family member of the director of subsidiaries.

(d) An earnest money of approximately RMB4,474,000 was paid to an independent escrow agent during the year ended 31 December 2019 for a potential acquisition with details in note 39 (a) and it is refundable if the proposed acquisition is not completed by 19 April 2020.

22. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group measures the loss allowance for loan receivables at an amount equal to 12-month ECL by applying probability of default approach as it has low risk of default or has not been significantly increase in credit risk since initial recognition. An impairment loss of approximately RMB41,000 (2018: RMB89,000) was recognised during the year ended 31 December 2019.

The Group has individually assessed all the remaining other receivables including the earnest money at 12-month ECL by applying probability of default approach as it has low risk of default or has not been significantly increase in credit risk since initial recognition. An impairment loss of approximately RMB39,000 (2018: nil) was recognised during the year ended 31 December 2019.

The movement in the allowance for impairment of loan and other receivables is set out below:

	2019	2018
	RMB'000	RMB'000
At the beginning of the year	**89**	–
Impairment loss on loan receivables	**41**	89
Impairment loss on other receivables	**39**	–
Exchange realignment	**1**	–
At the end of the year	**170**	89

As at 31 December 2019 and 2018, all other receivables were neither past due nor impaired.

The Group's other receivables that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019	2018
	RMB'000	RMB'000
HKD	**4,555**	451

23. DEFERRED TAXATION

The following is the analysis of the deferred tax asset (liabilities), after set off certain deferred tax assets against deferred tax liabilities of the same taxable entity, for financial reporting purpose.

	2019 RMB'000	2018 RMB'000
For financial reporting purpose:		
Deferred tax assets	**393**	630
Deferred tax liabilities	**(616)**	(469)
	(223)	161

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the current and prior years:

	Unrealised profit (loss) on inventories RMB'000	**Withholding tax on undistributed profit of subsidiaries in the PRC** RMB'000	**Tax losses** RMB'000	**Accelerated tax depreciation** RMB'000	**Total** RMB'000
At 1 January 2018	179	(537)	465	(98)	9
Credited to profit or loss for the year	65	92	–	–	157
Exchange difference	–	(24)	24	(5)	(5)
As at 31 December 2018 and at 1 January 2019	244	(469)	489	(103)	161
(Charged) credited to profit or loss for the year	(425)	42	–	–	(383)
Exchange difference	–	(8)	9	(2)	(1)
As at 31 December 2019	(181)	(435)	498	(105)	(223)

23. DEFERRED TAXATION (Continued)

As at 31 December 2019, the Group has unused PRC and Hong Kong tax losses of approximately RMB27,263,000 and RMB22,694,000 (2018: RMB40,224,000 and RMB14,377,000) respectively available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses of approximately RMB3,022,000 (2018: RMB2,966,000) of such losses. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses of approximately RMB19,672,000 (2018: RMB11,411,000) and PRC tax losses of approximately RMB27,263,000 (2018: RMB40,224,000) due to unpredictability of future profit streams. All unrecognised PRC tax losses as at 31 December 2019 will expire in 2020 to 2023 (2018: expired in 2019 to 2022). Other losses may be carried forward indefinitely.

For the year ended 31 December 2019, PRC tax losses of approximately RMB10,505,000 and RMB2,456,000 (2018: RMB6,304,000 and RMB24,466,000) was being utilised and written off by the Group to set off assessable profit for the year and upon expiry. An addition of approximately nil and RMB7,929,000 of PRC and HK tax losses (2018: RMB6,101,000 and RMB6,694,000 of PRC and HK tax losses respectively) was recognised respectively for the year ended 31 December 2019.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB4,192,000 (2018: RMB4,378,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which the deductible differences can be utilised.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was approximately RMB62,576,000 (31 December 2018: RMB167,920,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. INVENTORIES

	2019 **RMB'000**	2018 RMB'000
Raw materials	**19,887**	22,686
Work-in-progress	**33,898**	29,233
Finished goods	**7,866**	4,686
	61,651	56,605

During the year ended 31 December 2019, inventories of approximated RMB1,155,000 (2018: RMB888,000) which was fully impaired in prior years were sold at a consideration above RMB1,155,000 (2018: RMB888,000). As a result, reversal of impairment on inventories of approximately RMB1,155,000 (2018: RMB888,000) was recognised.

25. TRADE RECEIVABLES

	2019 **RMB'000**	2018 RMB'000
Receivables at amortised cost comprise:		
Trade receivables	**41,784**	43,778
Less: Loss allowance on trade receivables	**(1,864)**	(1,541)
	39,920	42,237

As at 31 December 2019, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB41,784,000 (2018: RMB43,778,000).

The Group allows an average credit period of 30 to 90 days to its trade customers. An aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period is as follows:

	2019 **RMB'000**	2018 RMB'000
0–30 days	**29,770**	29,266
31–60 days	**7,244**	5,046
61–90 days	**1,162**	2,035
Over 90 days	**1,744**	5,890
	39,920	42,237

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits attributed to customers are reviewed once a year.

The Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

25. TRADE RECEIVABLES (Continued)

For certain trade receivables of approximately RMB1,135,000 (2018: nil) for which the counterparty failed to make demanded repayments, the Group has made 100% provision. The Group recognised lifetime ECL (not credit impaired) for the remaining trade receivables based on the ageing of customers collectively that are not individually significant as follows:

As at 31 December 2019	**Weighted average expected loss rate %**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**1.62**	**39,679**	**644**
Less than 1 month past due	**8.39**	**947**	**79**
1 to 2 months past due	**22.56**	**2**	**1**
2 to 3 months past due	**24.78**	**–***	**–***
More than 3 months but less than 6 months past due	**26.50**	**20**	**5**
More than 6 months but less than 12 months past due	**31.21**	**1**	**–***
Default receivables	**100.00**	**1,135**	**1,135**
		41,784	**1,864**

As at 31 December 2018	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	0.78	33,791	263
Less than 1 month past due	5.46	4,984	272
1 to 2 months past due	18.83	1,329	250
2 to 3 months past due	19.04	648	123
More than 3 months but less than 6 months past due	19.06	757	144
More than 6 months but less than 12 months past due	21.04	–*	–*
More than 12 months but less than 36 months past due	21.54	2,269	489
		43,778	1,541

* Less than RMB1,000.

25. TRADE RECEIVABLES (Continued)

Generally, trade receivables are written-off if there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. The Group does not hold any collateral over its trade receivables. During the year ended 31 December 2019, approximately RMB181,000 (2018: nil) was being written off.

The movement in the allowance for impairment of trade receivables is set out below:

	2019 **RMB'000**	2018 RMB'000
At the beginning of the year	**1,541**	1,535
Effect on adoption of HKFRS 9	**–**	(232)
Impairment loss on trade receivables	**320**	224
Exchange realignment	**3**	14
At the end of the year	**1,864**	1,541

The loss allowance included an amount of approximately RMB1,135,000 (2018: nil) classified as lifetime ECL (credit-impaired).

The Group's trade receivables that are denominated in currencies other than functional currency of the relevant group entities are set out below:

	2019 **RMB'000**	2018 RMB'000
EUR	**113**	–
USD	**4,683**	10,110
	4,796	10,110

26. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2019 RMB'000	2018 RMB'000
Amounts due from related companies	**1,912**	–
Less: Loss allowance on amounts due from related companies	**(264)**	–
	1,648	–

The amounts from (to) related companies are unsecured, interest-free and repayable on demand.

The Group has individually assessed all amounts due from related companies. An impairment loss of approximately RMB263,000 (2018: nil) was recognised in profit or loss during the year ended 31 December 2019. The Group has engaged an external valuer to assist in performing an impairment assessment on these receivables from related companies.

An analysis of credit quality of amounts due from related companies is as follows:

	Gross carrying amount RMB'000	**Loss allowance RMB'000**
Internal credit rating		
– Performing	**1,469**	**13**
– Default	**443**	**251**
	1,912	**264**

The movements in the allowance for amounts due from related companies are set out below:

	12-month ECL RMB'000	**Lifetime ECL-credit impaired RMB'000**	**Total RMB'000**
At 1 January 2019	**–**	**–**	**–**
Increase during the year	**13**	**250**	**263**
Exchange realignment	**–**	**1**	**1**
At 31 December 2019	**13**	**251**	**264**

The related companies are controlled by the director of subsidiaries or a close family member of the director of subsidiaries.

27. PLEDGED BANK DEPOSITS/CASH AND BANK BALANCES

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. As at 31 December 2018, deposits amounting to approximately RMB20,000,000 have been pledged to secure the short-term bank borrowings and are therefore classified as current assets (note 36). All deposits were released upon the completion of bills payable transaction during the year ended 31 December 2019. During the year ended 31 December 2019, the balances carried interest at average market rates from 1.10% to 4.50% (2018: 1.10% to 4.50%) per annum. The carrying amounts of the Group's pledged bank deposits are denominated in RMB.

During the year ended 31 December 2019, bank balances carried interest at average market rates from 0.001% to 2.2% (2018: 0.001% to 0.35%) per annum.

The Group's cash and bank balances that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2019 **RMB'000**	2018 RMB'000
USD	**47,484**	57,742
HKD	**264**	1,345
RMB	**3,770**	4,014
Euro	**536**	527
Pound sterling	**8**	5
Japanese Yen	**4**	–
	52,066	63,633

28. TRADE PAYABLES

An aged analysis of trade payables presented based on the invoice date at the end of the reporting period is as follows:

	2019	2018
	RMB'000	RMB'000
0–30 days	**29,293**	36,350
31–90 days	**9,191**	7,008
91–180 days	**583**	466
Over 180 days	**988**	2,503
	40,055	46,327

The average credit period on purchase of goods is from 30 to 180 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

29. ACCRUALS AND OTHER PAYABLES

	2019	2018
	RMB'000	RMB'000
Payroll and welfare payables	**10,619**	10,954
Other tax payables	**2,799**	2,641
Other payables	**5,913**	5,532
	19,331	19,127

The Group's accruals and other payables that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2019	2018
	RMB'000	RMB'000
USD	**311**	–
HKD	**1,309**	1,744
	1,620	1,744

30. INTEREST-BEARING BORROWINGS

	2019 **RMB'000**	2018 RMB'000
Bank borrowings – secured	**98,000**	121,000

Based on the scheduled repayment dates set out in the loan agreements, all outstanding bank borrowings are within one year. According to the loan agreements, such bank borrowings contained a repayment on demand clause.

As at 31 December 2019, secured bank borrowings with carrying amount of approximately RMB98,000,000 (2018: RMB121,000,000) were secured by right-of-use assets and buildings of the Group. Details are disclosed in note 36.

The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2019		2018	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Variable rate borrowings	**4.98%–5.17%**	**48,000**	5.17%–5.22%	73,000
Fixed rate borrowings	**4.80%**	**50,000**	4.35%–4.80%	48,000
		98,000		121,000

The Group has variable-rate borrowings which carry interest at base rate plus 0.20% (2018: base rate plus 0.675% to 0.87%). Interest is reset every month for both years.

During the year, the Group obtained new loans in the amount of approximately RMB98,000,000 (2018:RMB127,000,000). The loans bear interest at market rates and the balance will be repayable in 2020. The proceeds were used to finance the working capital of the Group.

As at 31 December 2019 and 2018, the carrying amounts of the Group's borrowings are denominated in RMB.

31. CONTRACT LIABILITIES

	2019	2018
	RMB'000	RMB'000
Advance from customers	**975**	1,833

Contract liabilities represent advances received from customers for obtaining raw materials for sales order.

Revenue recognised during the year ended 31 December 2019 that was included in the contract liabilities as at 1 January 2019 is approximately RMB1,787,000 (2018:RMB2,870,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

32. LOAN FROM A SHAREHOLDER

As at 31 December 2019, Junfun, the ultimate beneficial owner of the Company, has advanced USD640,000 (equivalent to approximately RMB4,496,000 as at 31 December 2019 (2018: RMB4,412,000)). The loan is denominated in USD which is not the functional currency of the relevant group entity to the Group, which is unsecured, non-interest bearing and repayable on demand.

33. SHARE CAPITAL

	Number of shares	**Amount** RMB'000
Ordinary share without par value		
Authorised:		
At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	1,000,000,000	N/A

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

34. SHARE-BASED PAYMENT

On 19 August 2011, the Company has adopted a share option scheme (the "Scheme") for the primary purpose of providing incentives to directors of the Company, eligible employees and other selected participants and will expire on 18 August 2021. Under the Scheme, the directors of the Company may, at their discretion, invite i) employees of the Company and its subsidiaries; ii) non-executive directors of the Company and its subsidiaries; iii) suppliers of goods or services to the Company and its subsidiaries; iv) customers of the Company and its subsidiaries; v) any person or entity that provides research, development or other technological support to the Company and its subsidiaries; vi) any shareholder of the Company and its subsidiaries; vii) adviser or consultant to any area of business or business development of the Company and its subsidiaries; and viii) other group or classes of participants who have contributed or may contribute by way of joint ventures, business alliance or other business arrangement to the growth of the Company and its subsidiaries to take up options to subscribe for shares. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the issued shares on the day on which the trading of the shares of the Company commence on the Stock Exchange such limit may be refreshed subject to the shareholders' approval.

No share option was granted or outstanding under the Scheme for the years ended 31 December 2019 and 2018.

35. OPERATING LEASES ARRANGEMENTS

The Group as lessee

As at 31 December 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 RMB'000
Within one year	5,138
In the second to fifth years, inclusive	935
	6,073

Operating lease payments represent rentals payable by the Group for certain of its office properties, factories and staff's quarter. Leases are negotiated and rentals are fixed for one to five years.

The Group is the lessee in respect of a number of properties which the leases were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in note 3, and the details regarding the Group's future lease payments are disclosed in note 19.

35. OPERATING LEASES ARRANGEMENTS (Continued)

The Group as lessor

The Group leases out investment property under operating leases. The leases typically run for an initial period of 10 years. Lease payments are usually increased every 6 years to reflect market rentals. Other than this, none of the leases includes variable lease payments.

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	31/12/2019
	RMB'000
Within 1 year	**200**
After 1 year but within 2 years	**200**
After 2 years but within 3 years	**200**
After 3 years but within 4 years	**200**
After 4 years but within 5 years	**200**
After 5 years	**840**
	1,840

36. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure interest-bearing borrowings (note 30) of the Group at the end of the reporting period:

	2019	2018
	RMB'000	RMB'000
Right-of-use assets	**10,938**	–
Prepaid lease payments	**–**	11,235
Buildings	**90,995**	78,557
Pledged bank deposits	**–**	20,000
	101,933	109,792

37. CAPITAL COMMITMENTS

	2019 **RMB'000**	2018 RMB'000
Amount contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	**2,172**	–

38. RETIREMENT BENEFIT SCHEMES

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the schemes are held separately from those of the Group, in independently administered funds. Monthly contributions made by the subsidiaries are calculated based on certain percentages of the applicable payroll costs or fixed sums as stipulated under the relevant requirements, as appropriate. The employees are required to contribute 5% of their monthly salaries or up to a maximum of HKD1,500 and they can choose to make additional contributions. The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The total cost charged to profit or loss of approximately RMB11,952,000 (2018: RMB12,200,000) represents contributions payable to these schemes by the Group in respect of the current accounting period.

39. EVENTS AFTER THE REPORTING PERIOD

(a) 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 report, there is no significant event subsequent to 31 December 2019 which would materially affect the Group's operating and financial performance.

(b) Subsequent to the end of the reporting period, the outbreak of COVID-19 in January 2020 has caused disruptions to many industries. These disruptions have inevitably posed a significant threat to the global economy in 2020. Despite the challenges, governments and international organizations have implemented a series of measures to contain the pandemic. The time duration and scope of these disruptions cannot be accurately assessed at this point in time. Given the dynamic nature of these circumstances, the financial impact will be reflected in the Group's subsequent financial statements. The Group will closely monitor the development of the pandemic and assess its impact on its operations.

40. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Class of related party	Nature of transaction	2019 RMB'000	2018 RMB'000
Related companies (note)	(i) Sales	1,306	672
	(ii) Purchase	4,365	–
	(iii) Loan interest income	82	168
	(iv) Impairment loss on loan receivables	41	89
	(v) Impairment loss on amounts due from related companies	263	–
	(vi) Rental expense paid	370	–
	(vii) Purchase of motor vehicle	1,240	–

Note: The related companies are controlled by a director of subsidiaries or a close family member of a director of subsidiaries.

The above transactions were made on the terms mutually agreed between both parties.

Compensation of key management personnel

The emolument of the directors of the Company and other members of key management during the year was as follows:

	2019 RMB'000	2018 RMB'000
Short-term benefits	12,563	9,460
Post-employment benefits	96	84
	12,659	9,544

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

Details of the balances with related companies at the end of the reporting period are set out in the consolidated statement of financial position and in respective notes.

41. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2019, the Group has a total addition of plant, property and equipment amounting to approximately RMB33,018,000 (2018: RMB26,176,000), out of which approximately RMB74,000 (2018: RMB942,000) was settled by the deposit paid in year ended 31 December 2018.

(b) During the year ended 31 December 2019, the Group entered into a new arrangement in respect of office premises. Right-of-use assets and lease liabilities of approximately RMB2,636,000 were recognised at the commencement of the lease.

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

			Non-cash changes				
	1 January 2019 RMB'000	Financing cash flows RMB'000	Government grants receivable RMB'000	New lease arrangements RMB'000	Finance cost incurred RMB'000	Foreign exchange movements RMB'000	31 December 2019 RMB'000
Interest- bearing borrowings (note 30)	121,000	(23,000)	–	–	–	–	98,000
Government grants received	–	533	(533)	–	–	–	–
Accrued interest	–	(5,755)	–	–	5,755	–	–
Advance from a related company	–	132	–	–	–	–	132
Loan from a shareholder (note 32)	4,412	–	–	–	–	84	4,496
Lease liabilities (note 19)	4,439	(3,841)	–	2,636	–	259	3,493
Total	129,851	(31,931)	(533)	2,636	5,755	343	106,121

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Continued)

			Non-cash changes			
	1 January 2018 RMB'000	Financing cash flows RMB'000	Government grants receivable RMB'000	Finance cost incurred RMB'000	Foreign exchange movements RMB'000	31 December 2018 RMB'000
Interest-bearing borrowings (note 30)	82,000	39,000	–	–	–	121,000
Government grants received	–	250	(250)	–	–	–
Accrued interest	–	(4,538)	–	4,538	–	–
Loan from a shareholder (note 32)	4,191	–	–	–	221	4,412
Total	86,191	34,712	(250)	4,538	221	125,412

43. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2019 and 2018 are as follows:

Name	**Place of incorporation/ registration and operations**	**Class of shares held**	**Nominal value of issued ordinary/ registered share capital**	**Proportion of ownership interest held by the Company**		**Proportion of voting power held by the Company**		**Principal activities**
				2019 Indirectly	2018 Indirectly	**2019**	2018	
Grand Concord Holdings Group Limited	BVI	Ordinary	USD1	**100%**	100%	**100%**	100%	Investment holding
Grand Concord Holding (Hong Kong) Limited 廣豪集團(香港)有限公司	Hong Kong	Ordinary	HKD70,000,000	**100%**	100%	**100%**	100%	Investment holding
Grand Concord Garment (Hong Kong) Limited 廣豪服飾(香港)有限公司	Hong Kong	Ordinary	HKD1	**100%**	100%	**100%**	100%	Trading of garments
Zhucheng Eternal Knitting Co., Limited 諸城裕泰針織有限公司 (notes (a) and (b))	The PRC	Ordinary	USD7,300,000	**100%**	100%	**100%**	100%	Manufacture of innerwear

43. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

Name	Place of incorporation/ registration and operations	Class of shares held	Nominal value of issued ordinary/ registered share capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
				2019 Indirectly	2018 Indirectly	**2019**	2018	
Zhucheng Yumin Knitting Co., Limited 諸城裕民針織有限公司 (notes (a) and (b))	The PRC	Ordinary	USD15,600,000	**100%**	100%	**100%**	100%	Manufacture of fabrics, provision of fabric weaving knitting, printing and dyeing services
Shandong Shundu International Trading Limited 山東順都國際貿易有限公司 (previously known as 山東廣豪服飾有限公司) (notes (a) and (b))	The PRC	Ordinary	USD1,500,000	**100%**	100%	**100%**	100%	Trading of garments
Zhucheng Yuan Knitting Co., Limited 諸城裕安針織有限公司 (notes (a) and (b))	The PRC	Ordinary	RMB5,000,000	**100%**	100%	**100%**	100%	Manufacture of innerwear and garments
Yuhua Company Limited (formerly known as Win Glory International Manufacturing Co., Limited)	Myanmar	Ordinary	MMK100,000,000	**100%**	100%	**100%**	100%	Manufacturing of garments
Jade Blue Company Limited	Myanmar	Ordinary	USD3,175,000	**100%**	100%	**100%**	100%	Manufacturing of fabrics

Notes:

(a) The entity is wholly foreign owned enterprise established in the PRC.

(b) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

None of the subsidiaries had issued debt securities at the end of the years 31 December 2019 and 2018 or at any time during both years.

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	**2019 RMB'000**	2018 RMB'000
Non-current assets			
Property, plant and equipment		**585**	836
Right-of-use assets		**2,530**	–
Unlisted investment in a subsidiary		**28,071**	28,071
		31,186	28,907
Current assets			
Prepayments and other receivables		**4,743**	116
Amount due from a subsidiary	(a)	**65,028**	63,823
Cash and bank balances		**38,919**	54,321
		108,690	118,260
Current liabilities			
Accruals and other payables		**1,242**	1,609
Loan from a shareholder (note 32)		**4,496**	4,412
Lease liabilities		**849**	–
		6,587	6,021
Net current assets		**102,103**	112,239
Total assets less current liabilities		**133,289**	141,146
Non current liability			
Lease liabilities		**1,757**	–
		131,532	141,146
Capital and reserves			
Share capital (note 33)		**148,929**	148,929
Reserves	(b)	**(17,397)**	(7,783)
Total equity		**131,532**	141,146

44. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Notes:

(a) Amounts due from subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Movement in the Company's reserves

	Other reserve RMB'000 (Note)	**Accumulated losses** RMB'000	**Total** RMB'000
As at 1 January 2018	27,988	(34,863)	(6,875)
Loss and total comprehensive expense for the year	–	(908)	(908)
As at 31 December 2018 and 1 January 2019	27,988	(35,771)	(7,783)
Loss and total comprehensive expense for the year	–	(9,614)	(9,614)
As at 31 December 2019	27,988	(45,385)	(17,397)

Note: Other reserve represented the difference between the nominal value of the shares of the Company issued and net asset values of Grand Concord Holding (Hong Kong) Limited upon group reorganisation undertook in 2011.