GREATIME INTERNATIONAL HOLDINGS LIMITED

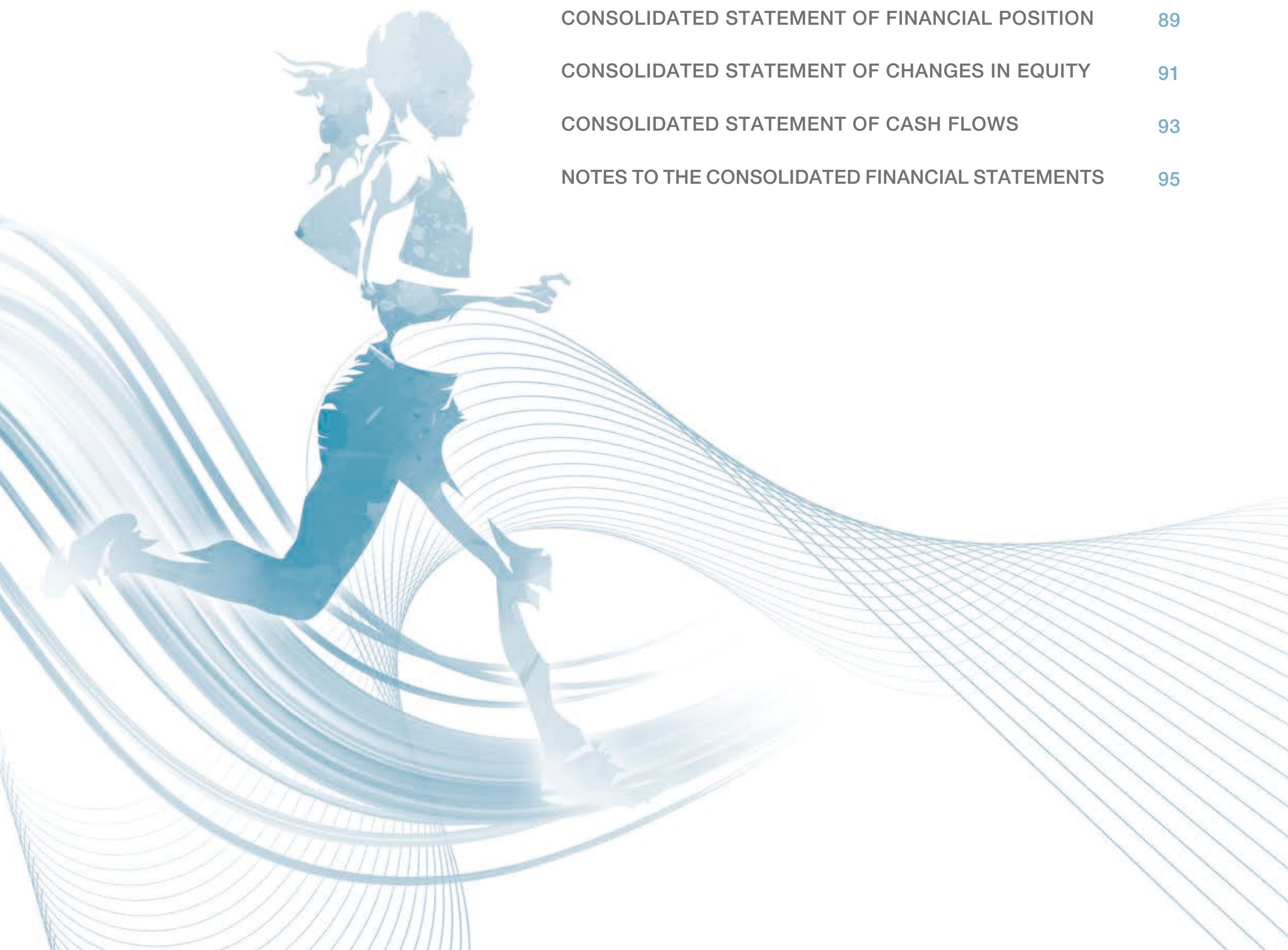
廣泰國際控股有限公司

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 844

ANNUAL REPORT 2021

CONTENTS
ANNUAL REPORT 2021



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. Zhao Weihong
Mr. Hu Quansen

AUTHORISED REPRESENTATIVES
Mr. Wang Bin
Ms. Tian Ying

AUDIT COMMITTEE
Mr. Hu Quansen (Chairman)
Ms. Zhao Weihong
Mr. Xu Dunkai

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

NOMINATION COMMITTEE
Mr. Wang Bin (Chairman)
Ms. Zhao Weihong
Mr. Hu Quansen

COMPANY SECRETARY
Mr. Lee Yin Sing, CPA

AUDITOR
SHINEWING (HK) CPA Limited

LEGAL ADVISER
As to Hong Kong law:
Loeb & Loeb LLP

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Unit 4408, 44/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC
No. 102 Renmin Dong Road
Zhucheng City
Shandong Province
The PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BVI
Tricor Services (BVI) Limited
P.O. Box 3340, Road Town, Tortola
British Virgin Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

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

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

COMPANY'S WEBSITE
www.greatimeintl.com

FINANCIAL HIGHLIGHTS

KEY FINANCIAL INFORMATION FOR THE LAST FIVE YEARS

	For the year ended 31 December/As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Key Financial Information					
Revenue	**430,989**	418,160	410,217	347,196	314,119
Gross profit	**77,475**	98,180	99,985	66,553	47,892
(Loss) profit before tax	**(11,850)**	16,260	313	(19,697)	(29,757)
(Loss) profit for the year	**(14,255)**	8,922	(6,745)	(20,093)	(30,429)
Total comprehensive (expense) income income for the year	**(12,278)**	8,164	(6,051)	(18,877)	(34,132)
Non-current assets	**185,352**	212,235	248,178	214,518	209,502
Current assets	**292,464**	264,727	210,555	275,686	259,880
Current liabilities	**205,455**	176,461	166,297	193,621	154,086
Net current assets	**87,009**	88,266	44,258	82,065	105,794
Total assets	**477,816**	476,962	458,733	490,204	469,382
Total assets less current liabilities	**272,361**	300,501	292,436	296,583	315,296
Total equity	**271,694**	298,227	290,063	296,114	314,759
Cash and cash equivalents	**161,408**	140,599	93,755	147,664	160,868
Key Financial Ratios					
Gross profit margin	**18.0%**	23.5%	24.4%	19.2%	15.2%
Net profit margin	**–**	2.1%	–	–	–
Gearing ratio[1]	**21.6%**	21.6%	21.4%	24.7%	17.5%
Current ratio	**1.4**	1.5	1.3	1.4	1.7
Trade receivables turnover days	**37**	40	36	44	52
Inventory turnover days	**76**	69	70	65	60

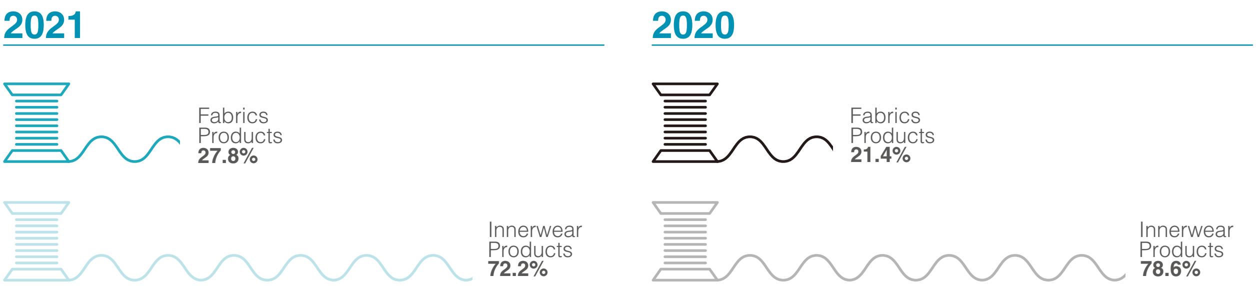
Note:

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

FINANCIAL HIGHLIGHTS

REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

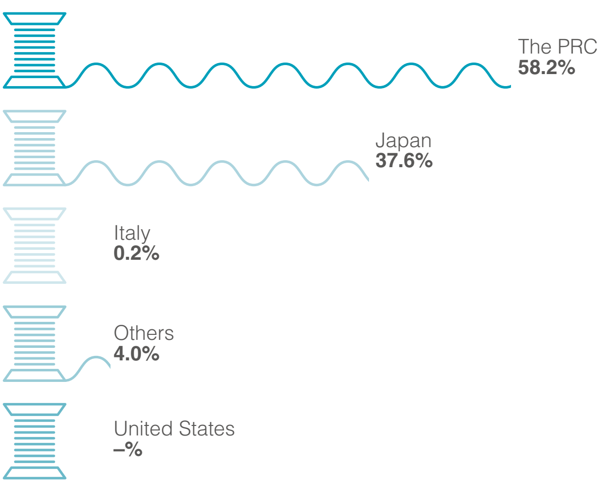
	For the year ended 31 December			
	2021		2020	
	RMB’000	**%**	RMB’000	%
Revenue of the Group by products				
Fabrics products	**119,733**	**27.8**	89,619	21.4
Innerwear products	**311,256**	**72.2**	328,541	78.6
Total	**430,989**	**100**	418,160	100



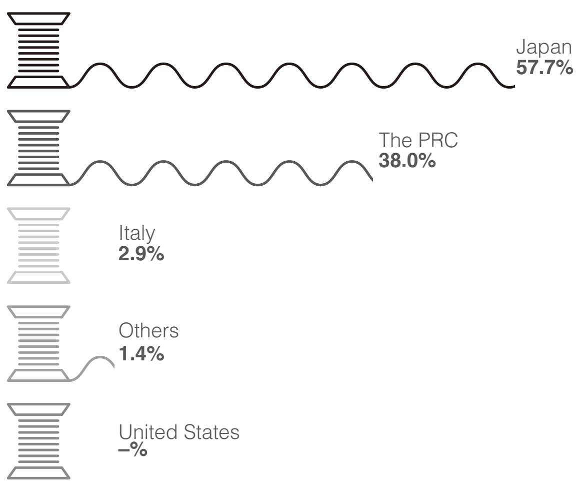
REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	For the year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Revenue of the Group by regional distribution				
The PRC	**250,961**	**58.2**	159,063	38.0
Japan	**162,267**	**37.6**	241,253	57.7
Others	**16,710**	**4.0**	5,650	1.4
Italy	**1,051**	**0.2**	12,061	2.9
United States	**–**	**–**	133	–
Total	**430,989**	**100**	418,160	100

2021



2020



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 annual consolidated results of the Group for the year ended 31 December 2021 (the "**Year under Review**").

In the face of the instability of the global political and economic environment caused by the COVID-19 pandemic, the global industrial chain and supply chain were greatly impacted by the pandemic, which intertwined with unfavourable factors such as the shortage of raw materials and power and the sharp rise in maritime logistics prices, thus posing great challenges to China's textile and clothing exports. Driven by the State's proactive and effective pandemic prevention and control efforts along with the policies of stabilising the economy and exports, China's textile and clothing industry successfully overcame various difficulties, grasped opportunities, demonstrated strong development potential and achieved export growth exceeding expectations.

During the Year under Review, through its efforts in cost control and maintaining the existing sales market, the Group seized the market opportunities and recorded a turnover of approximately RMB431.0 million, representing an increase of approximately 3.1% as compared with that of 2020. The turnover of knitted fabrics and innerwear products were RMB119.7 million and RMB311.3 million respectively. Under the volatile economic environment and fierce industry competition, the sound performance of our business was encouraging.

Against the backdrop of the global pandemic, China successfully maintained a leading position in economic development last year and set another record high in the size of foreign trade imports and exports. Based on the latest statistics released by China Customs, China's gross import and export of goods amounted to RMB39.1 trillion in 2021, representing a year-on-year increase of 21.4%. Among which, total export of textile and clothing reached a record high and amounted to RMB322.71 billion, representing a year-on-year increase of 9%, successfully getting off to a good start under the "14th Five Year" plan for textile and clothing foreign trade. With the normalisation of global pandemic prevention and control, the export demand of anti-pandemic supplies dropped significantly, and the export products returned to mainly clothing, yarn fabrics, home textiles and other commodities. Excluding the anti-pandemic supplies, textile and clothing exports recorded a growth of 33.4% last year, which reflected the strong resilience of China's textile industry and successfully delivered a set of brilliant results.

The year of 2021 marked the 20th anniversary of China's accession to the World Trade Organisation. Over the years, China has successfully geared to global economic integration and expanded the pace of opening up to achieve high-quality economic development. The Association of Southeast Asian Nations (the "**ASEAN**") continued to be China's largest trade partner last year, with total foreign trade reaching RMB5.67 trillion, representing a year-on-year increase of 19.7%, followed by the European Union, the United States, Japan and Korea. In addition, China's amount of import and export to the Belt and Road countries recorded a year-on-year growth of 23.6%, which was 2.2 percentage points higher than the overall growth rate. With the ongoing anti-pandemic measures implemented by various countries around the world, consumers spend more time at home, resulting in a reduction in service related consumption, and spend more on household consumer goods such as furniture, clothing, toys and electronic products instead. It is expected that with the rise of vaccination rates, the pandemic around the globe will gradually be under control. Coupled with the economic stimuli of various countries, the macro-economy will continue to pick up, leading to an orderly rebound in product demand. China's textile industry will endeavour to strengthen the upstream and downstream coordination of the industry chain and supply chain. The Group will maintain a moderate wait-and-see attitude toward China's textile industry and foreign trade exports.

The Group will continue to maintain its business philosophy of prudence and flexibly adjust the production capacity of its factories in different regions and seek projects with high investment and development potential other than its principal business to balance the operational risks. 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 dedication and hard work during the pandemic, and to all shareholders, investors and all customers for their support and trust. We will make unremitted efforts to create reasonable values for our shareholders.

Chairman
Wang Bin

28 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Throughout the year of 2021, COVID-19 pandemic continued to wreak havoc around the world, and the emergence of various variant viruses had greatly increased the difficulty of epidemic prevention in various countries. The latest Omicron variant had caused a sharp rise in the number of confirmed cases in many countries and the pandemic restrictions were tightened again. Nevertheless, against this background, the economy of China still recorded a steady growth. According to the data of the National Bureau of Statistics of China, the gross domestic product reached RMB114 trillion for 2021, representing a year-on-year growth of 8.1%. This reflected that China's pandemic prevention and control work has been effectively implemented as the economy resumed steady growth and the product demand picked up in an orderly manner.

China's textile and clothing industry also successfully seized the opportunity to make progress in the midst of stability. Based on the statistics published by the General Administration of Customs of the PRC, China's textile exports set another record high and amounted to US$314.47 billion in 2021, representing a year-on-year increase of 8.4%, crossing the US$300 billion threshold in the industry's history for the third time. In particular, apparel exports reached US$170.26 billion, representing a year-on-year increase of 24%. This was mainly due to the significant increase in clothing demand in developed countries and diversion of export orders back to China as a result of suspension of factories in Southeast Asia countries amid the COVID-19 pandemic. In spite of the recovery of the China's textile and clothing industry, the prevalence of the COVID-19 pandemic, the global supply chain congestion and the sharp rise in the prices of raw materials have added material uncertainties about the future. Textile enterprises in the PRC still need to remain cautious and pay attention to the developments of the global pandemic and even the evolution of geopolitics.

BUSINESS REVIEW

The Group has been committed to diversify its business to reduce business risks and expand income source. During the Year under Review, the Group continued to play the role as an original equipment manufacturer 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 an increase of 3.1% in revenue to approximately RMB431.0 million (2020: RMB418.2 million). Loss for the Year under Review was approximately RMB14.3 million (2020: profit of RMB8.9 million). The Group's revenue from knitted fabrics was approximately RMB119.7 million and the revenue from innerwear products was approximately RMB311.3 million.

For the Year under Review, with the increase of vaccination rates in many countries around the globe, the relaxation of pandemic prevention and control measures, and the improving global economy and business environment, the Group's orders also recorded a robust growth in the Year under Review. Based on the statistics published by the General Administration of Customs of the PRC, the value of export from China to the United States, the European Union and Japan in 2021, the top three China merchandise importers, increased by 36.4%, 21.5% and 6.3% respectively when compared with the same period last year. In terms of domestic demand, according to the data of the National Bureau of Statistics of China, the retail sales of clothing, shoes and hats, knitwear and textiles recorded a year-on-year increase of 12.7% in 2021. For the Year under Review, the Group's orders for domestic fabrics recorded growth.

In face of the uncertain development of the pandemic, the Group is actively exploring new markets for its fabrics and innerwear products so as to adapt to market changes and strive for new development. In addition, despite the political instability in Myanmar, the Group's production base there has remained unaffected, and the garment processing business also has continued to remain stable to meet the needs of customers.

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 2020:

	Year ended 31 December			
	2021	**2021**	2020	2020
	RMB'000	**%**	RMB'000	%
	(Audited)		(Audited)	
Knitted fabrics	**119,733**	**27.8**	89,619	21.4
Innerwear products	**311,256**	**72.2**	328,541	78.6
Total	**430,989**	**100.0**	418,160	100.0

For the Year under Review, the Group recorded a revenue of approximately RMB431.0 million (2020: RMB418.2 million), representing an increase of approximately RMB12.8 million, or approximately 3.1%. The sales volume of knitted fabrics and innerwear products for the Year under Review were approximately 5,439 tons and 26.8 million pieces respectively (2020: approximately 3,935 tons and 35.8 million pieces respectively). The increase of revenue was mainly due to the increase in sales of knitted fabrics from approximately RMB89.6 million in 2020 to approximately RMB119.7 million in 2021.

The sales of knitted fabrics amounted to approximately RMB119.7 million (2020: RMB89.6 million) representing approximately 27.8% (2020: 21.4%) of the total revenue for the Year under Review. The increase in sales of knitted fabrics was mainly due to the increase of demand in 2021. The sales volume of knitted fabrics increased by approximately 38.2% to approximately 5,439 tons for the Year under Review (2020: 3,935 tons). The knitted fabrics were mainly distributed to branded customers in China. For the Year under Review, the sales of fabric knitting (including knitting, dying and pattern printing) and sales of fabrics subcontracting process (including dying and pattern printing) increased to approximately RMB64.6 million and RMB55.1 million, respectively. (2020: approximately RMB48.2 million and RMB41.4 million). The increase in the sales of fabric knitting of approximately RMB16.4 million was mainly due to increase in demand from the local customers of subcontracting process.

Sales of innerwear products amounted to approximately RMB311.3 million (2020: RMB328.5 million), representing approximately 72.2% (2020: 78.6%) of the total revenue for the Year under Review. A decrease in sales of innerwear products in the amount of approximately RMB17.3 million was recorded for the Year under Review. The sales volume of innerwear products decreased from approximately 35.8 million pieces for the year ended 31 December 2020 to approximately 26.8 million pieces for the Year under Review, representing a decrease by 25.1%. The decrease in the sales and sales volume was mainly due to the fact that in 2020, part of the Group's production capacity had been assigned to produce face mask during the outbreak of COVID-19 which contributed approximately RMB34.1 million to the Group's revenue. In the Year under Review, there was no such urgent order of face mask, and the revenue from sales of face masks decreased accordingly.

Cost of sales

Cost of sales increased by approximately 10.5% from approximately RMB320.0 million for the year ended 31 December 2020 to approximately RMB353.5 million for the Year under Review. The increase in overall cost of sales was mainly due to the increase in sales volume of the Group's knitted fabrics for the Year under review. The cost of sales of knitted fabrics increased from RMB82.0 million for the year ended 31 December 2020 to RMB109.4 million for the Year under Review.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB20.7 million, or approximately 21.1%, from approximately RMB98.2 million for the year ended 31 December 2020 to approximately RMB77.5 million for the Year under Review. The Group's gross profit margin decreased from approximately 23.5% for the year ended 31 December 2020 to approximately 18.0% for the Year under Review mainly due to the decrease in average unit selling price 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 2020, are as follows:

	Year ended 31 December			
	2021	**2021**	2020	2020
	Gross profit	**Gross profit margins**	Gross profit	Gross profit margins
	RMB'000	**%**	RMB'000	%
	(Audited)		(Audited)	
Knitted fabrics	**10,287**	**8.6**	7,571	8.5
Innerwear products	**67,188**	**21.6**	90,609	27.6
Total	**77,475**	**18.0**	98,180	23.5

Other income and gains

Other income and gains amounted to approximately RMB6.6 million (2020: RMB7.1 million) for the Year under Review which were mainly sales of scrap materials. The decrease in other income and gains was mainly due to the decrease in government grants. For the Year under Review, government grants of approximately RMB1.3 million was received (2020: RMB2.3 million).

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB2.2 million to approximately RMB14.6 million (2020: RMB12.4 million) for the Year under Review. Selling expenses mainly represented the transportation expenses, salaries and commission to the sales staff.

Administrative expenses

Administrative expenses increased to approximately RMB75.5 million (2020: RMB71.4 million) for the Year under Review. The increase in the administrative expenses was mainly due to the increase in staff cost in 2021. The total staff cost, including pension increased from approximately RMB111.5 million for the year ended 31 December 2020 to RMB137.0 million for the Year under Review. The increase in staff cost was mainly due to the increase in social welfare and pension expenses. In 2020, the local government of the PRC subsidiaries waived payment of certain pension and social insurance contributions due to the outbreak of COVID-19 and payment of such social security contributions resumed for the Year under Review.

Finance costs

Finance costs increased to approximately RMB5.9 million (2020: RMB5.2 million) for the Year under Review, primarily due to the increase in effective interest rate during the Year under Review.

Loss before tax

The Group's loss before tax was approximately RMB11.9 million (2020: profit before tax of approximately RMB16.3 million) for the Year under Review primarily due to the decrease in gross profit and increase in administrative expenses. The gross profit decreased from RMB98.2 million for the year ended 31 December 2020 to RMB77.5 million for the Year under Review. The administrative expenses increased by RMB4.1 million to RMB75.5 million for the Year under Review (2020: RMB71.4 million).

Income tax expense

Income tax expense decreased to approximately RMB2.4 million (2020: RMB7.3 million) for the Year under Review. The Group's effective tax rate for the Year under Review was approximately negative 20.3%, as compared to approximately 45.1% for the year in 2020.

Loss for the year

The Group recorded a loss of RMB14.3 million for the Year under Review as compared with a net profit of approximately RMB8.9 million for the year ended 31 December 2020, which was mainly due to the decrease in profit before tax of approximately RMB28.1 million for the Year under Review as mentioned in the above paragraphs.

Inventories

The inventory balances increased to approximately RMB88.2 million as at 31 December 2021 (2020: RMB59.1 million). The increase in inventory amount was mainly due to the increase in average unit cost of the new material, and the Group has stocked up more materials for the production of sales orders to be delivered in early 2022.

The average inventory turnover days increased to approximately 76 days (2020: 69 days) for the Year under Review.

Trade receivables

Trade receivables decreased to approximately RMB34.7 million (2020: RMB51.6 million) as at 31 December 2021.

The average trade receivables turnover days decreased to approximately 37 days (2020: 40 days) for the Year under Review. The trade receivables turnover days still fell within the credit terms granted to the customers of the Group.

Trade and bills payables

Trade and bills payables increased to approximately RMB59.8 million (2020: RMB44.3 million) as at 31 December 2021. The average turnover days for trade and bills payables increased to approximately 54 days (2020: 48 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 2021, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.4 (as at 31 December 2020: 1.5). As at 31 December 2021, the Group had cash and cash equivalents of approximately RMB161.4 million (as at 31 December 2020: RMB140.6 million) and short-term bank loans of approximately RMB103.0 million (as at 31 December 2020: RMB103.0 million). As at 31 December 2021, 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 21.6%, as compared to approximately 21.6% as at 31 December 2020.

As at 31 December 2021, the Group had fixed rate bank loans of RMB55.0 million (2020: RMB55.0 million) and variable rate bank loans of approximately RMB48.0 million (2020: RMB48.0 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 5.22% per annum as at 31 December 2021 (2020: fixed rate: 4.80%; variable rates: 4.62% 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 of the Company (the "**Shareholders**") 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 2021, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2021, the Group's bank loans were secured by the Group's buildings and right-of-use assets of carrying amounts of approximately RMB87.7 million and RMB10.3 million, respectively (31 December 2020: RMB84.0 million and RMB10.6 million, respectively).

HUMAN RESOURCES

As at 31 December 2021, 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 RMB137.0 million (31 December 2020: RMB111.5 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 (2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

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

PROSPECTS

In the post-pandemic era, factors including the COVID-19 pandemic, rising global inflation, rate hike cycle in the United States and geopolitics, will continue to affect the pace of global economic recovery, and at the same time bring certain risks to the Group's businesses. According to the World Economic Outlook report published by the International Monetary Fund, global economic growth is reduced to 4.4% this year. The report pointed out that multiple uncertainties will continue to haunt the global economy due to the disruptions on the supply side and rising inflation.

With the effective implementation of pandemic prevention and control measures, China's economy will continue to recover as China will stay committed to further expanding and deepening its opening up and pushing high-quality economic development. With the Group's diversified business and geographical advantages, the Group will continually improve its business, adjust the production capacity of its production facilities in various regions and identify projects with investment and development potential other than its principal business to reduce operational risks while seeking development opportunities. The successful restructuring of the Group's ultimate controlling Shareholder in 2021 is believed to help improve the Company's overall financing capacity in the future in the hope of gaining more Shareholder support and generating satisfactory investment returns for Shareholders.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WANG Bin, aged 57, 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 for an initial term 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 57, is a vice president of Wintime Group Co., Ltd* (永泰集團有限公司) and 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 for an initial term 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 54, 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 degree 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 for an initial term 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 DIRECTOR

Mr. ZHANG Yanlin, aged 53, 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 for an initial term 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 70, was previously the president of the Alumni Association of Zhongnan University of Economics and Law, 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 an initial term 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. ZHAO Weihong, aged 55, is currently the chief medical officer and professor of the First Affiliated Hospital with Nanjing Medical University (also known as Jiangsu Province Hospital). Ms. Zhao graduated from Nanjing Medical University with a bachelor's degree in medicine in 1988, a master degree in medicine in 1999 and a doctorate degree in medicine in 2003.

From 1988 to 1994, Ms. Zhao served as a resident and teaching assistant at the First Affiliated Hospital with Nanjing Medical University (also known as Jiangsu Province Hospital)* (南京醫科大學第一附屬醫院(亦稱作江蘇省人民醫院)). From 1994 to 1999, she served as a principal medical officer and a lecturer at the same hospital, and in 2000, she was promoted to associate professor, followed by another promotion to the deputy chief medical officer in 2001. She has been the chief medical officer and professor of the hospital since 2007.

Ms. Zhao has been appointed as an independent non-executive Director by a letter of appointment for an initial term of three years, terminable by three months' notice from either party, with effect from 30 September 2020, for which she is entitled to an annual director's fee of HKD150,000. Ms. Zhao's remuneration is determined by the Board with reference to her duties and responsibilities as well as the prevailing market conditions and will be reviewed by the remuneration committee of the Board from time to time. As at the date of this report, no other benefits provided to Ms. Zhao for her directorship in the Company

Mr. HU Quansen, aged 54, 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 an initial term 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 41, 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 13 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 Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 1162), 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 Main Board of 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 54, 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 economic management 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 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 55, 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 52, 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 49, 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 in 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 2021. 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 Corporate Governance Report in the Company's 2021 Annual Report.

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 2021 to 31 December 2021 (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 reporting boundary covers the factories in the PRC and Myanmar. The Group would continue to monitor its performance and provide comprehensive disclosure.

Basis of Preparation

This Report was prepared in accordance with the *ESG Reporting Guide* ("**ESG Guide**") published in 2019 and contained in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**HKEX**"). This Report has complied with "comply or explain" provisions of the *ESG Guide* and adhered to the four reporting principles, which are "materiality", "quantitative", "balance" and "consistency" as the basis for preparation of the Report.

- Materiality: After the Group has conducted materiality assessment and collected stakeholders' feedback, the importance levels of each sustainable development issue to the Group and stakeholders in 2021 were assessed, thus serving as the disclosure focus of the Report.

- Quantitative: The Group optimised the environmental and social data collection tools during the year. Quantitative information along with the methodologies used are disclosed to reflect the Group's performance, demonstrating the Group's commitment to managing the environmental and social performance. In order to present the Group's performance changes over the years, this Report also presents some historical data of the Group.

- Consistency: The methodologies used in this Report are generally consistent with those used in previous years. Where there are changes in relevant factors such as methodologies or key performance indicators, they are indicated in relevant sections.

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 or the website of HKEX.

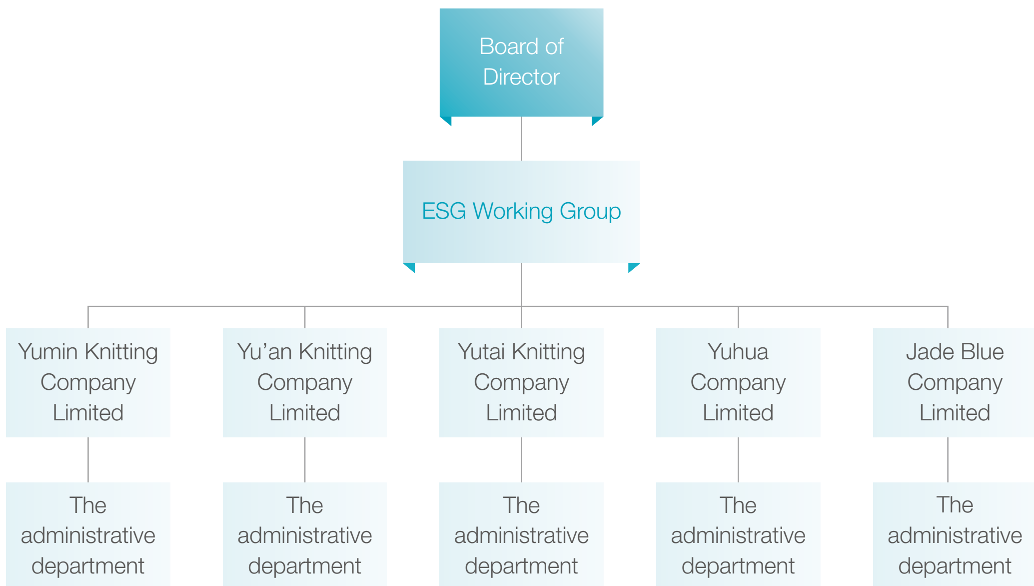
Feedback to this Report

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

ESG MANAGEMENT

ESG Management Structure

The Board recognises its responsibility to oversee ESG issues, which are as important as other corporate issues. During the Reporting Period, the Group has established an ESG working group, aiming to assist the Board to manage ESG issues.



ESG Management Structure

The Board, as the highest decision-making body for ESG-related issues, holds overall responsibility for the Group's ESG management approach and strategy.

The ESG working group is the body under the Board responsible for the implementation of ESG strategies and it directly reports to the Board. The ESG working group leader is appointed by the Chief Financial Officer. The ESG working group is comprised of senior management and employees from different departments who have sufficient knowledge of ESG issues.

The ESG working group is obligated to develop and review the Group's ESG management approach and management strategy, analyse the potential risks and opportunities of ESG material issues on the Group's business strategies in accordance with the Group's risk management and internal control systems, and set the Group's ESG-related objectives and monitor the progress of achieving the relevant objectives. Additionally, the ESG working group is responsible for developing and overseeing the Group's ESG-related work plans, and coordinating the implementation and execution of all ESG-related tasks by the relevant functional departments. The ESG working group needs to prepare the annual ESG report and submit it to the Board for review.

ESG Risk Identification and Management

During the Reporting Period, the Group conducted the ESG risk assessment to identify the potential ESG risks and related impacts on the Group's business strategies. Through the ESG risk assessment, the Group has identified relevant ESG risks and analysed the risk management situation and the room for improvement. In the future, the Group will strengthen the risk management related to ESG issues.

Stakeholder Engagement

The Group values the communication with various stakeholders. Thus, the Group interacts with its stakeholders through the diversified communication channels as shown in Table 1. Through these communication channels, the Group maintains a good understanding of the expectations and concerns of 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 report • the Group's 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 the Group's website	• Sustainable income and protection of shareholders' interests • Protection of interests and fair treatment of shareholders

Stakeholders	Communication Channels	Expectations
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 the Group's website	• Sustainable return on investment
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 report • 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 • Fair competition
Community	• the Group's website, and ESG report	• Creating social benefits

Materiality Assessment

During the Reporting Period, the Group conducted the materiality assessment through survey with the assistance of a third-party consultancy, to better understand concerns and expectations of stakeholders.

Firstly, the Group identified 20 potential ESG material issues with the reference to *ESG Guide* and the ESG issues of 2020[1]. And then the Group invited internal and external stakeholders to participate in the survey to prioritise the potential ESG material issues. A total of 120 survey respondents (including management, main shareholders, employees, customers and suppliers) responded to rank the ESG issues in order of the levels of importance to them or to the Group. The opinions from the 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 were identified as material issues. The structure and disclosure of the Report were prepared to reflect the result of the materiality assessment. The Board has reviewed and validated the materiality assessment results.

1. Health and Safety
2. Product Responsibility
3. Employment and Welfare
4. Labour Standards
5. Employee Development and Training
6. Environment Compliance
7. Indoor Air Quality
8. Water Usage and Efficiency
9. Discharge and management
10. Chemical Usage and Management
11. Energy Usage and Efficiency
12. Women Working Conditions and Discrimination
13. Adopting Climate Charge
14. Procurement
15. Customer Privacy Management
16. Corporate Governance and Risk Management
17. Community Involvement and Contribution
18. Supply Chain Management
19. Anti-Corruption

[1] The ESG material issue of "Product and service quality" in 2020 was combined into the issue of "Product responsibility" since they had similar meanings. The issue of "Product responsibility" was incorporated in the survey in the Reporting Period.

According to the result of materiality assessment, the material issues of the Group were listed in Table 2.

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**	**Section of the Report Responding to the Issue**
Health and Safety	The safety-related management relating to the working environment and occupational hazards	Our People – Health and Safety
Product Responsibility	The management relating to the privacy matter of customers, advertising, labelling, intellectual property rights etc.	Our Business – Product Responsibility
Employment and Welfare	The management relating to the compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination etc.	Our People – Employment and Labour Standards
Labour Standards	The management relating to child labour and forced labour	Our People – Employment and Labour Standards
Employee Development and Training	The management relating to the development and training of employees	Our People – Development and Training
Environmental Compliance	Development and implementation of environmental systems to enable operations to comply with environmental related policies and regulations	Our Environment-Environmental Impacts
Water Usage and Efficiency	Rational use of water resources in production and operation, water conservation, including the establishment of objectives, measures, and effectiveness of water resources application	Our Environment – Use of Resources
Discharge and Management	Management of emissions from production operations such as exhaust gases, greenhouse gases, waste, and sewage	Our Environment – Environmental Impacts
Chemical Usage and Management	Rational use and management of chemicals in production operations	Our Business – Product Responsibility

DEVELOPING OUR BUSINESS

The Group believes that the quality of products and services brings the ultimate competitiveness, and thus dedicates its full efforts to maintain the quality of its products. The Group also recognises the needs in building up a close and long-term business relationship with its suppliers.

The material issues – "Product Responsibility" and "Chemical Usage and Management" are responded in this section.

Product Responsibility

The Group upholds the belief of "The quality today determines the market tomorrow" and strives to grow into one of the leading Chinese functional fabric and innerwear manufacturers for major international apparel brands.

Product Health and Safety

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, Japan 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 management of textile security 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 (CNTAC).


白名单资质证书
WHITELIST QUALIFICATION
证书编号（No.）： CNTAC0000884
兹证明
This is to certify that the management of textile Security in
诸城裕民针织有限公司
Zhucheng Yumin Knitting Co.,Ltd.
地址：山东省诸城市辛兴镇新兴路 7415 号
Address: Xinxing Road7415,Xinxing Town Zhucheng City, Shandong Province
is in compliance with the criteria of WHITELIST Management System according to GB18401-2010 for concentration limits of prohibited aromatic amine
2021 年 9 月 15 日 2022 年 9 月 15 日
DATE OF ISSUE Sep.15, 2021 DATE OF EXPIRY Sep.15, 2022
ISSUING ORGANIZATION China National Textile & Apparel Council（CNTAC）
网址（Website） www.cntextile.com

Quality Control

The Group 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 various quality control policies, inspection requirements and procedures for various types of products, such as the *Product Inspection Specifications During Production*, the *Cotton Knitted Underwear Inspection Specifications*, 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 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.

During production, the products need to meet the quality standards of customers, with the correct colours and designs. The products are inspected to be within the allowable range of size, clean, neat, and well made. For finished products, the Group conducts various testing such as physical, chemical and bacteria tests to assess product health and safety, appearances, functionality, and durability etc.

If procured materials, semi-finished goods or finished products are found defective, they will be handled and recorded according to the *Non-conforming Product Control Procedures*. For procured materials, handling methods include acceptance under concession, return, exchange, etc. For semi-finished or finished products, they would be accepted under concession, reworked, repaired, or disposed.

Complaint Processing and Product Recall

The Group assigned its employees of the sales department to keep a close communication with every customer, to ensure high degree of customer satisfaction. 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 Group will treat the issue seriously, and communicate with customers on how to resolve the problem. The sales department and the quality inspection department are responsible to undertake corrective and preventive measures correspondingly.

During the Reporting Period, no complaint on products was received from 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 established The *Management Regulation on Consumer-supplied Materials*, which 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. Other measures to protect intellectual property have been implemented in the Group, such as entering into non-disclosure agreements, implementing internal security systems and policies, and complying with relevant laws and regulations.

The labels attached to innerwear products are prepared according to the customers' requirements because the Group has no control over labelling 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.

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

- Prohibiting existing employees from 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

The Group formulated the *Policy on Resignation/Dismissal Audit System* ("**RDAS**") that requires to assess and define the responsibilities of employees during his or her job tenure, including any risks and economic loss caused by misconducts and malpractices. The individuals who left the positions still have to bear the relevant responsibilities. Thus, the liabilities and business risks from the individuals who have left the positions are controlled, improving the accountability of the personnel and the protection of the Group's interests.

In addition, the Group 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. Whistle-blowers can use phone, messages, e-mails, letters, and other ways to report. The contact information for whistleblowing is disclosed. The human resources department is responsible for the management of the whistleblowing system and investigation of reported cases.

To improve the awareness of anti-corruption of employees, the Group attaches great importance to internal anti-corruption related trainings. Board members attend anti-corruption and bribery related trainings prior to their induction. The Group plans to update the anti-corruption and bribery related trainings for the Board and employees in the future.

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

Supply Chain Management

The Group encourages good social and environmental performance of its suppliers and subcontractors through supply chain management. *Internal Control Process of Procurement* was established by the Group to standardise the procedure of managing the supply chain and evaluating criteria including quality, price, delivery time etc. At the same time, the Group gives priority to environmental-friendly and good quality products to promote green procurement when sourcing and purchasing raw materials. Moreover, the Group has implemented the *Suppliers/ Subcontractors Social Responsibility Control Procedure* ("**SSRCP**") to select suppliers and subcontractors based on their performance in social and environmental responsibility. The supplies department of the Group is responsible for assessing the suppliers' and subcontractors' performance. 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. During the Reporting Period, all the suppliers and subcontractors were selected according to the SSRCP.

Procedures for evaluating the social and environmental performance of suppliers and subcontractors are as follows, as specified in SSRCP:

- The supplies department examines the performance of suppliers and subcontractors by conducting documents review and on-site assessments.
- 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.
- All suppliers and subcontractors shall sign and commit to take their social and environmental responsibility as outlined in the SSRCP before entering a contract with the Group.
- The supplies department performs site visits to suppliers and subcontractors for evaluating and recording their performance.
- 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.
- Suppliers and subcontractors will not be selected if they refuse to be examined on-site.
- 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 3 Number of Suppliers by Geographical Region

Geographical Regions		Numbers of Suppliers: Raw material suppliers	Numbers of Suppliers: Packaging material suppliers	Total
Mainland China	Shandong Province	107	141	248
	Shanghai	11	29	40
	Jiangsu Province	29	15	44
	Guangdong Province	6	18	24
	Zhejiang Province	7	14	21
	Other places in Mainland China	12	12	24
Myanmar		26	8	34
Japan		2	10	12
Hong Kong		3	5	8

CARING FOR OUR PEOPLE

The Group values equality and prohibits discrimination for its employees. The Group recognises the importance of human resources to its development and implements various ways to protect employees' rights.

The material issues – "Health and Safety", "Labour Standards", "Employment and Welfare" and "Employee Development and Training", and "Women Working Conditions and Discrimination" are responded in this section.

Employment and Labour Standards

The Group strives to protect employees' rights and well-being. The rights of all the employees are protected by the Group's practices in full compliance with relevant laws and regulations and its labour-related regulations and policies. The use of child labour and forced labour is strictly prohibited. The Group formulated the *Regulation on Labour Resources Management* ("**LRM**") to specify standards and procedures of employment recruitment, promotion, remuneration, working hours, rest periods, holidays, contract termination, compensation, and benefits, which are 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 background, work experiences, nationalities, and skills. The Group also recruits people with disabilities, to help them better integrate into the society.

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. The Group will also 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 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.

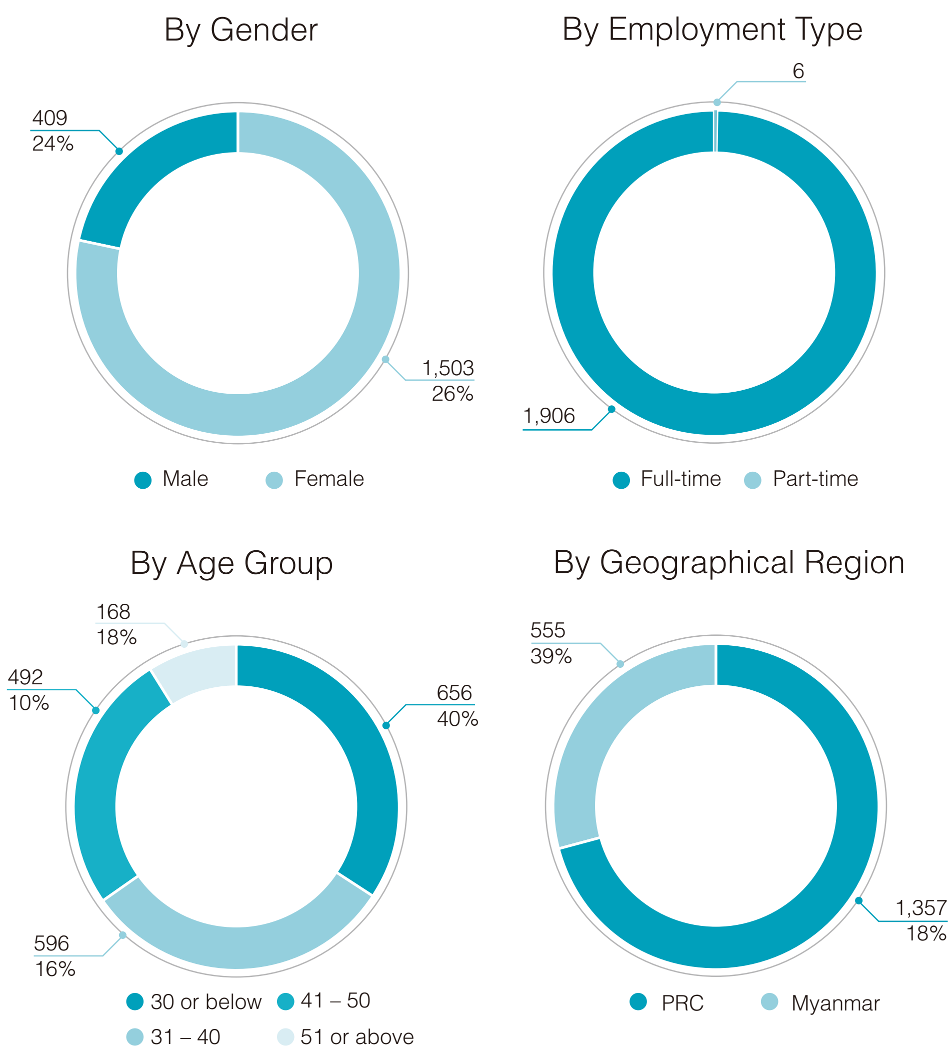
To listen to employees' concerns and provide them a better working environment, a feedback system is set up to collect employees' comments and opinions regarding to the environment, catering, accommodation and transportation. Designated personnel from each office and human resources department are responsible 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 to this Report.

2021 Workforce Information

Table 4 Number and Turnover Rate[2] of Employees



2 The calculation method for the turnover rate is: Turnover rate (per category) = Employees in the specified category leaving employment/(Number of employees in the specified category by the end of the Reporting Period + Employees in the specified category leaving employment).

Health and Safety

The Group strives to build up a healthy, safe, and positive working environment for its employees and 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 *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. Employees are provided with protective equipment such as wire gloves, googles, protective ear plugs and masks. 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 fugitive gases such as VOCs, NOx and SO2 generated from fabric printing and tentering, these 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 such as fire safety education, fire-fighting equipment skills operation training and fire drills, 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 annual general medical examinations. New employees would be provided with pre-employment health assessments. If health problems are identified, the Group would discuss with employees whether reassignment of job position is necessary.

Regular occupational hazards assessments are conducted to identify hazards in the factories and to ensure the safety measures are implemented appropriately. Moreover, the Group regularly teams up with customers to conduct safety inspections as a courtesy of continuously driving improvements in safety management. Customers are invited by the Group to conduct safety inspections on 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 has passed all safety requirements set by the customers.

There were no work-related fatalities in the past three years (including the Reporting Period). During the Reporting Period, the number of lost days due to work injury were 322. The main reason for the work injury was that employees had traffic accidents in commuting to work and had been sent to the hospital in time for treatment. The Group also carried out safety for all employees in this incident to raise their safety awareness

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

Development and Training

The Group cares about the growth of employees and regards cultivating skilled labour as one development strategy of the Group. The Group regularly organises training for its employees and examines the skills required for the job positions. During the Reporting Period, the human resource department has formulated the *2021 Human Resources Plan for Training*. The Group arranges various targeted and customised training to its employees on a regular basis, covering quality control, skills related to production and accounting. Trainings are conducted in the form of orientation or on-the-job training. A training record is maintained for each training program and used for evaluation of the training efficiency. At the end of the Reporting Period, the human resources department reviewed the records of training plan, summarising the areas to improve, to make the employee training plan for the next year.

Table 5 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 6 The Employees Trained

		Number of employees trained	Percentage of employees trained[3]
By gender	Male	357	20.35%
	Female	1,397	79.65%
By employee category	Senior management	9	0.52%
	Middle management	52	2.96%
	General employee	1,693	96.52%

[3] The calculation method for percentage of employees trained is: the percentage of employees trained in the specified category = number of employees in the specified category who took part in training/number of employees who took part in training.

Table 7 Average Training Hours per Employee

		Total training hours	Average training hours per employee
By gender	Male	1,792	4.38
	Female	7,016	4.67
By employee category	Senior management	40	4.44
	Middle management	282	4.86
	General employee	8,486	4.60

PROTECTING OUR ENVIRONMENT

The Group strives to reduce the environmental impacts of its operation and utilise resources efficiently and ensures that its operation activities are conducted in accordance with sound environmental practices. Focusing on the industry of textile and apparel, the Group's operation 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, greenhouse gas ("**GHG**") emissions, hazardous and non-hazardous waste generation, and noise emission.

The material issues – "Environmental Compliance", "Water Usage and Efficiency" and "Discharge and Management" are responded in this section.

Environmental Policy

The Group attaches foremost importance to environmental compliance in the locations where it operates. The Group has standardised the environmental practices relating to environmental protection and resource efficiency, which have also been adopted by the subsidiaries accordingly. The major environmental policy of the Group is the *Policy on Environmental Operation and Management of Facilities* ("**EOMF**"). 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 efficiently 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 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 to this ESG Report.

Environmental Impacts

Air Emissions

The Group strives to ensure its air emissions are in strict compliance with relevant laws and regulations. Currently the major air emissions come from emission of vehicles and a forklift, and canteens. The boilers had been phased out, thereby no direct emission of air emissions and GHG emissions have been generated during the Group's production.

Air emissions[4]	**Unit**	2019	2020	**2021**
Sulphur oxides (SOx)[5]	Kg	9.76	9.60	**4.69**
Nitrogen oxides (NOx)	Kg	1,327	1,374.19	**1,351.57**
Particulate matter (PM)	Kg	41.10	41.89	**41.34**

4 The emission sources reported include combustion of fossil fuels from vehicles in the PRC and Myanmar, non-road mobile sources and cooking in the PRC. 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.

5 The previous standards no longer applied after December 12, 2020, and GB1780–2018 Natural Gas revised the value of sulphur content, so the emission factor of natural gas used in 2021 is 2 (sulphur content of 100mg/m^3). The values of Sulphur oxides in 2019 and 2020 is edited with the sulphur content of 200 mg/m^3.

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 direct discharges into the land. To ensure full compliance with relevant laws and regulations, the Group has adopted the following measures:

- Integrated wastewater treatment facilities are set up to collect and treat wastewater through a series of processes including deep sedimentation, biological contact oxidation, advanced Fenton oxidation processes and others.
- Real-time monitoring is in place via online detection devices installed at the wastewater outfalls, and the monitoring is connected to the environmental protection authorities.

		Unit	2019	2020	2021
Amount of discharged wastewater		Tonnes	681,632	943,100[6]	**765,000**
Contaminants in wastewater	Average COD concentration[7]	mg/L	51.36	30.62	**117**
	Average ammonia nitrogen concentration[8]	mg/L	7.15	0.86	**5.6**

6 The Amount of discharged wastewater in 2020 is revised to 943,100 tonnes.

7 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.

8 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 strives to ensure proper disposal of hazardous and non-hazardous waste, and reduce waste generation.

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. The hazardous wastes mainly include the wastewater sludge and inner packaging materials for dyeing auxiliaries, which are mainly generated from the production of Yumin Knitting Company Limited, one of the subsidiaries of the Group. The Yumin Knitting Company Limited has established the goal of compliant disposal of waste. Hazardous wastes are separately stored and recorded in the ledger. Sludge is collected and handled by qualified organisations and inner packaging materials for dyeing auxiliaries are sold for recycling. Other subsidiaries of the Group do not generate any hazardous waste.

Non-hazardous wastes generated by the Group primarily include domestic waste and waste paper. Non-hazardous wastes are collected and treated by the local environmental hygiene department. The Group uses various measures to reduce waste generation, such as encouraging employees to reuse the materials such as paper and plastics, promote e-office, and control the amount of paper for use.

	Unit	2019	2020	2021
Hazardous waste				
Sludge	Tonnes	3,555.00	2,400.00	**287.00**[9]
Inner packaging bags for dyeing auxiliaries	Tonnes	Not reported[10]	0.4	**0.37**
Total amount of hazardous waste generated	Tonnes	3,555.00	2,400.40	**287.37**
Intensity of total hazardous waste generated[11]	Tonnes per RMB million revenue	8.67	5.74	**0.67**
Non-hazardous waste				
Waste paper[12]	Tonnes[13]	653,500 (Pieces)	637,610 (Pieces)	**2.70**
Domestic waste	Tonnes	Not reported	Not reported	**9.10**
Total amount of non-hazardous waste generated	Tonnes	Not reported	Not reported	**11.80**
Intensity of total non-hazardous waste generated[11]	Tonnes per RMB million revenue	Not reported	Not reported	**0.03**

9 The Group has replaced the sewage treatment equipment during the Reporting Period, thus the amount of sludge has decreased dramatically.

10 The unit for the waste bags was adjusted from number of bags to tonnes in 2020. The amount of waste inner packaging bags for dyeing auxiliaries generated in 2019 was 1,430 bags.

11 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2021 is RMB430.989 million.

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

13 The unit for the waste paper was adjusted from pieces to tonnes in 2021.

Noise

The Group generates noise from its operating machinery. To reduce the noise emitted, the Group implements 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 which generates 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 operation time due to special circumstances must be reported and approved by relevant departments.

Use of Resources

The Group strives to enhance the efficiency of utilising resources. The manufacturing of innerwear products and knitted fabrics consumes a considerable amount of 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. Additionally, 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 signs beside all the electrical devices to remind employees of the importance of saving energy.
- Replacing non-energy efficient devices.
- Replacing conventional light bulbs with energy-saving light bulbs.
- Installing energy efficient motors in the factories.

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.

The Group has installed solar photovoltaic for power generation, which has been put in use in the Reporting Period. During the Reporting Period, the power generated from solar photovoltaic facilities was about 1,519,422 kWh.

Energy consumption	**Unit**	2019	2020	**2021**
Direct energy consumption				
Gasoline[14]	MWh	407,423.24	343,170. 04	**350,078.90**
Diesel[14]	MWh	399,720.56	465,055.46	**426,516.74**
Natural gas[15]	MWh	829.55	805.29	**665.67**
Total consumption of direct energy	MWh	807,973.35	809,030.79	**777,261.3**
Intensity of total consumption of direct energy[16]	MWh per RMB million revenue	1,969.62	1,934.74	**1,803.44**
Indirect energy consumption				
Electricity	MWh	9,857.43	10,197.72	**12,213.88**
Steam[17]	MWh	46,902.40	44,771.78	**54,449.15**
Total consumption of indirect energy	MWh	56,759.83	54,969.50	**66,663.03**
Intensity of total consumption of indirect energy[16]	MWh per RMB million revenue	138.37	131.46	**154.68**

14 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.

15 The reporting scope of natural gas consumption includes factories with canteens in the PRC. No natural gas is used during the operation in Myanmar.

16 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2021 is RMB430.989 million.

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

The major source of the Group's carbon footprint comes from the indirect GHG emissions from purchased electricity and steam.

During the Reporting Period, the total GHG emissions of the Group is 28,412.02 tCO2e. Direct emissions (Scope 1) was from the consumption of natural gas for domestic use, the consumption of petrol, diesel, and refrigerants. Indirect emissions (Scope 2) were from the use of purchased electricity and steam.

GHG emissions		**Unit**	2019	2020	**2021**
Scope 1Direct emissions[18]	Amount	Tonnes CO_2e	712.99	548.14	**511.91**
	Intensity[16]	Tonnes CO_2e per RMB million revenue	1.67	1.32	**1.19**
Scope 2 Indirect emissions[19]	Amount	Tonnes CO_2	24,590.57	23,647.08	**28,412.02**
	Intensity[16]	Tonnes CO_2 per RMB million revenue	57.54	56.97	**65.92**

18 The scope 1 GHG emissions reported includes vehicles, non-road mobile sources, cooking, and refrigerants in the PRC, and vehicles 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.

19 The scope 2 GHG emissions reported includes the electricity and steam consumed in the PRC and the electricity consumed in Myanmar. 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 2020 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. 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.

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 established the goal of enhancing the efficiency of water consumption. To enhance the management and efficiency of water, 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 installed in the factories.

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

		Unit	2019	2020	2021
Fresh water consumption [20]	Amount	Tonnes	561,390	448,498	**705,063**
	Intensity	Tonnes per million RMB revenue	1,313.59	1,080.54	**1,635.92**

[20] 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 fulfil 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.

Responding to the Climate Change

The Group proactively responds to climate change. According to the local natural weather conditions and the actual situation, the Group has identified some of important climate risks for its operation and production, and has established the internal management policy named *Response to Severe Weather* to effectively mitigate the climate risks and to protect the safety of employees and the Group's property.

Extreme weather	Effects	Management Measures
Heavy snow, freezing and low-temperature weather	• Seriously affect the normal outdoor work, and prone to operational errors that lead to safety issues • Prone to freezing and cracking of water pipes and heating pipes • Icy roads may easily lead to traffic accidents	• Stop outdoor work • Clear snow from the plant • Set up anti-slip device • Maintain and repair equipment
Windy or sandy weather	Pose a risk to safe use of electricity	• Close the plant doors and windows in advance • Check all kinds of electrical lines after the windy and sandy weather
High temperature	• Outdoor personnel are prone to problems such as heatstroke • Great potential safety hazardous in the storage, handling and use of inflammables and explosives • Wires are prone to age • Easy to cause fire accidents	• Reasonably arrange working hours during hot weather to avoid hot periods for outdoor work • Distribute the articles for heatstroke prevention to outdoor workers • Sunshade measure for outdoor devices and power distribution box • Regular inspect and replace the fire-fighting facilities • Strictly use and manage the inflammables
Heavy and continuous rainfall	• Seriously disrupt outdoor work • Lead to problems with moisture in equipment, power lines and materials	• Ensure good drainage • Regularly check electricity lines • Arrange electricians to be on duty on site for inspection

Contributing to Our Community

The Group cares about the communities where it operates and conducts community engagement to understand the needs of the communities. 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 donated RMB1,000 to local primary school for celebrating June 1 Children's Day and supported Myanmar religious culture through donations of Myanmar Kyat 150,000 in total to monks and temples.

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

The Laws[21] 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[21] 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 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 experienced any material breach of or non-compliance with the applicable laws and regulations by the Group that would 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[21] 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.

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

APPENDIX 2 ESG CONTENTS INDEX

Subject Areas, Aspects, General Disclosures and KPIs

Mandatory Disclosure Requirements		**Section/Reasons for Omissions**
Governance Structure	A statement from the board containing the following elements: (i) a disclosure of the board's oversight of ESG issues; (ii) the board's ESG management approach and strategy, including the process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and (iii) how the board reviews progress made against ESG-related goals and targets with an explanation of how they relate to the issuer's businesses.	ESG Management
Reporting Principles	A description of, or an explanation on, the application of the Principles in the preparation of the ESG report	Basis of Preparation
Reporting Boundary	A narrative explaining the reporting boundaries of the ESG report and describing the process used to identify which entities or operations are included in the ESG report. If there is a change in the scope, the issuer should explain the difference and reason for the change	Reporting Boundary

Subject Areas, Aspects, General Disclosures and KPIs

A. Environment	"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 NOx, SOx, 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.	Appendix 2 Environmental performance
	KPI A1.2 Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2 Environmental performance
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2 Environmental performance

Subject Areas, Aspects, General Disclosures and KPIs

A. Environment	**"Comply or explain" Provisions**	**Section/Reasons for Omissions**
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Appendix 2 Environmental performance
	KPI A1.5 Description of emissions target(s) set and steps taken to achieve them.	Environmental Impacts[22]
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Environmental Impacts
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).	Appendix 2 Environmental performance
	KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Appendix 2 Environmental performance
	KPI A2.3 Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
	KPI A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
	KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Use of Resources

22 The Group has phased out the boilers in the Reporting Period and considered the ESG issues of air emissions and GHG emission are not material to the Group. Thus, the Group has not set up the relevant targets.

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
Aspect A4: Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer. KPI A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Responding to the Climate Change

Subject Areas, Aspects, General Disclosures and KPIs

B. Social	"Comply or explain" Provisions	Section/Reasons for Omissions
Employment and Labour Practices		
Aspect B1: Employment	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.	Employment and Labour Standard Appendix 1
	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.	

Subject Areas, Aspects, General Disclosures and KPIs

B. Social	**"Comply or explain" Provisions**	**Section/Reasons for Omissions**
Aspect B2: 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.	Health and Safety Appendix 1
	KPI B2.1 Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	
	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.	
Aspect B3: Development and Training	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.	Development and Training
	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.	

Subject Areas, Aspects, General Disclosures and KPIs

B. Social	"Comply or explain" Provisions	Section/Reasons for Omissions
Aspect B4: Labour Standards	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. 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
Operating Practices		
Aspect B5： Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain. 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. KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored. KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas, Aspects, General Disclosures and KPIs

B. Social	"Comply or explain" Provisions	Section/Reasons for Omissions
Aspect B6: Product Responsibility	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
	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.	

Subject Areas, Aspects, General Disclosures and KPIs

B. Social	**"Comply or explain" Provisions**	**Section/Reasons for Omissions**
Aspect B7: Anti-corruption	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 bribery, extortion, fraud and money laundering.	Anti-corruption Appendix 1
	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.	
	KPI B7.3 Description of anti-corruption training provided to directors and staff.	
Community		
Aspect B8: Community Investment	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.	Contributing to Our Community
	KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	
	KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is pleased to present this report in the Group's annual report for the year ended 31 December 2021.

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 (the "**Code Provision(s)**") and certain recommended best practices contained in the Corporate Governance Code (the "**CG Code**"), as set out in Appendix 14 to 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 2021, 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. Zhao Waihong 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 15 to 19 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 2021 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. Zhao Waihong and Mr. Hu Quansen, entered a service contract with the Company for an initial term of three years commencing from 12 October 2016, 30 September 2020 and 12 October 2016, respectively. 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 CG 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 2021.

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. 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 2021 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 2021.

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 2021 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	5/5	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yanlin	2/2	–	–	–	1/1
Independent non-executive Directors					
Mr. Xu Dun Kai	2/2	2/2	2/2	–	1/1
Ms. Zhao Weihong	2/2	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. Zhao Weihong. Ms. Feng Xin, a former independent non-executive Director, was a member of the Audit Committee prior to her resignation on 30 September 2020. Ms. Zhao Weihong has become a member of the Audit Committee since her appointment as an independent non-executive Director on 30 September 2020. 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 2021 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 28 March 2022, 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 2021, 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" alone.

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 times during the year ended 31 December 2021, 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 2021 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 2021, the remuneration of the senior management (excluding Directors) is listed as below by band:

Band of remuneration	**No. of persons**
Below RMB500,000	4
RMB500,001 to RMB1,000,000	5
RMB1,000,001 to above	2

Further details of the remuneration of Directors and five highest paid employees have been set out in notes 11 and 12 to the consolidated financial statements.

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely, Ms. Zhao Weihong 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 2021, 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 2021. 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 2021.

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 RMB738,000 and RMB166,000, 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 2021. 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 Securities and Futures Ordinance (Chapter 572 of the laws of Hong Kong) (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 2021, 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 2021.

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 41 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 profit for the year ended 31 December 2021 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 2021.

DIVIDEND POLICY

On 23 January 2020, 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 15 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 36 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 2021, the Company's reserves available for distribution amounted to Nil (as at 31 December 2020: 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. Zhao Weihong
Mr. Hu Quansen

In accordance with Article 14.2 and Article 14.18 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 15 to 19 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 into 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. Zhao Weihong and Mr. Hu Quansen, entered into a service contract with the Company for an initial term of three years commencing from 12 October 2016, 30 September 2020 and 12 October 2016, respectively.

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 11 and 12, 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 2021, 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 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 2021 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 2021, 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%
永泰集團有限公司 (formerly known as 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%
南京永泰企業管理有限公司	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 2021, 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 38 to the consolidated financial statements. None of these related party transactions constitutes a connected transaction as defined under the Listing Rules that is required to be disclosed.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2021, 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 2021.

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 2021.

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 17.6% (2020: 30.6%) of the Group's total purchases. The Group's five largest suppliers accounted for 41.5% (2020: 48.4%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 48.8% (2020: 56%) of the Group's total sales. The Group's largest customer accounted for 14.8% (2020: 23%) 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 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 2021. The consolidated financial statements for the year ended 31 December 2020 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 60 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, 28 March 2022

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 176, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, 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

Refer to note 20 to the consolidated financial statements and the accounting policies on pages 111 to 115.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the Group has trade receivables of approximately RMB34,717,000, net of loss allowance of approximately RMB6,544,000. We have identified impairment of trade 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. We have reviewed and assessed the application of the Group's policy for calculating the ECL. We have evaluated the methodologies, inputs with assistance with the external valuer to estimate the impairment of trade receivables and evaluated the techniques and methodology in the ECL model against the requirements of HKFRS 9. We have evaluated the external valuer's competence, capabilities and objectivity. We have tested the integrity of information used by management to develop the groupings, including trade receivables ageing analysis, on a sample basis, by comparing individual items in the analysis with the relevant supporting documents. We have also challenged and 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 including subsequent settlement 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 15 to the consolidated financial statements and the accounting policies on page 117.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2021, the Group has property, plant and equipment of approximately RMB164,533,000. The valuation process was inherently subjective and dependent on a number of estimates. The Group engaged an external valuer to assist 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 with the assistance of external valuer to estimate market values of the property, plant and equipment. We have assessed the appropriateness of the valuation methodology by challenging the input data 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, actions taken to eliminate threats or safeguards applied.

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
28 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** **RMB'000**	2020 RMB'000
Revenue	5	**430,989**	418,160
Cost of sales		**(353,514)**	(319,980)
Gross profit		**77,475**	98,180
Other income and gains	7	**6,616**	7,063
Selling and distribution expenses		**(14,571)**	(12,405)
Administrative expenses		**(75,486)**	(71,376)
Finance costs	8	**(5,884)**	(5,202)
(Loss) profit before tax		**(11,850)**	16,260
Income tax expense	9	**(2,405)**	(7,338)
(Loss) profit for the year	10	**(14,255)**	8,922
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(12,278)**	(758)
Other comprehensive expense for the year		**(12,278)**	(758)
Total comprehensive (expense) income for the year		**(26,533)**	8,164
(Loss) profit per share:			
– Basic and diluted (RMB)	14	**(0.03)**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	15	**164,533**	184,146
Investment property	16	**3,098**	3,541
Right-of-use assets	17	**16,569**	20,923
Deposits paid to acquire property, plant and equipment		**–**	3,019
Deferred tax assets	18	**1,152**	606
		185,352	212,235
Current assets			
Inventories	19	**88,167**	59,149
Trade receivables	20	**34,717**	51,600
Bills receivables	21	**–**	4,967
Prepayments and other receivables	22	**6,831**	7,852
Amounts due from related companies	23	**239**	337
Income tax receivables		**1,102**	223
Cash and bank balances	24	**161,408**	140,599
		292,464	264,727
Current liabilities			
Trade and bills payables	25	**59,809**	44,269
Accruals and other payables	26	**21,939**	18,884
Contract liabilities	27	**12,261**	1,184
Amounts due to related companies	23	**1,392**	859
Loan from a shareholder	28	**4,103**	4,228
Interest-bearing borrowings	29	**103,000**	103,000
Lease liabilities	17	**1,567**	1,816
Income tax payables		**1,384**	2,221
		205,455	176,461
Net current assets		**87,009**	88,266
Total assets less current liabilities		**272,361**	300,501
Non-current liabilities			
Lease liabilities	17	**188**	1,801
Deferred tax liabilities	18	**479**	473
		667	2,274
Net assets		**271,694**	298,227

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	**2021** **RMB'000**	2020 RMB'000
Capital and reserves			
Share capital	30	**148,929**	148,929
Reserves		**122,765**	149,298
Total equity		**271,694**	298,227

The consolidated financial statements on pages 88 to 176 were approved and authorised for issue by the board of directors on 28 March 2022 and are signed on its behalf by:

Mr. Wang Bin
Director

Ms. Tian Ying
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 2020	148,929	38,235	1,651	(83)	5,800	95,531	290,063
Profit for the year	–	–	–	–	–	8,922	8,922
Other comprehensive expense for the year:							
Exchange differences arising on translating foreign operations	–	–	(758)	–	–	–	(758)
Total comprehensive (expense) income for the year	–	–	(758)	–	–	8,922	8,164
Appropriation to statutory reserve	–	2,360	–	–	–	(2,360)	–
As at 31 December 2020	148,929	40,595	893	(83)	5,800	102,093	298,227
Loss for the year	–	–	–	–	–	(14,255)	(14,255)
Other comprehensive expense for the year:							
Exchange differences arising on translation of foreign operations	–	–	(12,278)	–	–	–	(12,278)
Total comprehensive expense for the year	–	–	(12,278)	–	–	(14,255)	(26,533)
Appropriation to statutory reserve	–	731	–	–	–	(731)	–
As at 31 December 2021	148,929	41,326	(11,385)	(83)	5,800	87,107	271,694

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 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(11,850)**	16,260
Adjustments for:		
Depreciation of property, plant and equipment	**25,841**	26,704
Depreciation of investment property	**443**	442
Depreciation of right-of-use assets	**3,134**	3,735
Impairment loss on inventories	**1,363**	668
Net gain on disposal of property, plant and equipment	**(426)**	(353)
Impairment loss on trade receivables	**3,418**	1,347
Reversal of impairment loss on loan receivables	**–**	(130)
Reversal of impairment loss on other receivables	**–**	(40)
Impairment loss (reversal of impairment loss) on amounts due from related companies	**144**	(188)
Bad debt written off	**39**	47
Finance costs	**5,884**	5,202
Bank interest income	**(320)**	(474)
Interest income on loan receivables	**–**	(20)
Government grants	**(1,343)**	(2,250)
Operating cash flows before movements in working capital	**26,327**	50,950
(Increase) decrease in inventories	**(30,572)**	1,494
Decrease (increase) in trade receivables	**13,234**	(13,370)
Decrease (increase) in bills receivables	**4,967**	(5,118)
Decrease in prepayments and other receivables	**938**	630
Increase in trade and bills payables	**15,560**	4,214
Increase (decrease) in accruals and other payables	**3,924**	(1,024)
Increase in contract liabilities	**11,086**	209
Cash generated from operations	**45,464**	37,985
PRC income tax paid	**(3,916)**	(7,228)
Withholding tax paid	**(512)**	–
Myanmar income tax refund (paid)	**24**	(84)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**41,060**	30,673

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(12,769)**	(1,298)
(Advanced to) repayment from related companies	**(50)**	1,504
Proceeds from disposal of property, plant and equipment	**2,104**	544
Interest received	**320**	494
Loans repayment	**–**	14,641
Earnest money refunded for potential acquisition	**–**	4,474
Deposits paid to acquire property, plant and equipment	**–**	(3,019)
NET CASH (USED IN) GENERATED FROM INVESTING ACTIVITIES	**(10,395)**	17,340
FINANCING ACTIVITIES		
Repayments of borrowings	**(103,000)**	(98,000)
Interest paid	**(5,884)**	(5,202)
Repayment of lease liabilities	**(1,791)**	(1,990)
New borrowings raised	**103,000**	103,000
Government grant received	**1,343**	2,250
Advance from a related company	**538**	727
NET CASH (USED IN) GENERATED FROM FINANCING ACTIVITIES	**(5,794)**	785
NET INCREASE IN CASH AND CASH EQUIVALENTS	**24,871**	48,798
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**140,599**	93,755
Effect of foreign exchange rate changes	**(4,062)**	(1,954)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER, represented by cash and bank balances	**161,408**	140,599

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, Hopewell Centre, 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 the first time, the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") which are effective for the Group's financial year beginning 1 January 2021:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

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

New and amendments to 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 and related Amendments[3]
Amendments to HKFRS 3	Reference to Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[1]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[2]

[1] Effective for annual periods beginning on or after 1 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

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

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

Amendments to HKAS 1 – Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments to HKAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

Hong Kong Interpretation 5 was revised as a consequence of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current to align the corresponding wordings with no change in conclusion.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in change in the classification of the Group's liabilities.

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 – Disclosure of Accounting Policies

The amendments change the requirements in HKAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in HKAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

Guidance and examples were provided to explain and demonstrate the application of the "four-step materiality process" described in HKFRS Practice Statement 2. The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments to HKAS 8 introduce the definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period, with earlier application permitted.

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.

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 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 over 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Contract liabilities

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.

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing

Definition of a lease

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

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

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, a 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, and adjusted for any remeasurement of lease liabilities. 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.

When the Group obtains ownership of the underlying leased assets at the end of the lease term upon exercising purchase options, the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

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.

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.

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

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 related to income 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 and the Group intends to settle current tax liabilities and assets on a net basis.

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.

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 any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 of inventories represents the estimated selling price in the ordinary course of business less the 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

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, 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.

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.

Interest income is recognised in profit or loss and is included in the “other income and gains” line item (note 7).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

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;
- 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, except trade receivables, 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. The Group rebutted the presumption of significant increase in credit risk under ECL model for trade debtors over 30 days past due based on the good repayment records for those customers, continuous business with the Group and/or other reasonable and supportable information.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt 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 debt instrument 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.

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, except trade receivables, 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. The Group rebutted the presumption of default under ECL model for trade debtors over 90 days past due based on the good repayment records for those customers, continuous business with the Group and/or other reasonable and supportable information.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (Continued)

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and right-of-use 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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. 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.

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 2021, certificates of ownership for buildings are still in a process of obtaining with carrying values of approximately RMB8,931,000 (2020: RMB9,482,000). 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 2021, the carrying amount of property, plant and equipment was approximately RMB164,533,000 (2020: RMB184,146,000).

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

Key sources of estimation uncertainty (Continued)

Impairment of trade and bills receivables and other receivables

The impairment provisions for trade and bills receivables and other receivables are based on assumptions about ECL. The Group has engaged an external valuer to assist for an impairment assessment on these receivables. The Group uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on past due status 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.

At 31 December 2021, the carrying amount of trade and bills receivables is approximately RMB34,717,000 (2020: RMB56,567,000), net of loss allowance of approximately RMB6,544,000 (2020: RMB3,187,000).

At 31 December 2021, the carrying amount of other receivables is approximately RMB521,000 (2020: RMB2,308,000), net of loss allowance of nil (2020: nil).

During the year ended 31 December 2021, an impairment loss of approximately RMB3,418,000 (2020: RMB1,347,000,000) was recognised on trade and bills receivables. During the year ended 31 December 2020, reversal of impairment loss of approximately RMB170,000 (2021: nil) was recognised on other receivables.

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 2021, the carrying amount of inventories was approximately RMB88,167,000 (2020: RMB59,149,000).

During the year ended 31 December 2021, an impairment loss on inventory of approximately RMB1,363,000 (2020: RMB668,000) was recognised.

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

Key sources of estimation uncertainty (Continued)

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 for 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. In determining the recoverable amount, data such as second hand market prices of comparables, and transaction costs are used.

As at 31 December 2021, the carrying amount of property, plant and equipment and right-of-use assets were approximately RMB164,533,000 and RMB16,569,000 (2020: RMB184,146,000 and RMB20,923,000) respectively. No impairment loss on property, plant and equipment and right-of-use assets were recognised for both years.

Income taxes

As at 31 December 2021, deferred tax assets of approximately RMB1,152,000 (2020: RMB606,000), 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 RMB43,004,000 (2020: RMB41,266,000) as at 31 December 2021, 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. 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

	2021 **RMB'000**	2020 RMB'000
Manufacture and sale of products:		
– Innerwear products	**305,998**	319,879
– Knitted fabrics	**64,608**	48,196
	370,606	368,075
Processing services income:		
– Innerwear products	**5,258**	8,662
– Knitted fabrics	**55,125**	41,423
	60,383	50,085
	430,989	418,160

Disaggregation of revenue by timing of recognition

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	**430,989**	418,160

6. 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 resources 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 2021		
	Innerwear products RMB'000	**Knitted fabrics RMB'000**	**Total RMB'000**
Revenue			
External sales	**311,256**	**119,733**	**430,989**
Inter-segment revenue	**121,502**	**94,377**	**215,879**
Segment revenue	**432,758**	**214,110**	**646,868**
Eliminations			**(215,879)**
Group's revenue			**430,989**
Segment profit (loss)	**11,654**	**(3,231)**	**8,423**
Other income and gains			**322**
Finance costs			**(5,871)**
Unallocated head office and corporate expenses			**(14,724)**
Loss before tax			**(11,850)**

6. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

	Year ended 31 December 2020		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Revenue			
External sales	328,541	89,619	418,160
Inter-segment revenue	138,906	64,604	203,510
Segment revenue	467,447	154,223	621,670
Eliminations			(203,510)
Group's revenue			418,160
Segment profit (loss)	42,053	(6,802)	35,251
Other income and gains			2,322
Finance costs			(5,195)
Unallocated head office and corporate expenses			(16,118)
Profit before tax			16,260

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.

6. 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 2021		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	164,809	142,921	307,730
Unallocated assets:			
Property, plant and equipment			68
Investment property			3,098
Right-of-use assets			1,404
Cash and bank balances			161,408
Income tax receivables			1,102
Deferred tax assets			1,152
Prepayments			1,398
Other receivables			456
Consolidated assets			477,816
Segment liabilities	64,908	30,130	95,038
Unallocated liabilities:			
Other payables			363
Loan from a shareholder			4,103
Income tax payables			1,384
Interest-bearing borrowings			103,000
Lease liabilities			1,755
Deferred tax liabilities			479
Consolidated liabilities			206,122

6. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Year ended 31 December 2020		
	Innerwear products RMB'000	Knitted fabrics RMB'000	Total RMB'000
Segment assets	173,207	153,357	326,564
Unallocated assets:			
Property, plant and equipment			593
Investment property			3,541
Right-of-use assets			3,507
Cash and bank balances			140,599
Income tax receivables			223
Deferred tax assets			606
Prepayments			818
Other receivables			511
Consolidated assets			476,962
Segment liabilities	37,114	26,990	64,104
Unallocated liabilities:			
Other payables			1,092
Loan from a shareholder			4,228
Income tax payables			2,221
Interest-bearing borrowings			103,000
Lease liabilities			3,617
Deferred tax liabilities			473
Consolidated liabilities			178,735

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, income tax receivables, deferred tax assets 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.

6. SEGMENT INFORMATION (Continued)

Other segment information

	Year ended 31 December 2021			
	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	11,459	14,132	250	25,841
Depreciation of right-of-use assets	1,208	202	1,724	3,134
Net gain on disposal of property, plant and equipment	(353)	(73)	–	(426)
Impairment loss on inventories	168	1,195	–	1,363
Impairment loss on trade receivables	3,131	287	–	3,418
Bad debt written off	39	–	–	39
Impairment loss on amounts due from related companies	144	–	–	144
Interest on lease liabilities	13	–	160	173
Additions to non-current assets	7,001	7,852	–	14,853
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:				
Depreciation of investment property	–	–	443	443
Bank interest income	–	–	(320)	(320)
Interest expense	–	–	5,711	5,711
Income tax expense	–	–	2,587	2,587

6. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

	Year ended 31 December 2020			
	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	11,845	14,589	270	26,704
Depreciation of right-of-use assets	1,547	210	1,978	3,735
Net gain on disposal of property, plant and equipment	(353)	–	–	(353)
Impairment loss on inventories	41	627	–	668
Deposits paid to acquire property, plant and equipment	1,086	1,933	–	3,019
Provision of impairment loss on trade receivables	319	1,028	–	1,347
Bad debt written off	47	–	–	47
Reversal of impairment loss on amounts due from related companies	(187)	(1)	–	(188)
Interest on lease liabilities	7	–	166	173
Additions to non-current assets	4,571	10,101	1,983	16,655
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
Reversal of impairment loss on loan receivables	–	–	(130)	(130)
Reversal of impairment loss on other receivables	–	–	(40)	(40)
Bank interest income	–	–	(474)	(474)
Interest income on loan receivables	–	–	(20)	(20)
Interest expense	–	–	5,029	5,029
Income tax expense	–	–	7,338	7,338

6. 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	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**250,961**	159,063	**158,670**	173,389
Japan	**162,267**	241,253	**–**	–
United States	**–**	133	**–**	–
Africa	**2,551**	3,732	**–**	–
Italy	**1,051**	12,061	**–**	–
Taiwan	**12,902**	–	**–**	–
Hong Kong	**1,218**	1,885	**2,460**	4,255
Myanmar	**39**	33	**23,070**	33,985
	430,989	418,160	**184,200**	211,629

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:

	2021	2020
	RMB'000	RMB'000
Customer A (note (a))	**63,961**	58,017
Customer B (note (b))	**59,499**	41,954

Notes:

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

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

7. OTHER INCOME AND GAINS

	2021 **RMB'000**	2020 RMB'000
Bank interest income	**320**	474
Sales of scrap materials	**2,987**	1,837
Interest income on loan receivables	**–**	20
Government grants (note)	**1,343**	2,250
Net gain on disposal of property, plant and equipment	**426**	353
Rental income from an investment property		
– Lease payments that are fixed	**–**	146
Reversal of impairment loss on loan receivables	**–**	130
Reversal of impairment loss on amounts due from related companies	**–**	188
Reversal of impairment loss on other receivables	**–**	40
Others	**1,540**	1,625
	6,616	7,063

Note:

During the year 31 December 2021, the government grants of RMB1,343,000 (2020: RMB1,084,000) is awarded to the Group by the PRC government as incentives primarily to encourage the technology development of the Group and the contribution to the local economic development. The government grants are one-off with no specific condition attached.

During the year 31 December 2020, the Group recognised government grants of RMB1,166,000 (2021: nil) in respect of COVID-19 related subsidies which was related to the Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund.

8. FINANCE COSTS

	2021 **RMB'000**	2020 RMB'000
Interest on:		
– Lease liabilities	**173**	173
– Bank loans	**5,711**	5,029
	5,884	5,202

9. INCOME TAX EXPENSE

	2021 **RMB'000**	2020 RMB'000
Current tax:		
PRC Enterprise Income Tax (the "**EIT**")		
– Provision for the year	**1,407**	8,020
– Over-provision in prior years	**(37)**	–
Overseas income tax		
– Provision for the year	**1,070**	387
– Over-provision in prior years	**(10)**	(719)
Withholding tax	**512**	–
Deferred tax (note 18)	**(537)**	(350)
	2,405	7,338

9. INCOME TAX EXPENSE (Continued)

(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% for the period from 1 January 2021 to 30 September 2021 and subject to 22% for the period from 1 October 2021 to 31 December 2021.

(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 2021 and 2020, 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 2021 and 2020 as there was no estimated assessable profit derived from Hong Kong subsidiaries.

(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 2021 and 2020.

Pursuant to circular issued by Ministry of Finance and National Tax Bureau on 17 January 2019, the small-scaled minimal profit enterprise with an annual taxable income below RMB1,000,000 (RMB1,000,000 included) is entitled to a preferential tax treatment of 75% exemption of taxable income and application of income tax rate as 20% since 1 January 2019. Pursuant to circular issued by Ministry of Finance and National Tax Bureau on 2 April 2021, the income tax rate has been reduced to 10% from 20% since 1 January 2021. A PRC subsidiary of the Group was qualified as small-scaled minimal profit enterprise and application of 2.5% tax rate during the year ended 31 December 2021.

9. INCOME TAX EXPENSE (Continued)

(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 (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	RMB'000	RMB'000
(Loss) profit before tax	**(11,850)**	16,260
Tax at the domestic income rate of 25% (2020: 25%)	**(2,963)**	4,065
Tax effect of income not taxable for tax purpose	**(26)**	(419)
Tax effect of expenses not deductible for tax purpose	**2,684**	2,049
Tax effect of deductible temporary difference not recognised	**414**	438
Utilisation of deductible temporary difference previously not recognised	**(5)**	(106)
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**532**	67
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,973**	1,347
Tax effect of tax losses not recognised	**1,311**	820
Over-provision in prior years	**(47)**	(719)
Income tax on concessionary rate	**(119)**	–
Utilisation of tax losses previously not recognised	**(1,349)**	(204)
Income tax expense for the year	**2,405**	7,338

Details of deferred taxation are set out in note 18.

10. (LOSS) PROFIT FOR THE YEAR

	2021 **RMB'000**	2020 RMB'000
(Loss) profit for the year has been arrived at after charging:		
Salaries and other benefits	**123,255**	109,925
Contributions to retirement benefit schemes	**13,788**	1,594
Total staff costs (including directors' and chief executive's emoluments)	**137,043**	111,519
Auditor's remuneration	**738**	800
Depreciation of property, plant and equipment	**25,841**	26,704
Depreciation of investment property	**443**	442
Depreciation of right-of-use assets	**3,134**	3,735
Exchange losses, net	**956**	895
Bad debt written off	**39**	47
Amount of inventories recognised as an expense	**352,151**	319,312
Provision of impairment loss on inventories (included in cost of sales)	**1,363**	668
Impairment loss on trade receivables (included in administrative expenses)	**3,418**	1,347
Impairment loss on amounts due from related companies (included in administrative expenses)	**144**	–

11. 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 2021

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	–	996	–	996
Ms. Tian Ying	–	996	–	996
Mr. Du Shuwei	–	996	–	996
	–	2,988	–	2,988
Non-executive director				
Mr. Zhang Yanlin	165	–	–	165
Independent non-executive directors				
Mr. Xu Dunkai	124	–	–	124
Mr. Hu Quanse	124	–	–	124
Ms. Zhao Weihong	124	–	–	124
	372	–	–	372
Total	537	2,988	–	3,525

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

For the year ended 31 December 2020

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	–	1,074	–	1,074
Ms. Tian Ying	–	1,074	–	1,074
Mr. Du Shuwei	–	1,074	–	1,074
	–	3,222	–	3,222
Non-executive director				
Mr. Zhang Yanlin	178	–	–	178
Independent non-executive directors				
Mr. Xu Dunkai	134	–	–	134
Ms. Feng Xin	101	–	–	101
Mr. Hu Quanse	134	–	–	134
Ms. Zhao Weihong	34	–	–	34
	403	–	–	403
Total	581	3,222	–	3,803

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

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 2021 and 2020. 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 2021 and 2020.

Ms. Feng Xin resigned from the independent non-executive director on 30 September 2020 and her emoluments disclosed above included those for services rendered by her as the independent non-executive director until the date of resignation.

Ms. Zhao Weihong was also appointed as independent non-executive director of the Group on 30 September 2020 and his emoluments disclosed above include those for services rendered by him as the independent non-executive director.

12. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2020: three) were directors of the Company whose emoluments are included in the disclosure in note 11 above. The emoluments of the remaining two (2020: two) individuals were as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and other benefits	**3,920**	4,436
Contributions to retirement benefit schemes	**–**	–
	3,920	4,436

12. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2021 No. of Employees	2020 No. of Employees
HKD1,000,001 to HKD1,500,000 (2021: equivalent to approximately RMB829,653 to RMB1,244,478, 2020: equivalent to approximately RMB889,543 to RMB1,334,313)	**1**	1
HKD3,000,001 to HKD3,500,000 (2021: equivalent to approximately RMB2,488,957 to RMB2,903,782, 2020: equivalent to approximately RMB2,668,627 to RMB3,113,396)	**1**	–
HKD3,500,001 to HKD4,000,000 (2021: equivalent to approximately RMB2,903,782 to RMB3,318,607, 2020: equivalent to approximately RMB3,113,397 to RMB3,558,168)	**–**	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 2021 and 2020.

13. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

14. (LOSS) PROFIT PER SHARE

The calculation of the basic and diluted loss per share for the year ended 31 December 2021 is based on the loss for the year attributable to owners of the Company of approximately RMB14,255,000 and the weighted average of 494,335,330 ordinary shares in issue during the year.

The calculation of the basic and diluted profit per share for the year ended 31 December 2020 is based on the profit for the year attributable to owners of the Company of approximately RMB8,922,000 and the weighted average of 494,335,330 ordinary shares in issue during the year.

Diluted (loss) profit per share for the years ended 31 December 2021 and 2020 was the same as the basic (loss) profit per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2021 (2020: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Machinery	Office Equipment	Motor vehicles	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note)						
COST:							
As at 1 January 2020	175,404	28,350	144,455	15,061	8,877	13,615	385,762
Additions	–	1,599	11,583	953	197	–	14,332
Transfer	14,711	–	–	–	–	(14,711)	–
Disposals	–	–	(3,695)	(124)	(231)	–	(4,050)
Exchange adjustments	(378)	111	603	132	(84)	1,096	1,480
As at 31 December 2020 and 1 January 2021	189,737	30,060	152,946	16,022	8,759	–	397,524
Additions	2,934	2,261	7,908	1,471	279	–	14,853
Disposals	(13)	–	(3,623)	(397)	(363)	–	(4,396)
Exchange adjustments	(4,187)	(799)	(3,130)	(1,720)	(308)	–	(10,144)
As at 31 December 2021	188,471	31,522	154,101	15,376	8,367	–	397,837
ACCUMULATED DEPRECIATION:							
As at 1 January 2020	63,506	21,038	89,023	11,500	5,446	–	190,513
Provided for the year	9,439	2,440	12,217	1,422	1,186	–	26,704
Eliminated on disposals	–	–	(3,535)	(102)	(222)	–	(3,859)
Exchange adjustments	(19)	7	92	4	(64)	–	20
As at 31 December 2020 and 1 January 2021	72,926	23,485	97,797	12,824	6,346	–	213,378
Provided for the year	9,420	2,561	11,241	1,579	1,040	–	25,841
Eliminated on disposals	(5)	–	(2,204)	(146)	(363)	–	(2,718)
Exchange adjustments	(267)	(223)	(1,300)	(1,236)	(171)	–	(3,197)
As at 31 December 2021	82,074	25,823	105,534	13,021	6,852	–	233,304
CARRYING VALUES:							
As at 31 December 2021	106,397	5,699	48,567	2,355	1,515	–	164,533
As at 31 December 2020	116,811	6,575	55,149	3,198	2,413	–	184,146

15. 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 or 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 2021, the Group is still in a process of obtaining certificates of ownership for buildings with carrying values of approximately RMB8,931,000 (2020: RMB9,482,000) 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 2021, certain Group's buildings with an aggregate carrying amounts of approximately RMB87,683,000 (2020: RMB84,018,000) were pledged to secure the bank borrowings granted to the Group (note 34).

16. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2020, at 31 December 2020, at 1 January 2021 and at 31 December 2021	5,426
ACCUMULATED DEPRECIATION	
At 1 January 2020	1,443
Provided for the year	442
At 31 December 2020	1,885
Provided for the year	443
At 31 December 2021	2,328
CARRYING VALUES	
As at 31 December 2021	3,098
As at 31 December 2020	3,541

The fair value of the Group's investment property as at 31 December 2021 was approximately RMB4,971,000 (2020: RMB4,735,000). 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 categorised 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 or 16 years

17. LEASES

(i) Right-of-use assets

	2021 **RMB'000**	2020 RMB'000
Land	**13,071**	13,514
Buildings (factories, offices and staff quarters)	**3,498**	7,409
	16,569	20,923

At 31 December 2021, right-of-use assets of approximately RMB13,071,000 (2020: RMB13,514,000) represent land use rights located in the PRC and Myanmar.

The Group has lease arrangements for buildings. The lease terms generally range from two years with fixed lease payment and the leases do not contain 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 2020 amounted to approximately RMB2,323,000 (2021:nil), due to new leases of office and staff quarter.

As at 31 December 2021, the Group's right-of-use assets with an aggregate carrying amount of approximately RMB10,343,000 (2020: RMB10,640,000) were pledged to secure the bank borrowings granted to the Group (note 34).

17. LEASES (Continued)

(ii) Lease liabilities

	2021 **RMB'000**	2020 RMB'000
Non-current	**188**	1,801
Current	**1,567**	1,816
	1,755	3,617

Amounts payable under lease liabilities

	2021 **RMB'000**	2020 RMB'000
Within one year	**1,567**	1,816
After one year but within two years	**70**	1,613
After two years but within five years	**118**	188
	1,755	3,617
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,567)**	(1,816)
Amount due for settlement after 12 months	**188**	1,801

During the year ended 31 December 2020, the Group entered into two new lease agreements in respect of new leases of office and staff quarter and recognised lease liabilities of approximately RMB2,323,000 (2021: nil).

17. LEASES (Continued)

(iii) Amounts recognised in profit or loss

	Year ended **2021** RMB'000	2020 RMB'000
Depreciation expense on right-of-use assets:		
– Land	**436**	530
– Buildings (factories, offices and staff quarters)	**2,698**	3,205
	3,134	3,735
Interest expense on lease liabilities	**173**	173
Expense relating to short-term leases	**1,524**	1,603
Expense relating to leases of low value assets	**8**	8

(iv) Others

During the year ended 31 December 2021, the total cash outflows for leases amount to approximately RMB3,496,000 (2020: RMB3,774,000).

18. 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.

	2021 RMB'000	2020 RMB'000
For financial reporting purpose:		
Deferred tax assets	**1,152**	606
Deferred tax liabilities	**(479)**	(473)
	673	133

18. DEFERRED TAXATION (Continued)

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

	Unrealised (loss) profit on inventories	Withholding tax on undistributed profit of subsidiaries in the PRC	Tax losses	Accelerated tax depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	(181)	(435)	498	(105)	(223)
Credited (charged) to profit or loss for the year	417	(67)	–	–	350
Exchange difference	–	29	(29)	6	6
As at 31 December 2020 and at 1 January 2021	236	(473)	469	(99)	133
Credited (charged) to profit or loss for the year	557	(20)	–	–	537
Exchange difference	–	14	(14)	3	3
As at 31 December 2021	793	(479)	455	(96)	673

As at 31 December 2021, the Group has unused Hong Kong and PRC tax losses of approximately RMB33,067,000 and RMB12,695,000 (2020: RMB26,019,000 and RMB18,089,000) respectively available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses of approximately RMB2,758,000 (2020: RMB2,842,000) of such losses. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses of approximately RMB30,309,000 (2020: RMB23,177,000) and PRC tax losses of approximately RMB12,695,000 (2020: RMB18,089,000) due to unpredictability of future profit streams. All unrecognised PRC tax losses as at 31 December 2021 will expire in 2022 to 2026 (2020: expired in 2021 to 2023). Other losses may be carried forward indefinitely.

For the year ended 31 December 2021, PRC tax losses of approximately RMB5,394,000 and nil (2020: RMB813,000 and RMB8,361,000) 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 RMB7,944,000 of PRC and HK tax losses (2020: nil and RMB4,971,000 of PRC and HK tax losses respectively) was recognised respectively for the year ended 31 December 2021.

18. DEFERRED TAXATION (Continued)

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB7,156,000 (2020: RMB5,520,000). 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 RMB83,214,000 (2020: RMB82,148,000). 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.

19. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Raw materials	**40,937**	27,031
Work-in-progress	**36,514**	26,908
Finished goods	**10,716**	5,210
	88,167	59,149

20. TRADE RECEIVABLES

	2021 **RMB'000**	2020 RMB'000
Receivables at amortised cost comprise:		
Trade receivables	**41,261**	54,787
Less: Loss allowance on trade receivables	**(6,544)**	(3,187)
	34,717	51,600

As at 31 December 2021, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB41,261,000 (2020: RMB54,787,000).

20. TRADE RECEIVABLES (Continued)

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:

	2021	2020
	RMB'000	RMB'000
0 – 30 days	**28,245**	31,507
31 – 60 days	**4,369**	9,335
61 – 90 days	**1,441**	3,767
Over 90 days	**662**	6,991
	34,717	51,600

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. Due to the financial uncertainty arising from COVID-19, the Group has increased the expected loss rate for trade receivables based on their judgment as to the impact of COVID-19 on the trade receivables portfolio.

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.

20. TRADE RECEIVABLES (Continued)

For certain trade receivables of approximately RMB1,035,000 (2020: RMB1,177,000) 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 2021	**Weighted average expected loss rate %**	**Gross carrying amount RMB'000**	**Loss allowance RMB'000**
Current (not past due)	**2.72**	**32,175**	**875**
Less than 1 month past due	**22.46**	**2,120**	**476**
1 to 2 months past due	**68.52**	**5,455**	**3,738**
2 to 3 months past due	**82.35**	**134**	**111**
3 to 6 months past due	**85.60**	**–***	**–***
More than 6 months but less than 12 months past due	**90.59**	**342**	**309**
Default receivables	**100.00**	**1,035**	**1,035**
		41,261	**6,544**

As at 31 December 2020	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000
Current (not past due)	1.34	44,735	599
Less than 1 month past due	15.85	8,865	1,405
1 to 2 months past due	60.31	9	5
2 to 3 months past due	62.38	–*	–*
More than 6 months but less than 12 months past due	68.17	1	1
Default receivables	100.00	1,177	1,177
		54,787	3,187

* Less than RMB1,000.

20. 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 2021, approximately RMB39,000 (2020: RMB47,000) was being written off.

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

	2021 **RMB'000**	2020 RMB'000
At the beginning of the year	**3,187**	1,864
Impairment loss on trade receivables	**3,418**	1,347
Exchange realignment	**(61)**	(24)
At the end of the year	**6,544**	3,187

The loss allowance included an amount of approximately RMB1,035,000 (2020: RMB1,177,000) 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:

	2021 **RMB'000**	2020 RMB'000
EUR	**–**	988
HKD	**625**	–
USD	**3,731**	3,724
	4,356	4,712

21. BILLS RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Receivables at amortised cost comprise:		
Bills receivables	**–**	4,967

At as 31 December 2020, the gross amount of bills receivables arising from contracts with customers amounted to approximately RMB4,967,000 (2021: nil).

The aging analysis of bills receivables presented based on the issue date at the end of the reporting period was as follows:

	2021	2020
	RMB'000	RMB'000
0 – 30 days	**–**	213
91 – 180 days	**–**	4,754
	–	4,967

The Group measures the loss allowance for bills receivables at an amount equal to 12-month ECL. As the counterparties are banks with high credit ratings, no additional loss allowance was provided on the Group's bills receivables in the years ended 31 December 2021 and 2020.

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

	2021	2020
	RMB'000	RMB'000
EUR	**–**	213

22. PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Prepayments	**5,802**	4,818
Other receivables	**521**	2,308
Advance to suppliers	**508**	726
	6,831	7,852

The Group has individually assessed other receivables 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. During the year ended December 2020, reversal of impairment loss on loan and other receivables of approximately RMB130,000 and RMB40,000 respectively (2021: nil).

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

	2021	2020
	RMB'000	RMB'000
At the beginning of the year	**–**	170
Reversal of impairment loss on loan receivables	**–**	(130)
Reversal of impairment loss on other receivables	**–**	(40)
At the end of the year	**–**	–

As at 31 December 2021 and 2020, 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:

	2021	2020
	RMB'000	RMB'000
HKD	**273**	110

23. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2021	2020
	RMB'000	RMB'000
Amounts due from related companies (trade nature)	**450**	408
Less: Loss allowance on amounts due from related companies	**(211)**	(71)
	239	337

The amounts from (to) related companies are unsecured, interest-free and trade in nature with credit term of 90 days.

The Group has individually assessed all amounts due from related companies. Impairment loss of approximately RMB144,000 (2020: reversal of impairment loss of approximately RMB188,000) was recognised in profit or loss during the year ended 31 December 2021. The Group has engaged an external valuer to assist for an impairment assessment on these receivables from related companies.

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

	At 31 December 2021		At 31 December 2020	
	Gross carrying amount	**Loss allowance**	Gross carrying amount	Loss allowance
	RMB'000	**RMB'000**	RMB'000	RMB'000
Internal credit rating				
Performing	**246**	**7**	198	1
Default	**204**	**204**	210	70
	450	**211**	408	71

23. AMOUNTS DUE FROM (TO) RELATED COMPANIES (Continued)

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

	Lifetime ECL – not credit impaired RMB'000	Lifetime ECL – credit impaired RMB'000	Total RMB'000
At 1 January 2020	13	251	264
Decrease during the year	(12)	(176)	(188)
Exchange realignment	–	(5)	(5)
At 31 December 2020	1	70	71
Increase during the year	6	138	144
Exchange realignment	–	(4)	(4)
At 31 December 2021	7	204	211

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

24. CASH AND BANK BALANCES

During the year ended 31 December 2021, bank balances carried interest at average market rates from 0.001% to 2.1% (2020: 0.001% to 2.2%) 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:

	2021 RMB'000	2020 RMB'000
USD	**34,744**	31,621
RMB	**3,033**	800
HKD	**2,020**	5,376
EUR	**1,443**	265
JYP	**28**	14
GBP	**7**	5
	41,275	38,081

25. TRADE AND BILLS PAYABLES

	2021	2020
	RMB'000	RMB'000
Trade payables	**42,209**	44,269
Bills payables	**17,600**	–
	59,809	44,269

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

	2021	2020
	RMB'000	RMB'000
0 – 30 days	**36,376**	32,228
31 – 90 days	**21,174**	10,881
91 – 180 days	**1,590**	644
Over 180 days	**669**	516
	59,809	44,269

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.

26. ACCRUALS AND OTHER PAYABLES

	2021	2020
	RMB'000	RMB'000
Payroll and welfare payables	**15,585**	12,002
Other tax payables	**753**	2,156
Other payables	**5,601**	4,726
	21,939	18,884

26. ACCRUALS AND OTHER PAYABLES (Continued)

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:

	2021 **RMB'000**	2020 RMB'000
USD	**–**	103
RMB	**73**	–
HKD	**434**	1,227
	507	1,330

27. CONTRACT LIABILITIES

	2021 **RMB'000**	2020 RMB'000
Advance from customers	**12,261**	1,184

Contract liabilities represent advances received from customers for obtaining raw materials for sales order.

Revenue recognised during the year ended 31 December 2021 that was included in the contract liabilities as at 1 January 2021 is approximately RMB1,184,000 (2020: RMB975,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

The Group receives range from 10% to 30% of the contract values as deposits from customers when they sign the sale and purchase agreements for sales of properties.

The significant changes in contract liabilities in 2021 were mainly due to the continuous increase in the Group's customer base during the year and increase in sales orders near year ended 31 December 2021.

28. LOAN FROM A SHAREHOLDER

As at 31 December 2021, Junfun, the ultimate beneficial owner of the Company, has advanced USD640,000 (equivalent to approximately RMB4,103,000 as at 31 December 2021 (2020: RMB4,228,000). 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.

29. INTEREST-BEARING BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank borrowings – secured	**103,000**	103,000

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 2021, secured bank borrowings with carrying amount of approximately RMB103,000,000 (2020: RMB103,000,000) were secured by right-of-use assets and buildings of the Group. Details are disclosed in note 34.

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:

	2021		2020	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Variable rate borrowings	**5.22%**	**48,000**	4.62% – 5.22%	48,000
Fixed rate borrowings	**4.80%**	**55,000**	4.80%	55,000
		103,000		103,000

The Group has variable-rate borrowings which carry interest at base rate plus 1.37% (2020: base rate plus ranged from 0.10% to 0.20%). Interest is reset every 12 months (2020: every month) for the year ended 31 December 2021.

During the year, the Group obtained new loans in the amount of approximately RMB103,000,000 (2020: RMB103,000,000). The loans bear interest at market rates and the balance will be repayable in 2022. The proceeds were used to finance the working capital of the Group.

As at 31 December 2021 and 2020, the carrying amounts of the Group's borrowings are denominated in RMB.

30. SHARE CAPITAL

	Number of shares	**Amount** RMB'000
Ordinary share without par value		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,000,000,000	N/A

	Number of shares	**Amount** RMB'000
Issued and fully paid:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	494,335,330	148,929

31. 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 amounts due to related companies, loan from a shareholder and interest-bearing borrowings as disclosed in note 23, 28 and note 29 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.

32. FINANCIAL INSTRUMENTS

a. *Categories of financial instruments*

	2021	2020
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**196,885**	198,116
Financial liabilities		
Financial liabilities at amortised cost	**189,490**	169,084

b. *Financial risk management objectives and policies*

The Group's major financial instruments include trade receivables, bills receivables, other receivables, amounts due from related companies, cash and bank balances, trade and bills payables, accruals and other payables, amounts due to related companies, loan from a shareholder 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 2021, 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 bank balances, trade receivables, bills receivables and other receivables. The carrying amounts of these balances represent our Group's maximum exposure to credit risk in relation to financial assets.

32. 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 and amounts due from related companies (trade nature), the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on 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, bills receivables, 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.

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.

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.

32. 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 of receivables at amortised cost	Basis for recognising ECL of other financial assets
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	Lifetime ECL – not credit impaired	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	Lifetime ECL – not credit impaired	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	Lifetime ECL – credit impaired	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	Amount is written off

32. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group's exposure to credit risk (Continued)

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 20, 21, 22 and 23 respectively.

As at 31 December 2021, the Group's concentration of credit risk by geographical locations is mainly in Japan and the PRC which accounted for 15% and 73% (2020: Japan and the PRC which accounted for 14% and 76%) respectively of the total receivables.

As at 31 December 2021, the Group has concentration of credit risk as 11% (2020: 23%) and 38% (2020: 56%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively.

As at 31 December 2020, the Group has concentration of credit risk in respect of bank's acceptance bills receivables as the Group's largest bills receivables from bank represented 100% of the total bills receivables as at 31 December 2020. In addition, the Group's bills receivables from the top five major banks represented 100% of the total bills receivables as at 31 December 2020.

32. 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 2021, approximately 47% (2020: 62%), 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% (2020: 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, Hong Kong dollars ("**HKD**") and Euro ("**EUR**") 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:

	2021	2020
	RMB'000	RMB'000
Assets		
USD	**38,475**	35,345
HKD	**2,918**	5,471
RMB	**3,033**	800
EUR	**1,443**	1,467
Liabilities		
USD	**4,103**	4,573
HKD	**433**	1,227
RMB	**73**	–

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.

32. 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, HKD, RMB and EUR.

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies. 5% (2020: 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% (2020: 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/increase in post-tax (loss) profit where the respective foreign currency strengthens 5% (2020: 5%) against the relevant functional currency. For a 5% (2020: 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 2021	Year ended 31 December 2020
	RMB'000	RMB'000
Increase in profit	**–**	1,154
Decrease in loss	**1,289**	–

32. 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 2021 RMB'000	Year ended 31 December 2020 RMB'000
Increase in profit	**–**	159
Decrease in loss	**93**	–

	RMB impact	
	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Increase in profit	**–**	30
Decrease in loss	**111**	–

	EUR impact	
	Year ended 31 December 2021 RMB'000	Year ended 31 December 2020 RMB'000
Increase in profit	**–**	55
Decrease in loss	**54**	–

32. FINANCIAL INSTRUMENTS (Continued)

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

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to interest-bearing borrowings (note 29) and cash flow interest rate risk in relation to variable-rate interest-bearing bank balances (note 24) and borrowings (note 29). 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.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including 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 (2020: 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 (2020: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 December 2021 (2020: post-tax profit) would decrease/increase by approximately RMB500,000 (2020: increase/decrease by approximately RMB767,000).

32. FINANCIAL INSTRUMENTS (Continued)

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

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 management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

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.

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 2021	**On demand or within one year RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
Non-derivative financial liabilities			
Trade and bills payables	**59,809**	**59,809**	**59,809**
Accruals and other payables	**21,186**	**21,186**	**21,186**
Amounts due to related companies	**1,392**	**1,392**	**1,392**
Loan from a shareholder	**4,103**	**4,103**	**4,103**
Interest-bearing borrowings			
– fixed rate	**55,000**	**55,000**	**55,000**
– variable rate	**48,000**	**48,000**	**48,000**
	189,490	**189,490**	**189,490**

32. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

As at 31 December 2021	**Less than one year RMB'000**	**1–5 years RMB'000**	**Total undiscounted cash flows RMB'000**	**Carrying amount RMB'000**
Lease liabilities	**1,617**	**201**	**1,818**	**1,755**

As at 31 December 2020	On demand or within one year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Non-derivative financial liabilities			
Trade payables	44,269	44,269	44,269
Accruals and other payables	16,728	16,728	16,728
Amount due to a related company	859	859	859
Loan from a shareholder	4,228	4,228	4,228
Interest-bearing borrowings			
– fixed rate	55,000	55,000	55,000
– variable rate	48,000	48,000	48,000
	169,084	169,084	169,084

32. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

As at 31 December 2020	Less than one year RMB'000	1–5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
Lease liabilities	1,992	1,865	3,857	3,617

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 2021 and 2020, the aggregate undiscounted principal amounts of these bank loans amounted to RMB103,000,000 and RMB103,000,000 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 RMB104,443,000 (2020: RMB104,818,000).

33. OPERATING LEASES ARRANGEMENT

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. During the year ended 31 December 2021, the operating lease arrangement was terminated.

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:

	2021	2020
	RMB'000	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	**–**	210
After 5 years	**–**	630
	–	1,640

34. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure interest-bearing borrowings (note 29) of the Group at the end of the reporting period:

	2021	2020
	RMB'000	RMB'000
Right-of-use assets	**10,343**	10,640
Buildings	**87,683**	84,018
	98,026	94,658

35. CAPITAL COMMITMENTS

	2021 **RMB'000**	2020 RMB'000
Amount contracted for but not provided for in the consolidated financial statements in respect of acquisition of property, plant and equipment	–	1,003

36. 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 2021 and 2020.

37. 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 subsidiaries are 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.

37. RETIREMENT BENEFIT SCHEMES (Continued)

The total cost charged to profit or loss of approximately RMB13,788,000 (2020: RMB1,594,000) represents contributions payable to these schemes by the Group in respect of the current accounting period. During the year ended 31 December 2020, PRC government waived certain social insurances as the outbreak of COVID-19.

38. MATERIAL RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Class of related party	Nature of transaction	**2021** **RMB'000**	2020 RMB'000
Related companies *(note)*	Sales	**587**	887
	Purchase	**478**	869
	Loan interest income	**–**	20
	Reversal of impairment loss on loan receivables	**–**	(130)
	Impairment loss (reversal of impairment loss) on amounts due from related companies	**144**	(188)
	Rental expense paid	**697**	752

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

38. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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:

	2021 **RMB'000**	2020 RMB'000
Short-term benefits	**11,808**	12,876
Post-employment benefits	**125**	141
	11,933	13,017

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.

39. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2021, the Group has a total addition of plant, property and equipment amounting to approximately RMB14,853,000 (2020: RMB14,332,000), out of which approximately RMB3,019,000 (2020: RMB12,430,000) was settled by the deposit paid in year ended 31 December 2020.

(b) During the year ended 31 December 2020, the Group entered into new arrangements in respect of office and staff quarter. Right-of-use assets and lease liabilities of approximately RMB2,323,000 were recognised at the commencement of the lease.

40. 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 2021 RMB'000	Financing cash flows RMB'000	Government grants receivable RMB'000	Finance cost incurred RMB'000	Foreign exchange movements RMB'000	31 December 2021 RMB'000
Interest-bearing borrowings (note 29)	103,000	–	–	–	–	103,000
Government grants received	–	1,343	(1,343)	–	–	–
Accrued interest	–	(5,884)	–	5,884	–	–
Advance from a related company	859	538	–	–	(5)	1,392
Loan from a shareholder (note 28)	4,228	–	–	–	(125)	4,103
Lease liabilities (note 17)	3,617	(1,791)	–	–	(71)	1,755
Total	111,704	(5,794)	(1,343)	5,884	(201)	110,250

			Non-cash changes				
	1 January 2020 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 2020 RMB'000
Interest-bearing borrowings (note 29)	98,000	5,000	–	–	–	–	103,000
Government grants received	–	2,250	(2,250)	–	–	–	–
Accrued interest	–	(5,202)	–	–	5,202	–	–
Advance from a related company	132	727	–	–	–	–	859
Loan from a shareholder (note 28)	4,496	–	–	–	–	(268)	4,228
Lease liabilities (note 17)	3,493	(1,990)	–	2,323	–	(209)	3,617
Total	106,121	785	(2,250)	2,323	5,202	(477)	111,704

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2021 and 2020 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
				Indirectly 2021	Indirectly 2020	2021	2020	
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
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

41. 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
				Indirectly 2021	Indirectly 2020	**2021**	2020	
Shandong Shundu International Trading Limited 山東順都國際貿易有限公司 (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	Myanmar	Ordinary	MMK100,000,000	**100%**	100%	**100%**	100%	Manufacturing of garments
Jade Blue Company Limited	Myanmar	Ordinary	USD5,200,000	**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 2021 and 2020 or at any time during both years.

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment		**68**	310
Right-of-use assets		**726**	1,564
Unlisted investment in a subsidiary		**28,071**	28,071
		28,865	29,945
Current assets			
Prepayments and other receivables		**398**	258
Amount due from subsidiary	(a)	**59,345**	61,161
Cash and bank balances		**23,709**	33,447
		83,452	94,866
Current liabilities			
Accruals and other payables		**363**	997
Loan from a shareholder (note 28)		**4,103**	4,228
Lease liabilities		**787**	841
		5,253	6,066
Net current assets		**78,199**	88,800
Total assets less current liabilities		**107,064**	118,745
Non-current liability			
Lease liabilities		**–**	811
		107,064	117,934
Capital and reserves			
Share capital (note 30)		**148,929**	148,929
Reserves	(b)	**(41,865)**	(30,995)
Total equity		**107,064**	117,934

42. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Notes:

(a) Amount due from subsidiary

The amount is 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 2020	27,988	(45,385)	(17,397)
Loss and total comprehensive expense for the year	–	(13,598)	(13,598)
As at 31 December 2021 and 1 January 2021	27,988	(58,983)	(30,995)
Loss and total comprehensive expense for the year	–	(10,870)	(10,870)
As at 31 December 2021	27,988	(69,853)	(41,865)

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.