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 2020

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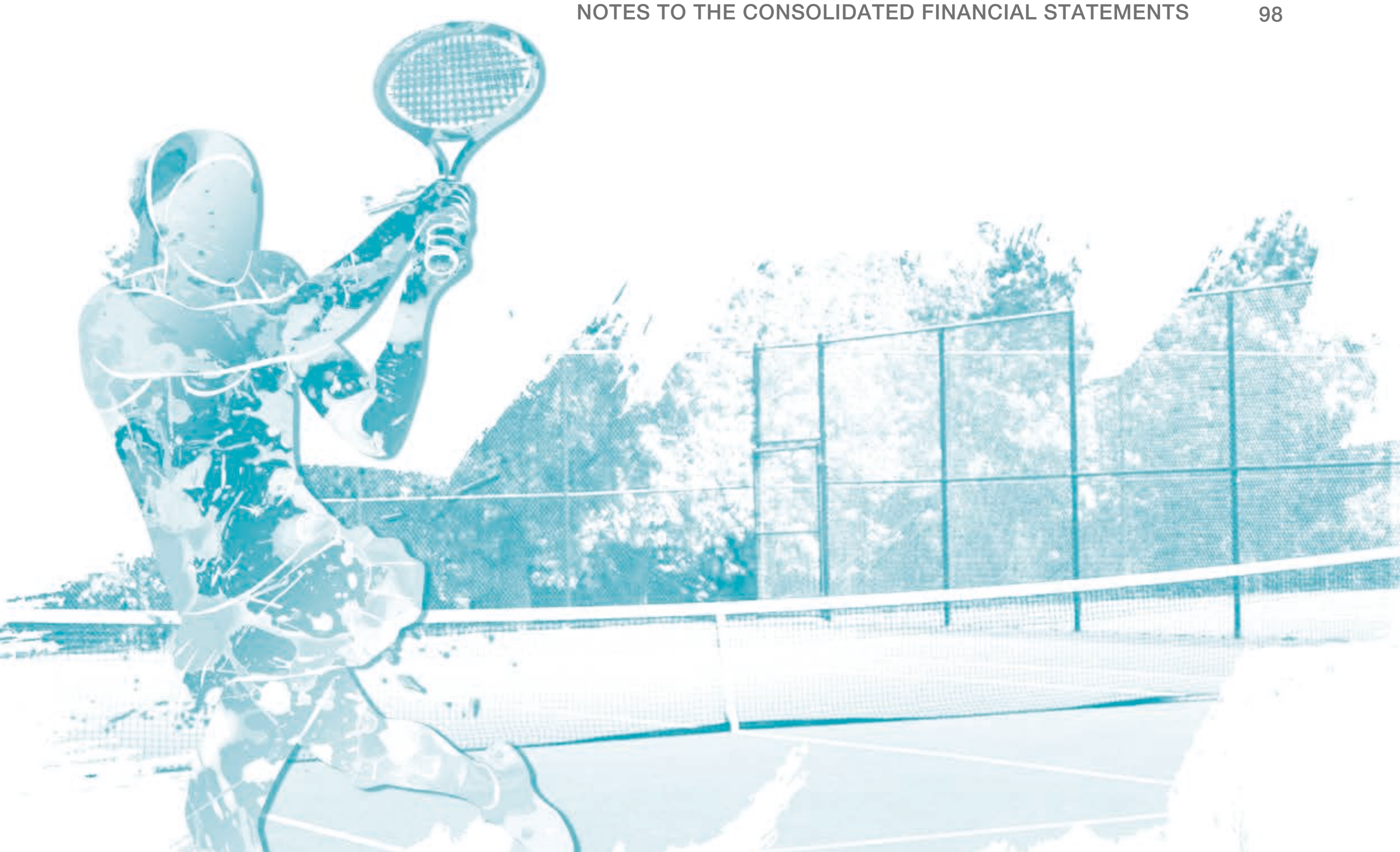

CORPORATE INFORMATION

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 (appointed on 30 September 2020)
Mr. Hu Quansen

AUTHORISED REPRESENTATIVES
Mr. Wang Bin
Ms. Tian Ying

AUDIT COMMITTEE
Mr. Hu Quansen (Chairman)
Ms. Zhao Weihong (appointed on 30 September 2020)
Mr. Xu Dunkai

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

NOMINATION COMMITTEE
Mr. Wang Bin (Chairman)
Ms. Zhao Weihong (appointed on 30 September 2020)
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
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Tortola
British Virgin Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BVI
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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				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Key Financial Information					
Revenue	**418,160**	410,217	347,196	314,119	334,297
Gross profit	**98,180**	99,985	66,553	47,892	62,841
Profit (loss) profit before tax	**16,260**	313	(19,697)	(29,757)	(8,119)
Profit (loss) profit for the year	**8,922**	(6,745)	(20,093)	(30,429)	(12,539)
Total comprehensive income (expense) income for the year	**8,164**	(6,051)	(18,877)	(34,132)	(9,546)
Non-current assets	**212,235**	248,178	214,518	209,502	212,396
Current assets	**264,747**	210,555	275,686	259,880	219,196
Current liabilities	**176,461**	166,297	193,621	154,086	139,915
Net current assets	**88,266**	44,258	82,065	105,794	79,281
Total assets	**476,962**	458,733	490,204	469,382	431,592
Total assets less current liabilities	**300,501**	292,436	296,583	315,296	291,677
Total equity	**298,227**	290,063	296,114	314,759	291,068
Cash and cash equivalents	**140,599**	93,755	147,664	160,868	109,876
Key Financial Ratios					
Gross profit margin	**23.5%**	24.4%	19.2%	15.2%	18.8%
Net profit margin	**2.1%**	–	–	–	–
Gearing ratio[1]	**21.6%**	21.4%	24.7%	17.5%	20.4%
Current ratio	**1.5**	1.3	1.4	1.7	1.6
Trade receivables turnover days	**40**	36	44	52	71
Inventory turnover days	**69**	70	65	60	69

Note:

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

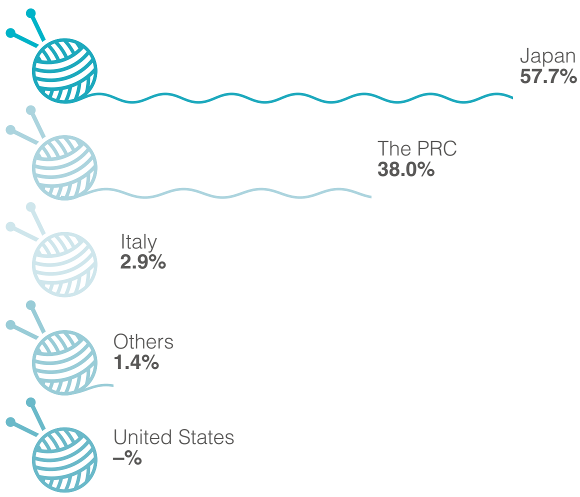
REVENUE OF THE GROUP ANALYSED BY PRODUCT CATEGORIES

	For the year ended 31 December			
	2020		2019	
	RMB'000		RMB'000	
Revenue of the Group by products				
Fabrics products	**89,619**	**21.4%**	109,442	26.7%
Innerwear products	**328,541**	**78.6%**	300,775	73.3%
Total	**418,160**	**100%**	410,217	100%

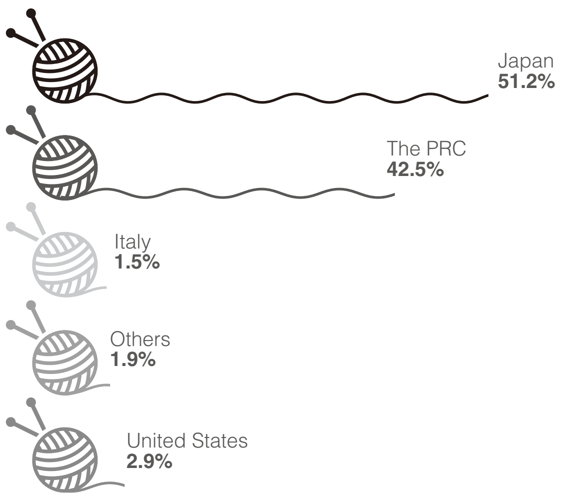
REVENUE OF THE GROUP ANALYSED BY REGIONAL DISTRIBUTION

	For the year ended 31 December			
	2020		2019	
	RMB'000		RMB'000	
Revenue of the Group by regional distribution				
Japan	**241,253**	**57.7%**	210,107	51.2%
The PRC	**159,063**	**38.0%**	174,400	42.5%
Italy	**12,061**	**2.9%**	5,963	1.5%
Others	**5,650**	**1.4%**	8,014	1.9%
United States	**133**	**–%**	11,733	2.9%
Total	**418,160**	**100%**	410,217	100%

2020



2019



CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Greatime International Holdings Limited (the "Company", hereinafter together with its subsidiaries referred to as the "Group"), I would like to present to all shareholders the audited consolidated results of the Group for the year ended 31 December 2020 (the "Year under Review").

During the Year under Review, the Group recorded a turnover of approximately RMB418.2 million, representing an increase of approximately 2.0% as compared with that of 2019. The profit attributable to shareholders of the Group also increased to approximately RMB15.7 million. The turnover of knitted fabrics and innerwear products were RMB89.6 million and RMB328.5 million respectively.

The outbreak of COVID-19 continued to rage and impact global economic and trade flows, resulting in economic recession or even severe recession in many countries. However, the epidemic did not affect China's foreign trade. China's exports reached its record high in 2020, and China is expected to become the only major economy in the world to achieve growth as the pandemic takes the world by storm. Benefiting from the advantages of online sales, intelligent manufacturing and stable supply chain of the industrial chain, China's textile industry successfully maintained steady performance in 2020. In the second half of the year, as China's epidemic prevention and control continued to improve, consumption activities increased. Domestic demand and consumption of textile products recovered moderately. Coupled with the major outbreaks overseas, the export of textile products such as masks grew. China's textile industry achieved remarkable results against market trends with the support of the "dual circulation" strategy.

Based on the latest statistics released by China Customs, China's foreign trade grew against the trend last year, and China's gross import and export of goods amounted to RMB32.16 trillion in 2020, representing a year-on-year increase of 1.9%. China's total export of textile clothing amounted to RMB2,021.58 billion, representing a year-on-year increase of 10.5% from 2019, driving the overall growth of China's goods trade by 1 percentage point. In particular, demand for purchase of epidemic prevention supplies around the globe surged. Since China began work and production resumption in the second quarter of 2020, it became the biggest supplier of epidemic prevention supplies, providing and exporting epidemic prevention supplies to more than 200 countries and regions around the world. Among which textile products including masks became a fulcrum for China's industry export trade. According to the statistics of China Customs, from March to the end of December 2020, the gross amount of the major epidemic prevention supplies cleared for export by China Customs was RMB438.5 billion, of which 224.2 billion masks worth of RMB340 billion were exported.

In addition, it is worth mentioning that the Association of Southeast Asian Nations (the "ASEAN") surpassed the European Union (the "EU") to become China's largest trade partner last year, with total foreign trade reaching US$684.6 billion, followed by EU, the United States and Japan. In addition, China's amount of import and export to the Belt and Road countries also grew rapidly. For China's foreign trade, positive factors such as the conclusion of the seven-year long China-Europe Investment Agreement and the signing of the Regional Comprehensive Economic Partnership (the "RCEP") free trade agreement with 14 countries in the Asia-Pacific region brought positive expectations for China's foreign trade in the post-epidemic era. Looking ahead, the Group will maintain a moderate wait-and-see attitude towards China's textile industry and foreign trade exports. It is expected that with the large-scale application of vaccines, the pandemic around the globe will gradually be under control. In the meantime, countries will accelerate the launch of stimulus policies. Macro-economy will continue to pick up.

The Group will continue to maintain its business philosophy of prudence and flexibly adjust the production capacity of its factories in various regions and seeking projects with high investment and development potential other than its principal business to balance the operational risks. 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

26 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

According to the economic growth data for 2020 released by the National Bureau of Statistics of China at the beginning of the year, the GDP of China reached RMB101.6 trillion, representing a year-on-year growth of 2.3%. Despite the record low growth, China's GDP has exceeded RMB100 trillion for the first time amidst the raging pandemic around the globe, and is expected to be the only major economy in the world to achieve positive economic growth. Despite its favourable fundamentals, the Sino-U.S. relationship is rapidly changing, and the negative impact of the trade disputes between China and the United States continues to disrupt economic activities to a certain extent. In addition, the outbreak of COVID-19 has led to the rise of trade protectionism in many countries around the world. Some countries have begun seeking to build a more diversified, safe and controllable supply chain to guide the return of the manufacturing industry, with an aim to reduce reliance on imports and focus international trade activities in their respective regions. Facing with numerous uncertainties, China's textile industry has to keep reviewing and react calmly to the changing situation.

BUSINESS REVIEW

The Group has been committed to diversifying its business to reduce business risks and expand income source. For the Year under Review, the Group continued to play the role as an original equipment manufacturer (the "OEM") underwear supplier of a number of major international clothing brands with plants running in China and Myanmar for production.

During the Year under Review, the Group recorded revenue of approximately RMB418.2 million (2019: RMB410.2 million). Profit for the year was approximately RMB8.9 million (2019: loss of RMB6.7 million). The Group's revenue from knitted fabrics was approximately RMB89.6 million and the revenue from innerwear products was approximately RMB328.5 million. For the Year under Review, the Group's revenue from export of garments was approximately RMB259.1 million, accounting for 62.0% of the Group's total revenue. During the Year under Review, in response to the sharp increase in global demand for face masks, the Group also moderately adjusted its production capacity and produced face masks, which contributed approximately RMB34.1 million to the Group's revenue.

The Sino-Japanese economic and trade cooperation further resumed in 2020, mainly due to the further improvement of the Sino-Japanese relations and the signing of the phase one economic and trade agreement between China and the U.S. During the Year under Review, Japan continued to be the largest export country of the Group. Leveraging on the longstanding and trusted relationship between the Group and its customers, the Group continued to record organic growth in export orders to Japan. During the Year under Review, the Group also continued to export garments to major export markets including the U.S. and Europe. In addition, the Group's business in Myanmar grew in an orderly manner. The construction of the new plant has been completed smoothly and the new plant has officially commenced operation, which further strengthened the Group's business in Myanmar. During the Year under Review, the Group's garment processing business in Myanmar remained stable and contributed approximately RMB28.8 million to the Group's total revenue for the year.

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 2019:

	Year ended 31 December			
	2020	**2020**	2019	2019
	RMB'000	**%**	RMB'000	%
	(Audited)		(Audited)	
Knitted fabrics	**89,619**	**21.4**	109,442	26.7
Innerwear products	**328,541**	**78.6**	300,775	73.3
Total	**418,160**	**100.0**	410,217	100.0

For the Year under Review, the Group recorded a revenue of approximately RMB418.2 million (2019: RMB410.2 million), representing an increase of approximately RMB8.0 million, or approximately 2.0%. The sales volume of knitted fabrics and innerwear products for the Year under Review were approximately 3,935 tons and 35.8 million pieces respectively (2019: approximately 4,041 tons and 20.7 million pieces respectively). The increase of revenue was mainly due to the increase in sales of innerwear products from approximately RMB300.8 million in 2019 to approximately RMB328.5 million in 2020.

Sales of knitted fabrics amounted to approximately RMB89.6 million (2019: RMB109.4 million) representing approximately 21.4% (2019: 26.7%) of the total revenue for the Year under Review. The decrease in sales of knitted fabrics was mainly due to the decrease of demand in 2020. The sales volume of knitted fabrics decrease by approximately 2.6% to approximately 3,935 tons for the Year under Review (2019: 4,041 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) decreased to approximately RMB48.2 million and RMB41.4 million, respectively. (2019: approximately RMB66.6 million and RMB42.8 million). The decrease in the sales of fabric knitting of approximately RMB18.4 million of the fabrics knitting was mainly due to decrease in demand from the local customers due to the outbreak of COVID-19. The overall revenue contributed by knitted fabrics was therefore decrease by RMB19.8 million for the Year under Review.

Sales of innerwear products amounted to approximately RMB328.5 million (2019: RMB300.8 million), representing approximately 78.6% (2019: 73.3%) of the total revenue for the Year under Review. An increase in sales of innerwear products in the amount of approximately RMB27.7 million was recorded for the Year under Review. The sales volume of innerwear products increased from approximately 20.7 million pieces for the year ended 31 December 2019 to approximately 35.8 million pieces for the Year under Review, representing an increase by 72.9%. The increase in the sales volume was mainly contributed by the production of the fabrics mask during the Year under Review. The Group received orders for the production of fabrics mask due to the outbreak of COVID-19, such products contribute sales of approximately RMB34.1 million. The increase in sales of the innerwear products in 2020 was mainly due to the increase in sales volume.

Cost of sales

Cost of sales increased by approximately 3.2% from approximately RMB310.2 million for the year ended 31 December 2019 to approximately RMB320.0 million for the Year under Review. The increase in overall cost of sales was mainly due to the increase in sales amount and sales volume of the Group innerwear products in the Year under review. The cost of sales of innerwear products increased from RMB214.5 million for the year ended 31 December 2019 to RMB237.9 million for the Year under Review.

Gross profit and gross profit margin

Gross profit decreased by approximately RMB1.8 million, or approximately 1.8%, from approximately RMB100.0 million for the year ended 31 December 2019 to approximately RMB98.2 million for the Year under Review. The Group's gross profit margin decrease from approximately 24.4% for the year ended 31 December 2019 to approximately 23.5% 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 2019, are as follows:

	Year ended 31 December			
	2020	**2020**	2019	2019
	Gross profit	**Gross profit margins**	Gross profit	Gross profit margins
	RMB'000	**%**	RMB'000	%
	(Audited)		(Audited)	
Knitted fabrics	**7,571**	**8.5**	13,674	12.5
Innerwear products	**90,609**	**27.6**	86,311	28.7
Total	**98,180**	**23.5**	99,985	24.4

Other income and gains

Other income and gains amounted to approximately RMB7.1 million (2019: RMB5.6 million) for the Year under Review which were mainly government grants and sales of scrap materials. The increase in other income and gains was mainly due to the increase in government grants. For the Year under Review, government grants of approximately RMB2.3 million was received (2019: RMB0.5 million).

Selling and distribution expenses

Selling and distribution expenses decreased by approximately RMB1.0 million to approximately RMB12.4 million (2019: RMB13.4 million) for the Year under Review. Selling expenses mainly represented the transportation expenses, salaries and commission to the sales staff. The decrease in selling expenses was mainly due to the decrease in transportation expenses caused by the decrease in knitted fabrics products in 2020.

Administrative expenses

Administrative expenses decreased to approximately RMB71.4 million (2019: RMB86.7 million) for the Year under Review. The decrease in the administrative expenses was mainly due to the decrease in pension expenses and social insurance expenses for the Year under Review. Total pension and social insurance expenses decreased from approximately RMB11.9 million in 2019 to approximately RMB1.4 million in 2020. Such decrease was mainly due to government policy in China of reducing/waiving such expenses so as to support companies from the impact of COVID-19.

Finance costs

Finance costs stated at approximately RMB5.2 million (2019: RMB5.2 million) for the Year under Review, primarily due to the steady amount of average bank borrowing during the Year under Review.

Profit before tax

The Group's profit before tax was approximately RMB16.3 million (2019: RMB0.3 million) for the Year under Review primarily due to the decrease in administrative expenses. The administrative expenses decreased by RMB15.3 million to RMB71.4 million for the Year under Review (2019: RMB86.7 million).

Income tax expense

Income tax expense increased to approximately RMB7.3 million (2019: RMB7.1 million) for the Year under Review. The Group's effective tax rate for the Year under Review was approximately 45.1%, as compared to approximately negative 2,255% for the year in 2019.

Profit for the year and profit margin

The Group's profit for the year increased by approximately RMB15.6 million, from approximately a loss of RMB6.7 million for the year ended 31 December 2019, to a profit of approximately RMB8.9 million for the Year under Review. The increase in the profit was mainly due to the increase in profit before tax of approximately RMB16.0 million for the Year under Review as mentioned in the above paragraphs.

Inventories

The inventory balances decreased to approximately RMB59.1 million as at 31 December 2020 (2019: RMB61.7 million).

The average inventory turnover days increased to approximately 69 days (2019: 70 days) for the Year under Review.

Trade receivables

Trade receivables increased to approximately RMB51.6 million (2019: RMB39.9 million) as at 31 December 2020.

The average trade receivables turnover days increased to approximately 40 days (2019: 36 days) for the Year under Review as the management team arrange a better credit terms to customers under the harsh economic situation in 2020. The trade receivables turnover days still fell within the credit terms granted to the customers of the Group.

Trade payables

Trade payables increased to approximately RMB44.3 million (2019: RMB40.1 million) as at 31 December 2020. The average turnover days for trade payables decreased to approximately 48 days (2019: 51 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 2020, the Group's current ratio (calculated as current assets divided by current liabilities) was 1.50 (as at 31 December 2019: 1.27). As at 31 December 2020, the Group had cash and cash equivalents of approximately RMB140.6 million (as at 31 December 2019: RMB93.8 million) and short-term bank loans of approximately RMB103.0 million (as at 31 December 2019: RMB98.0 million). As at 31 December 2020, 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 21.4% as at 31 December 2019.

As at 31 December 2020, the Group had fixed rate bank loans of RMB55.0 million (2019: RMB50.0 million) and variable rate bank loans of approximately RMB48.0 million (2019: 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 4.62% to 5.22% per annum as at 31 December 2020 (2019: fixed rate: 4.80%; variable rates: 4.98% to 5.17% per annum). During the Year under Review, there was no material change to the Group's funding and treasury policy.

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

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

Interest rate and foreign currency exposure

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

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

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

Contingent liabilities

As at 31 December 2020, the Group had no material contingent liabilities.

Charges on group assets

As at 31 December 2020, the Group's bank loans were secured by the Group's buildings and right-of-use assets of carrying amounts of approximately RMB84.0 million and RMB10.6 million, respectively (as at 31 December 2019: RMB91.0 million and RMB10.9 million, respectively).

HUMAN RESOURCES

As at 31 December 2020, 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 RMB111.5 million (31 December 2019: RMB118.3 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 (2019: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

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

PROSPECTS

The widespread vaccination around the globe and the rate of recovery of global economy will be two key factors in the year 2021. International organisations such as the International Monetary Fund (the "IMF") and the Organisation for Economic Co-operation and Development (the "OECD") have all put forward a V-shaped reversal forecast of the global economic growth in 2021. IMF forecasts that the growth rate for 2020 and 2021 will be -4.4% and 5.2%, respectively, while OECD forecasts that the growth rate for the year and next year will be -4.2% and 4.2%, respectively. Looking forward to the medium to long-term trend of China, the Regional Comprehensive Economic Partnership (the "RCEP") agreement and the new U.S. administration's China policies in 2021 will be under the spotlight. RCEP is the world's largest trade agreement, covering approximately 30% of the world's total population and one-third of the world's GDP. The signing of RCEP is an important driver and supplement to the framework for global trade cooperation under the World Trade Organization, and has a strong push to further shift the focus of the international economy to Asia, which is a significant benefit for China's exports in the medium to long term. It remains to be seen as to the measures the new U.S. administration will eventually take against China.

As China continues to implement the open mutual benefit and win-win strategy, supports economic globalisation, and firmly implements the fundamental national policy of opening up, international cooperation is expected to be further strengthened. The Group is confident that it will achieve long-term development as it continues to consolidate and leverage its own advantages to better grasp the national development strategy, flexibly allocate resources, integrate and acquire through diversified business portfolio, and take flexible measures and business strategies to cope with future challenges.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. WANG Bin, aged 56, is a representative of the Twelfth National People's Congress of the PRC, a doctoral supervisor and a part-time professor at the Southwestern University of Finance and Economics, as well as a PRC certified public accountant. He received his doctorate degree in economics from Southwestern University of Finance and Economics in June 2003. Mr. Wang Bin had assumed different positions in government authority and state-owned enterprise including the deputy director of State-owned Assets Supervision and Administration Commission of the State Council of Sichuan Province in the PRC and the chairman of Sichuan Development Holdings Co., Ltd.* (四川發展(控股)有限責任公司). Mr. Wang Bin has been serving as the vice chairman of Hainan Haide Industry Co., Ltd (海南海德實業股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000567), since October 2015 and served as general manager concurrently from October 2015 to September 2016.

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

Ms. TIAN Ying, aged 56, 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 of the Company for a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such service agreement, Ms. Tian will receive from the Company a director's fee of HK$1,200,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and her duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Ms. Tian for her directorship in the Company.

Mr. DU Shuwei, aged 53, graduated from Zhongnan University of Economics in 1990 with a bachelor's degree in economics and graduated from Zhongnan University of Economics and Law with a master's degree in business administration in 2000. He graduated from Huazhong University of Science and Technology with a doctorate in management in 2009 and graduated from Université Grenoble Alpes of France with a master's degree in executive business administration in 2012.

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

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

NON-EXECUTIVE DIRECTOR

Mr. ZHANG Yanlin, aged 52, graduated from Zhongnan University of Finance and Economics in July 1990 with a bachelor's degree in economics. He served as the general manager of Shenzhen Hua Sheng Investment Development Co., Ltd. (深圳華晟投資發展有限公司) from July 2002 to October 2004. From August 2002 to November 2004, he held the position of supervisor at MyHome Real Estate Development Group Co., Ltd. (美好置業集團股份有限公司) (previously known as Celebrities Real Estate Development Group Co., Ltd. (名流置業集團股份有限公司), whose shares are listed on the Shenzhen Stock Exchange (stock code: 000667). From November 2004 to June 2008, Mr. Zhang Yanlin had worked as the director and general manager of Nanjing Xinsu Property Co., Ltd.* (南京新蘇置業有限公司), the director of the office of the board of directors at Wintime Investment Holding Co., Ltd.* (永泰投資控股有限公司), and the director, deputy general manager and representative chairman of Xuzhou Wintime Real Estate Development Co., Ltd.* (徐州永泰房地產開發有限公司). Since November 2015, he has been serving as the assistant of the chairman and general manager of the corporate governance department of Wintime Holding. Since 10 August 2016, he has been serving as the chairman and general manager of Shenzhen Wintime Finance Lease Co., Ltd.* (深圳市永泰融資租賃有限公司). Since 17 September 2016, he has been serving as a director and general manager of Wintime Technology Investment Co., Ltd.* (永泰科技投資有限公司).

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. XU Dunkai, aged 69, 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 a period of three years (subject to retirement by rotation and re-election at the general meeting of the Company in accordance with the memorandum and articles of association of the Company), unless and until terminated by either party giving to the other not less than three months' notice in writing. Pursuant to such letter of appointment, Mr. Xu will receive from the Company a director's fee of HK$150,000 per annum. Such director's fee is determined with reference to the prevailing market conditions and his duties and responsibilities with the Company, and will be subject to review by the remuneration committee of the Company from time to time. As at the date of this report, there is no other benefit provided to Mr. Xu for his directorship in the Company.

Ms. ZHAO Weihong, aged 54, 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 degree in medicine in 1988, a master degree in medicine in 1999 and a doctorate 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 a 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 53, is a senior accountant and a PRC certified public accountant. He received a bachelor's degree in economics from Zhongnan University of Economics in July 1990 and a master's degree in finance from Zhongnan University of Economics and Law in December 2005. He served as the manager of audit division of Wuhan International Trust & Investment Co., Ltd.* (武漢國際信託投資公司) between May 2004 and October 2010. He also served as the general manager of the audit division of Guotong Trust Co., Ltd.* (國通信託有限責任公司) (previously known as Founder Bea Trust Co., Ltd.* (方正東亞信託有限責任公司)) from October 2010 to March 2015, and has been serving as the general manager of the trust asset management division of the same company since March 2015.

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

SENIOR MANAGEMENT

Mr. LEE Yin Sing, aged 40, is the chief financial officer and company secretary of the Company (the "Company Secretary"). Mr. Lee is responsible for overseeing the Group's financial planning and management. Mr. Lee has over 11 years of experience in finance control and accounting through his prior employments. He acquired auditing experience through his prior employment with an audit firm of international repute from 2002 to 2007. He was appointed as an independent non-executive director of Lumina Group Limited, a company listed on the GEM Board (stock code: 8470), in September 2017. Prior to joining the Group as its chief financial officer in August 2010, he worked as the financial manager of Proview International Holdings Limited, a company listed on the Stock Exchange (stock code: 334), in 2009 during which he acquired experience in finance control, accounting and company secretarial matters. Mr. Lee graduated from the City University of Hong Kong in 2002 with a bachelor's degree in accounting. He has been a member of the Hong Kong Institute of Certified Public Accountants since 2008.

Mr. WANG Shao Hua, aged 53, has over 23 years of experience in the knitting industry. He has been the general manager of Zhucheng Eternal Knitting Company Limited since May 2004 and was also appointed as its director in December 2009.

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

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

Mr. LIU Xin De, aged 54, 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 51, 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 48, is the deputy general manager of Zhucheng Eternal Knitting Company Limited. Prior to her appointment as the deputy general manager in April 2010, she served as the sales manager of Zhucheng Eternal Knitting Company Limited since December 2005 and was also appointed as assistant of general manager of Zhucheng Eternal Knitting Company Limited on 15 August 2007. Before her engagement with the Group, she worked for Shandong Lanfeng Knitting Group Co. Ltd. (山東蘭鳳針織集團) from August 1992 to October 2005 and was the deputy general manager of import and export department before she left the same. Ms. Zhou graduated from Shandong Textile Industry School (山東省紡織工業學校) and obtained her degree of secondary vocational school diploma in textile on July 1992. She also obtained junior college degree in economic management (經濟管理大學專科) after completing the 3-year distance learning course from Shandong Cadres Correspondence College (山東省幹部函授大學) in June 1996.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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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 2020. 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 2020 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 2020 to 31 December 2020 (the "Reporting Period"). The entities covered in this Report mainly include the subsidiaries in Hong Kong, the People's Republic of China ("PRC") and the Republic of the Union of Myanmar ("Myanmar"). The physical boundary includes offices in the PRC and the factories in the PRC and Myanmar.

The Group focuses on innerwear products and knitted fabrics and is mainly an original equipment manufacturer (the "OEM") supplier. Its operation, includes the activities of weaving and knitting, dyeing and finishing, printing, cutting, and sewing. The Group's major environmental impacts, as well as the social impacts, are generated from the activities relating to its operation in the PRC and Myanmar. Thus, the report boundary covers the factories in the PRC and Myanmar. The Group would continue to 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 2016 and contained in Appendix 27 of the Main Board Listing Rules of 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 2020 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.

SUSTAINING OUR 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 from the stakeholders, and hence allows the Group to further develop and optimise its sustainable development strategies.

Table 1 Expectations of Major Stakeholders and the Channels of Communication

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

Stakeholders	Communication Channels	Expectations
Retail Investors	• Annual report and other announcements • Email, telephone communication, and corporate'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 reports • Email and customer service hotline • Feedback forms • Regular meetings	• Safe and high-quality products • Stable relationship • Information transparency • Business integrity and ethics
Suppliers/ Distributors	• Business meetings, supplier conferences, phone calls, and interviews • Regular meetings • Reviews and assessment • Tendering process	• Long-term partnership • Business honesty • Fairness and transparency • Information resource sharing • Risk reduction
Business Partners	• On-site visits • Irregular meetings	• Supply chain management • Product quality management
Peers/Industry Associations	• Industry conferences • Site visits	• Experience sharing • Fair competition
Community	• Website, and ESG report	• Creating social benefits

Materiality Assessment

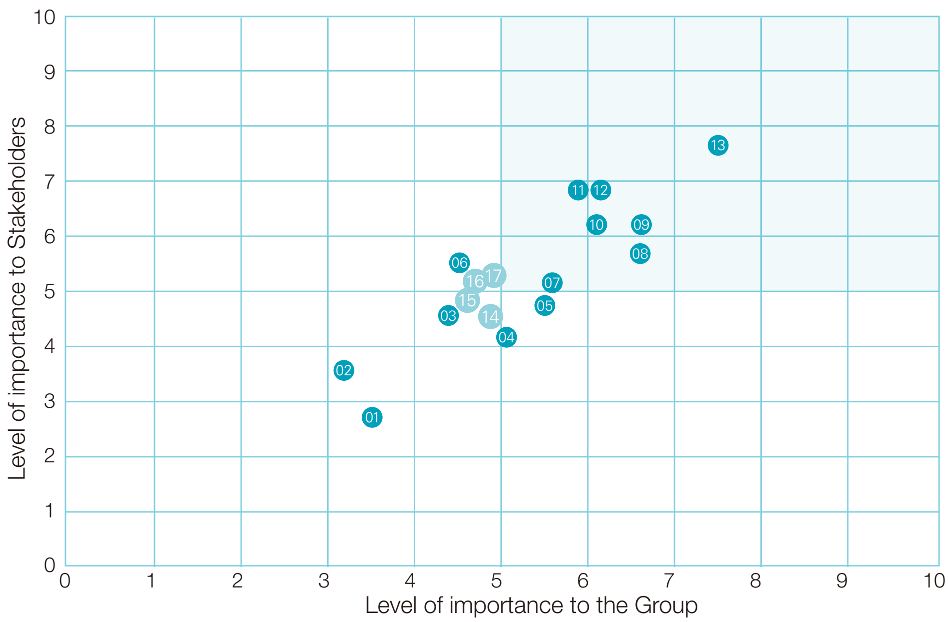
The Group conducted its materiality assessment for the 2020 ESG reporting through survey with the assistance of a third-party consultancy, to better understand concerns and expectations of stakeholders.

To identify the relevant ESG issues for the Group, the Group reviewed its list of ESG issues of 2019, and confirmed that it is still applicable in 2020, fully reflecting the Group's business nature and the outputs of communication with stakeholders over the reporting period. Thus, the ESG issues were subsequently incorporated in the survey, which the Group then distributed to the stakeholders.

A total of 244 survey respondents (including management, employees, customers and community) 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 are identified as material issues. The structure and disclosure of the Report were prepared to reflect the result of the materiality assessment.

Materiality Matrix



Social Issues

Community Participation and Contribution	Anti-corruption	Supply Chain Management	Women Working Conditions and Discrimination
Indoor Air Quality	Procurement	Corporate Governance and Risk Mangement	Employment and Welfare
Employee Development and Training	Product and Service Quality	Product Responsibility	Labour Standards
Health and Safety			

Environmental Issues

Energy Usage and Efficiency	Chemical Usage and Management	Discharge and Management	Water Usage and Efficiency

According to the result of materiality assessment, the material issues of the Group were listed in Table 2. The material issues for the Reporting Period are largely the same as those in 2019.

Table 2 The Material Issues Identified and their Descriptions

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

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

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

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

DEVELOPING OUR BUSINESS

The Group strives to reduce risks and seize opportunities associated with its business, where a good corporate governance is indispensable to ensure an effective internal control, as well as the protection of stakeholders' long-term interests. The Group also 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 attaches great importance to health and safety at workplace for employees as well as environmental protection, while recognising the needs in building up a close and long-term business relationship with its suppliers.

The material issues – " Product Responsibility", "Product and Service Quality" and "Corporate Governance and Risk 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 and the PRC are strictly prohibited from using in the Group's products.

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


OEKO-TEX®
INSPIRING CONFIDENCE

CERTIFICATE

The company

ZHUCHENG YUMIN KNITTING CO., LTD.
Xinxing Town,
Zhucheng, Shandong, 262200
China

OEKO-TEX®
STANDARD 100

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use the STANDARD 100 by OEKO-TEX® mark, based on our test report BJ015 162132.1

for the following articles:

Knitted fabrics made of 100% cotton, cotton/spandex, modal/spandex, cotton/modal/spandex, bleached, reactive printed and finished; knitted fabrics made of polyacrylic/viscose/spandex, bleached, dyed and finished

The certificate BJ015 134447 is valid until 31.12.2020

Zurich, 11.12.2019

Matz Bachmann
Managing Director

Dr. Saverio Iozza
Laboratory Manager


OEKO-TEX®
INSPIRING CONFIDENCE

CERTIFICATE

The company

Zhucheng Yuan Knitting Co. Ltd.
No.725, Shunwang Street
Zhucheng City
Weifang City, Shangdong Province, 262200
China

OEKO-TEX®
STANDARD 100

is granted authorisation according to STANDARD 100 by OEKO-TEX® to use the STANDARD 100 by OEKO-TEX® mark, based on our test report HK020 151141.1

for the following articles:

The certificate HK020 126070 is valid until 15.05.2020

Zurich, 23.05.2019

Matz Bachmann
Managing Director

Mary Rose Egloff
Customer Service Ecology Manager


白名单资质证书

WHITELIST QUALIFICATION

证书编号（No.）： CNTAC0000831

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辛兴工业园

Address: Xinxing Town Zhucheng City Shandong Province

纺织品安全管理符合白名单管理体系要求，其产品符合GB18401-2010对禁用芳香胺物质的限量规定，取得白名单资质。

is in compliance with the criteria of WHITELIST Management System according to GB18401-2010 for concentration limits of prohibited aromatic amine.

发证日期： 2020年9月15日 证书有效期至： 2021年9月15日

DATE OF ISSUE: Sep.15, 2020 DATE OF EXPIRY: Sep.15, 2021

发证机构：中国纺织工业联合会

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 are required 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.

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


ZDHY
Beijing ZhongDaHuaYuan Certification Center
Quality Management System Certification Certificate
Zhucheng Eternal Knitting Co.,Ltd.
CNAS
MANAGEMENT SYSTEM


ZDHY
Beijing ZhongDaHuaYuan Certification Center
Quality Management System Certification Certificate
Zhucheng Yu An Knitting Co.,Ltd.
LIUHANGYI Director of ZDHY
CNAS
MANAGEMENT SYSTEM

Complaint Handling and Product Recall

The Group assigned its employees at 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 clients on how to handle it. The sales department and the quality inspection department will be required 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

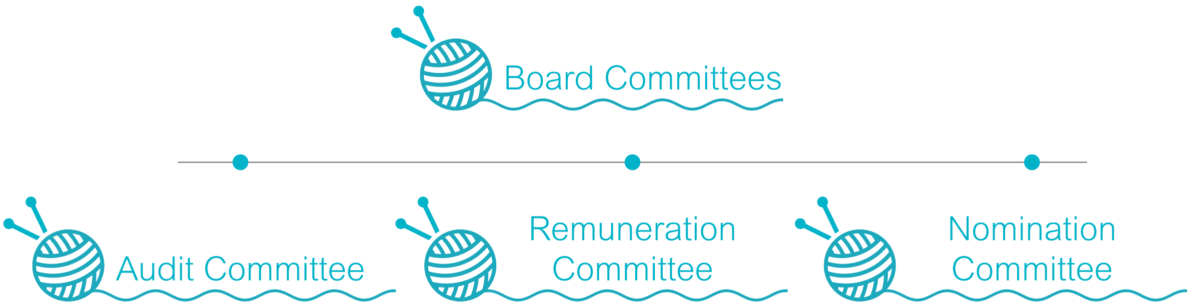
The Group established The *Management Regulation on Consumer-supplied Materials*, which prohibits the information provided from customers to be shared or used in other products or by any third parties. Employees are required to sign an agreement not to disclose any of the Group's proprietary intellectual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

Corporate Governance

Governance

The Board is responsible for leading and controlling the Company and overseeing the Group's businesses, strategic decisions, financial performance and corporate governance functions. The Board has delegated responsibilities to various functional committees including the Audit Committee, the Remuneration Committee, and the Nomination Committee (collectively the "Committees"), with specific responsibilities assigned.



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

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

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. The risk management function includes the activities of identifying risks, assessing risks, responding to risks, monitoring risks and reporting, in order to identify, evaluate and manage significant risks. 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.

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.

For more details on corporate governance, risk management, and internal control, please refer to the Corporate Governance Report on pages 63 to 76.

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. Moreover, the Group also 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.

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

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

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

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

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

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

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

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

Table 4 Number of Suppliers by Geographical Region

Geographical Regions		Numbers of Suppliers Raw material suppliers	 Packaging material suppliers	Total
Mainland China	Shandong Province	105	130	235
	Shanghai	10	38	48
	Jiangsu Province	30	17	47
	Guangdong Province	5	19	24
	Zhejiang Province	8	18	26
	Other places in Mainland China	8	9	17
Myanmar		25	8	33
Japan		1	13	14
Hong Kong		1	2	3

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. They are encouraged to report on misconducts and malpractices through the whistleblowing system. In addition, the Group also 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. Whistleblowers 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.

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

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

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

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.

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

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", "Employee Development and Training", and "Employment and Welfare" 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.

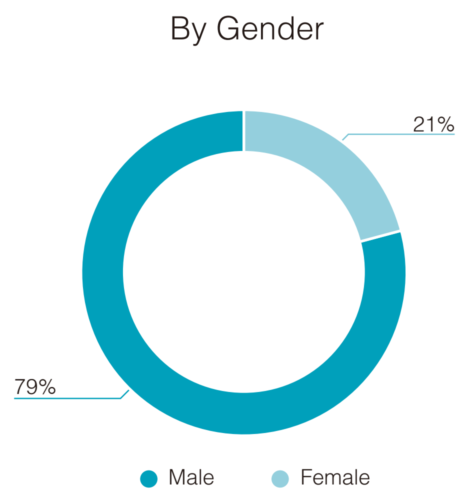
Regarding the employee promotion, the Group examines the performance and competence of each employee to provide fair and adequate promotion opportunities.

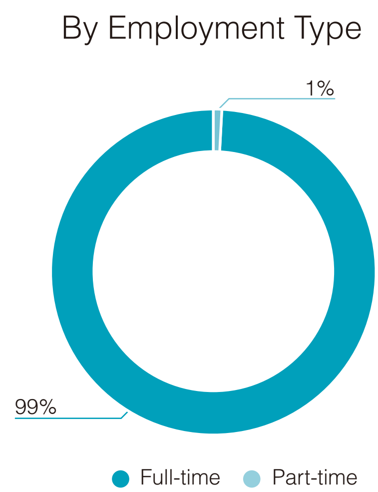
To listen to employees' concerns and provide them a better working environment, a feedback system is set up to collect employees' comments and opinions regarding to the environment, catering, accommodation and transportation. Designated personnel from each office and human resources department are responsible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

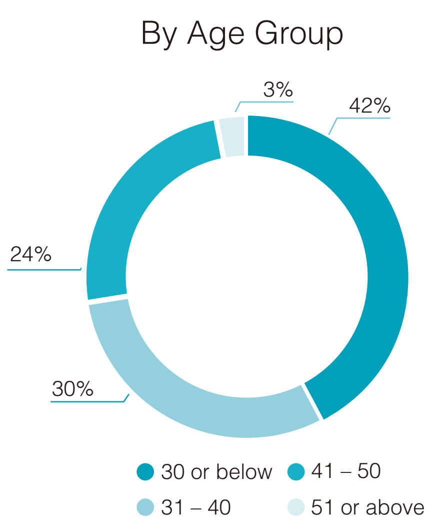
The Group provides employees with various activities such as annual dinners, knowledge competitions, leisure trips, outstanding employee awards competition, etc. Such activities can help employees to relax and enhance the communications among employees.

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

2020 Workforce Information







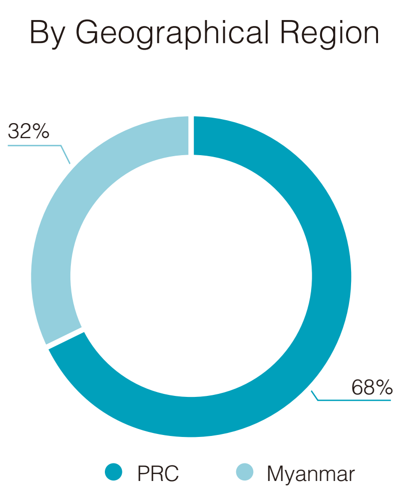


Table 5 Number of Employees

Workforce		
By gender	Male	390
	Female	1,460
By employment type	Full-time	1,833
	Part-time	17
By age group	30 or below	786
	31–40	562
	41–50	442
	51 or above	60
By geographical region	PRC	1,259
	Myanmar	591

Table 6 Employees' Turnover Rate[1]

Turnover rate		
By gender	Male	11%
	Female	8%
By age group	30 or below	8%
	31–40	11%
	41–50	5%
	51 or above	10%
By geographical region	PRC	6%
	Myanmar	13%

1 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, goggles, 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.

The outbreak of coronavirus pneumonia has threatened people's lives and wellbeing globally. To protect its employees' health and safety, the Group implemented various measures such as distributing masks to its employees for free, regularly disinfecting external vehicles and areas in the factories, measuring the body temperatures of employees and external visitors who enter the factories.

Number of work-related fatalities during the Reporting Period	0
Lost days due to work injury during the Reporting Period	42

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

Development and Training

The Group cares about the growth of employees and sees 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. The *Human Resources Plan for Training* was formulated by the Group to arrange and organise training. The Group arranges various targeted and customised training to its employees on a regular basis, covering quality assurance, occupational safety, and skills related to production and accounting. 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.

Table 7 The Targeted Party and Corresponding Areas of Training

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

Table 8 The Employees Trained[1]

		Number of employees trained	Percentage of employees trained
By gender	Male	310	18.45%
	Female	1,370	81.55%
By employee category	Senior management	7	0.42%
	Middle management	51	3.04%
	General employee	1,622	96.55%

1 In 2020, the Group adjusted the calculation method of employee training rate with reference to the relevant guidelines of HKEX. The calculation method has been adjusted as follows: 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 9 Average Training Hours per Employee[1]

		Total training hours	Average training hours per employee
By gender	Male	1,791	4.59
	Female	8,822	6.04
By employee category	Senior management	1	0.10
	Middle management	620	10.33
	General employee	9,992	5.61

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

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. The Group's operation, focusing on the industry of textile and apparel, includes the activities of weaving and knitting, dyeing and finishing, printing, cutting, and sewing in the Group's production facilities in both the PRC and Myanmar. The major environmental impacts from the production activities are wastewater discharge, dust generation, greenhouse gas ("GHG") emissions, hazardous and non-hazardous waste generation, and noise emission.

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

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

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

Environmental Impacts

Air Emissions

The Group strives to ensure its air emissions are in strict compliance with relevant laws and regulations. Currently the major air pollution comes from emission of vehicles and a forklift, and canteens. Fabric printing and tentering processes also emit fugitive pollutants such as VOCs, NO_X and SO_2.

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

- Regular examination and maintenance are conducted to maintain the conditions of the machinery.
- The unwanted cotton dust is trapped and collected by filters installed.
- The temperature and humidity in the factories are controlled for dust suppression.

- A high-voltage ionization oxidation decomposition exhaust gas purifier has been installed to treat the fugitive gases from fabric printing and tentering processes.

Table 10 Air Emissions

Air pollutants		**Unit**	2018	2019	**2020[1]**
Sulphur oxides (SO_X)	Amount	Kg	4,510.84	2.09	**2.15**
	Intensity[2]	Kg per RMB million revenue	12.99	0.005	**0.005**
Nitrogen oxides (NO_X)	Amount	Kg	1,908.31	1,327	**1,374.19**
	Intensity[2]	Kg per RMB million revenue	5.50	3.10	**3.31**
Particulate matter (PM)	Amount	Kg	27,972.96	41.10	**41.89**
	Intensity[2]	Kg per RMB million revenue	80.57	0.10	**0.10**

1 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.

2 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2020 is RMB415.07 million.

GHG Emissions

The Group recognises the urgency of climate change caused by the GHG emissions and aims to reduce its GHG emissions. The major source of the Group's carbon footprint comes from the indirect GHG emissions from purchased electricity and steam.

The Group plans to use clean energy to reduce GHG emissions from electricity use. During the Reporting Period, the Group installed solar photovoltaic for power generation, which will be put in use in the future.

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

Table 11 GHG Emissions

GHG emissions		Unit	2018	2019	2020[1]
Scope 1 Direct emissions	Amount	Tonnes CO_2e	3,351.99	712.99	**548.14**
	Intensity[2]	Tonnes CO_2e per RMB million revenue	9.65	1.67	**1.32**
Scope 2 Indirect emissions	Amount	Tonnes CO_2	8,267.45	24,590.57	**23,647.08**
	Intensity[2]	Tonnes CO_2 per RMB million revenue	23.81	57.54	**56.97**

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

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

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.

2 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2020 is RMB415.07 million.

Wastewater

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

- 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.

Table 12 Contaminants in Wastewater

	Unit	2018	2019	**2020**[1]
Amount of discharged wastewater	Tonnes	Not reported	681,632	**448,498**
Average COD concentration[2]	mg/L	84.21	51.36	**30.62**
Average ammonia nitrogen concentration[3]	mg/L	Not reported	7.15	**0.86**

1 The reporting scope includes the factory for the business related to dyeing, finishing, and printing in the PRC.

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

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

Hazardous and Non-Hazardous Wastes

The subsidiaries in the PRC strictly comply with the *Administrative Measures for Hazardous Waste Transfer Manifests and Measures for the Administration of Permits to Handle Dangerous Wastes* to ensure proper approaches for the waste transportation and disposal.

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

The Group uses various measures to reduce waste generation, such as encouraging employees to reuse the materials such as paper and plastics, promoting e-office, controlling the amount of paper for use.

Table 13 Waste Generation[1]

		Unit	2018	2019	**2020[2]**
Hazardous waste					
Sludge	Amount	Tonnes	5,400.00	3,555.00	**2,400.00**
	Intensity	Tonnes per RMB million revenue	15.55	8.32	**5.78**
Inner packaging bags for dyeing auxiliaries	Amount	Tonnes	Not reported	Not reported[3]	**0.4**
	Intensity	Tonnes per RMB million revenue	Not reported	Not reported[3]	**9.7×10^{-4}**
Non-hazardous waste					
Paper[4]	Amount	Pieces	597,000	653,500	**637,610**
	Intensity	Pieces per RMB million revenue	1,719.49	1,529.12	**1,536.15**

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

2 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2020 is RMB415.07 million.

3 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 1430 bags, with the intensity being 3.35 bags per RMB million revenue.

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

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 generating a considerable level of noise is prohibited to be operated during the breaks, noon time and night time, and any extension of the length of time for operation due to special circumstances must be reported and approved by relevant departments.

Use of Resources

The Group 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.

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, tentering 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.

During the Reporting Period, the Group replaced dyeing machines that are highly energy-consuming and have a high liquor ratio, with energy-efficient overflow dyeing machines which have a low liquor ratio, so as to enhance the production efficiency and save energy. Dyeing machines are insulated to reduce the consumption of purchased steam as well as the temperature outside the dye vat, thus making the production environment stable and comfortable.

Table 14 Energy Consumption

Energy source		**Unit**	2018	2019	**2020[4]**
Gasoline[1]	Amount	L	43,626.89	43,798.45	**36,891.16**
	Intensity	L per RMB million revenue	125.65	102.48	**88.88**
Diesel[1]	Amount	L	36,350.90	40,500.10	**47,119.90**
	Intensity	L per RMB million revenue	104.70	94.77	**113.52**
Coal	Amount	Tonnes	1,579.00	Not applicable[5]	**Not applicable[5]**
	Intensity	Tonnes per RMB million revenue	4.55		
Natural gas[2]	Amount	m^3	Not reported	21,308.3	**20,685.0**
	Intensity	m^3 per RMB million revenue	49.86	49.83	
Steam[3]	Amount	Tonnes	52,455.60	63,619	**60,729**
	Intensity	Tonnes per RMB million revenue	135.22	148.86	**146.31**
Electricity	Amount	Kilowatt-hour (kWh) in '000s	9,564.86	9,857.43	**10,197.72**
	Intensity	kWh per RMB million revenue	27,548.88	23,065.26	**24,568.72**

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

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

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

4 The environmental intensity is calculated based on the Group's revenue. The Group's revenue for 2020 is RMB415.07 million.

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

Water Consumption

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

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

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

Table 15 Water Consumption

		Unit	2018	2019	**2020[1]**
Fresh water consumption	Amount	Tonnes	352,259	561,390	**448,498**
	Intensity	Tonnes per million RMB revenue	1,014.58	1,313.59	**1,080.54**

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

Packaging Materials

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

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

The Environment and Natural Resources

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

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 RMB1,500 for anti-epidemic work and hospitals. The Group also supported education and poverty alleviation activities through donations of RMB53,791 in total.

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

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

The Laws[1] and Regulations Corresponding to the Aspects in the ESG Guide	Performance
Aspect B1: Employment	
PRC • *Labour Law of the People's Republic of China*[*B2, B4] • *Labour Contract Law of the People's Republic of China* • *Labour Dispute Mediation and Arbitration Law of the People's Republic of China* • *Regulation on the Implementation of the Employment Contract Law of the People's Republic of China* • *Regulation on Paid Annual Leave for Employees*	During the Reporting Period, the Group 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[1] and Regulations Corresponding to the Aspects in the ESG Guide	Performance
Aspect B4: Labour Standards	
PRC • *Law of the People's Republic of China on the Protection of Minors* • *Provisions on the Prohibition of Using Child Labour*	During the Reporting Period, there were no cases of illegal child and forced labour found in the factories of the Group.
Aspect B6: Product Responsibility	
PRC • *Trademark Law of the People's Republic of China* • *Product Quality Law of the People's Republic of China* • *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* • *Regulation on the Implementation of the Trademark Law of the People's Republic of China*	During the Reporting Period, the Group was not aware of any incidents of non-compliance with laws and regulations concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising and promotion, and property rights including intellectual property rights that would have a significant impact on the Group. There were no cases of recalling products for safety and health reasons. The Group neither experienced any customer data leakage nor received any complaints about inappropriate use of customer information during the Reporting Period that would have a significant impact on the Group.
Aspect B7: Anti-corruption	
PRC • *Criminal Law of the People's Republic of China* • *Anti-Money Laundering Law of the People's Republic of China* • *Company Law of the People's Republic of China*	During the Reporting Period, the Group did not receive any allegation against the Group or its employees of bribery, extortion, fraud, and money laundering. There were neither on-going or concluded legal cases regarding corrupt practices brought against the Group or its employees.
Myanmar • *Anti-corruption Law*	No whistleblowing disclosures relating to anti-bribery and anti-corruption were received.

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

APPENDIX 2 ESG CONTENTS INDEX

Subject Areas, Aspects, General Disclosures and KPIs

Environment	**"Comply or explain" Provisions**	**Section/Reasons for Omissions**
Aspect A1: Emission	General Disclosure	Environmental Policy
	Information on:	Appendix 1
	(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.	
	KPI A1.1 The types of emissions and respective emissions data.	Environmental Impacts
	KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	
	KPI A1.5 Description of measures to mitigate emissions and results achieved.	
	KPI A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	

Subject Areas, Aspects, General Disclosures and KPIs

Environment	"Comply or explain" Provisions		Section/Reasons for Omissions
Aspect A2: Use of Resources	General Disclosure		Use of Resources
	Policies on the efficient use of resources, including energy, water and other raw materials.		
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	
Aspect A3: The Environment and Natural Resources	General Disclosure		The Environment and Natural Resources
	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.	

Subject Areas, Aspects, General Disclosures and KPIs

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

Subject Areas, Aspects, General Disclosures and KPIs

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

Subject Areas, Aspects, General Disclosures and KPIs

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

Subject Areas, Aspects, General Disclosures and KPIs

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

Subject Areas, Aspects, General Disclosures and KPIs

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

Subject Areas, Aspects, General Disclosures and KPIs

Social		**Section/Reasons for Omissions**
Community		
Aspect B8: Community Investment	**"Comply or explain" Provisions** General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests. **Recommended Disclosures** KPI B8.1 Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport) KPI B8.2 Resources contributed (e.g. money or time) to the focus area.	Contributing to our Community

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 2020.

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. The Company has adopted the code provisions and certain recommended best practices contained in the Corporate Governance Code (the "Code Provision(s)"), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), as the code of the Company. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintaining and improving high standards of corporate governance practices. During the year ended 31 December 2020, 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 2020 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 Corporate Governance Code.

Training for Directors

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

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

According to the records maintained by the Company, all the Directors received trainings in the form of reading written materials and/or attending seminars with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the Code Provisions on continuous professional development during the year ended 31 December 2020.

Board meetings

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

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

Practices and conduct of meetings

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

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

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

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

Directors and officers liability insurance

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

Corporate governance functions

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

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

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

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

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

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

The work performed by the Board on corporate governance functions during the year ended 31 December 2020 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 2020.

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 2020 are set out below:

	Number of meetings attended/held				
	Board	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Annual General Meeting**
Executive Directors					
Mr. Wang Bin	6/6	–	–	2/2	1/1
Ms. Tian Ying	6/6	–	2/2	–	1/1
Mr. Du Shuwei	6/6	–	–	–	1/1
Non-executive Director					
Mr. Zhang Yanlin	3/3	–	–	–	1/1
Independent non-executive Directors					
Mr. Xu Dun Kai	3/3	2/2	2/2	–	1/1
Ms. Zhao Weihong (appointed on 30 September 2020)	–	–	–	–	–
Ms. Feng Xin (resigned on 30 September 2020)	3/3	2/2	–	2/2	1/1
Mr. Hu Quansen	3/3	2/2	2/2	2/2	1/1

Audit Committee

The Audit Committee comprises solely independent non-executive Directors, namely, Mr. Hu Quansen, Mr. Xu Dunkai and Ms. 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 2020 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 26 March 2021, 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 2020, 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 2020, 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 2020 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 2020, the remuneration of the senior management (excluding Directors) is listed as below by band:

Band of remuneration	No. of persons
Below RMB500,000	6
RMB500,001 to RMB1,000,000	3
RMB1,000,001 to above	2

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

Nomination Committee

The Nomination Committee comprises two independent non-executive Directors, namely, Ms. Zhao Weihong and Mr. Hu Quansen, and one executive Director, Mr. Wang Bin. Ms. Feng Xin, a former independent non-executive Director, was a member of the Nomination Committee prior to her resignation on 30 September 2020. Ms. Zhao Weihong has become a member of the Nomination Committee since her appointment as an independent non-executive Director on 30 September 2020. 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 2020, 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 2020. 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 2020.

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 RMB796,000 and RMB203,200, 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 2020. Such review is conducted annually and cycles reviewed are under rotation basis. The scope of review was previously determined and approved by the Board. The IC Adviser has reported findings and areas for improvement to the Audit Committee and management. The Audit Committee are of the view that there are no material internal control defeats noted. All recommendations from the IC Adviser are properly followed up by the Group to ensure that they are implemented within a reasonable period of time. The Board therefore considered that the risk management and internal control systems are effective and adequate.

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

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

COMMUNICATIONS WITH SHAREHOLDERS

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

Shareholders' Rights

Convening an extraordinary general meeting

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

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

Putting enquiries to the Board

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

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

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

Putting forward proposals at Shareholders' meeting

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

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

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

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

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

CONSTITUTIONAL DOCUMENTS

The Company's articles of association are available on the websites of the Company and the Stock Exchange. During the year ended 31 December 2020, 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 2020.

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 42 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 2020 and its state of affairs as at that date are set out in the consolidated financial statements on pages 91 to 97.

No interim dividend was paid during the year. The Directors did not recommend payment of a final dividend for the year ended 31 December 2020.

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 17 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTION SCHEME

Details of the movements in the Company's share capital during the year are set out in note 33 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 2020, the Company's reserves available for distribution amounted to Nil (as at 31 December 2019: 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 (appointed on 30 September 2020)
Ms. Feng Xin (resigned on 30 September 2020)
Mr. Hu Quansen

In accordance with Article 14.2 and Article 14.18 of the Company's articles of association, Ms. Tian Ying, Mr. Du Shuwei, Mr. Xu Dunkai and Ms. Zhao Weihong 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 13 and 14, respectively, to the consolidated financial statements.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

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

As at 31 December 2020, the Directors and the chief executive of the Company did not have any interests and short positions in the Company's shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, laws of Hong Kong) ("SFO")), as recorded in the register kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, the Company, its parent company, or any of its subsidiaries or fellow subsidiaries did not, at any time during the year ended 31 December 2020 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 2020, the following persons/entities other than a Director or the chief executive of the Company had interests or short positions in the Shares and underlying Shares, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register of the Company required to be kept under section 336 of the SFO, or who were directly or indirectly interested in 5% or more of the issued voting shares of the Company or any other members of the Group:

Name	Capacity	Number of shares[(1)]	Approximate percentage of shareholding
Junfun Investment Limited	Beneficial owner	260,661,501 (L)	52.73%
Joint Full International Limited	Through controlled corporation	260,661,501 (L)	52.73%
永泰控股集團有限公司	Through controlled corporation	260,661,501 (L)	52.73%
永泰科技投資有限公司	Through controlled corporation	260,661,501 (L)	52.73%
Wang Guangxi	Through controlled corporation	260,661,501 (L)	52.73%
Guo Tianshu	Interest held by spouse	260,661,501 (L)	52.73%

Note:

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

Save as disclosed above, as at 31 December 2020, 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 noted 40 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 2020, 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 2020.

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 2020.

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 30.6% (2019: 9.9%) of the Group's total purchases. The Group's five largest suppliers accounted for 48.4% (2019: 23.0%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 56% (2019: 45%) of the Group's total sales. The Group's largest customer accounted for 23% (2019: 13.0%) 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 2020. 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 63 to 76 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, 26 March 2021

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 91 to 176, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 and bills receivables

Refer to notes 23 and 24 to the consolidated financial statements and the accounting policies on pages 113 to 117.

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the Group has trade and bills receivables of approximately RMB56,567,000, net of loss allowance of approximately RMB3,187,000. We have identified impairment of trade and bills 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 and bills receivables. We have evaluated the key controls which govern credit control, debt collection and ECL estimation. We have reviewed and assessed the application of the Group's policy for calculating the ECL. We have evaluated the methodologies, inputs used by the external valuer to estimate the impairment of trade and bills receivables and evaluated the techniques and methodology in the ECL model against the requirements of HKFRS 9. We have checked on a sample basis, the accuracy and appropriateness of the input data provided by management to the external valuer such as information of aging of trade and bills receivables and historical data. We have evaluated the external valuer's competence, capabilities and objectivity. We have also assessed the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgments, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias when recognising loss allowance.

Impairment of property, plant and equipment

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

The key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the Group has property, plant and equipment of approximately RMB184,146,000. The valuation process was inherently subjective and dependent on a number of estimates. The Group engaged an external valuer to perform the valuation for the property, plant and equipment in determining the recoverable amount. We have identified impairment of property, plant and equipment as a key audit matter due to its significance to the consolidated financial statements and the assessment involves the Group's significant degree of judgment.	We have discussed the indicators of possible impairment with the management and, where such indicators were identified, assessed the management's impairment testing. Our procedures in relation to management's impairment assessment of property, plant and equipment included: We have understood the methodologies used by the external valuer to estimate market values of the property, plant and equipment. We have assessed the appropriateness of the valuation methodology by challenging the data used as inputs for the valuation, which included second hand market prices of comparables, transaction costs, reviewed the basis of calculation and compared the input data to market sources. We have evaluated the external valuer's competence, capabilities and objectivity. We have checked on a sample basis, the accuracy and appropriateness of the input data provided by management to the external valuer such as information of property, plant and equipment and historical data. We have assessed the key assumptions and input data used by management to estimate market values based on our knowledge of the business and industry. We have considered the potential impact of reasonably possible downside changes in these key assumptions.

OTHER INFORMATION

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

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hong Kong
26 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	7	**418,160**	410,217
Cost of sales		**(319,980)**	(310,232)
Gross profit		**98,180**	99,985
Other income and gains	9	**7,063**	5,589
Selling and distribution expenses		**(12,405)**	(13,398)
Administrative expenses		**(71,376)**	(86,668)
Finance costs	10	**(5,202)**	(5,195)
Profit before tax		**16,260**	313
Income tax expense	11	**(7,338)**	(7,058)
Profit (loss) for the year	12	**8,922**	(6,745)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**(758)**	694
Other comprehensive (expenses) income for the year		**(758)**	694
Total comprehensive income (expense) for the year		**8,164**	(6,051)
Profit (loss) per share:			
– Basic and diluted (RMB)	16	**0.02**	(0.01)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	17	**184,146**	195,249
Investment property	18	**3,541**	3,983
Right-of-use assets	19	**20,923**	22,273
Other receivables	20	**–**	13,850
Deposits paid to acquire property, plant and equipment		**3,019**	12,430
Deferred tax assets	21	**606**	393
		212,235	248,178
Current assets			
Inventories	22	**59,149**	61,651
Trade receivables	23	**51,600**	39,920
Bills receivables	24	**4,967**	–
Prepayments and other receivables	20	**7,852**	13,581
Amounts due from related companies	25	**337**	1,648
Income tax receivables		**223**	–
Cash and bank balances	26	**140,599**	93,755
		264,727	210,555
Current liabilities			
Trade payables	27	**44,269**	40,055
Accruals and other payables	28	**18,884**	19,331
Contract liabilities	29	**1,184**	975
Amount due to a related company	25	**859**	132
Loan from a shareholder	30	**4,228**	4,496
Interest-bearing borrowings	31	**103,000**	98,000
Lease liabilities	19	**1,816**	1,736
Income tax payables		**2,221**	1,572
		176,461	166,297
Net current assets		**88,266**	44,258
Total assets less current liabilities		**300,501**	292,436
Non-current liabilities			
Lease liabilities	19	**1,801**	1,757
Deferred tax liabilities	21	**473**	616
		2,274	2,373
Net assets		**298,227**	290,063

	Note	2020 RMB'000	2019 RMB'000
Capital and reserves			
Share capital	32	**148,929**	148,929
Reserves		**149,298**	141,134
Total equity		**298,227**	290,063

The consolidated financial statements on pages 91 to 176 were approved and authorised for issue by the board of directors on 26 March 2021 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 2020

	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 2019	148,929	37,191	957	(83)	5,800	103,320	296,114
Loss for the year	–	–	–	–	–	(6,745)	(6,745)
Other comprehensive income for the year:							
Exchange differences arising on translating foreign operations	–	–	694	–	–	–	694
Total comprehensive income (expense) for the year	–	–	694	–	–	(6,745)	(6,051)
Appropriation to statutory reserve	–	1,044	–	–	–	(1,044)	–
As at 31 December 2019	148,929	38,235	1,651	(83)	5,800	95,531	290,063
Profit for the year	–	–	–	–	–	8,922	8,922
Other comprehensive expenses for the year:							
Exchange differences arising on translation of 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

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 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**16,260**	313
Adjustments for:		
Depreciation of property, plant and equipment	**26,704**	23,487
Depreciation of investment property	**442**	442
Depreciation of right-of-use assets	**3,735**	2,912
Provision (reversal) of impairment loss on inventories	**668**	(1,011)
Net gain on disposal of property, plant and equipment	**(353)**	(259)
Impairment loss recognised in respect of trade receivables	**1,347**	320
(Reversal of) impairment loss on loan receivables	**(130)**	41
(Reversal of) impairment loss on other receivables	**(40)**	39
(Reversal of) impairment loss on amounts due from related companies	**(188)**	263
Bad debt written off	**47**	181
Finance costs	**5,202**	5,195
Bank interest income	**(474)**	(2,161)
Interest income on loan receivables	**(20)**	(82)
Government grants	**(2,250)**	(533)
Operating cash flows before movements in working capital	**50,950**	29,147
Decrease (increase) in inventories	**1,494**	(4,032)
(Increase) decrease in trade receivables	**(13,370)**	1,836
Increase in bills receivables	**(5,118)**	–
Decrease (increase) in prepayments and other receivables	**630**	(778)
Increase (decrease) in trade payables	**4,214**	(6,272)
Decrease in accruals and other payables	**(1,024)**	(626)
Increase (decrease) in contract liabilities	**209**	(858)
Cash generated from operations	**37,985**	18,417
PRC income tax paid	**(7,228)**	(4,383)
Withholding tax paid	**–**	(1,552)
Myanmar income tax paid	**(84)**	(112)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**30,673**	12,370

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Loans repayment	**14,641**	10,500
Earnest money refunded (paid) for potential acquisition	**4,474**	(4,474)
Repayment from related companies	**1,504**	–
Proceeds from disposal of property, plant and equipment	**544**	975
Interest received	**494**	2,243
Deposits paid to acquire property, plant and equipment	**(3,019)**	(12,430)
Purchase of property, plant and equipment	**(1,298)**	(31,818)
Advanced to related companies	**–**	(1,912)
Withdrawal of pledged bank deposits	**–**	20,000
Loans advanced	**–**	(17,473)
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**17,340**	(34,389)
FINANCING ACTIVITIES		
New borrowings raised	**103,000**	98,000
Government grant received	**2,250**	533
Advance from a related company	**727**	132
Repayments of borrowings	**(98,000)**	(121,000)
Interest paid	**(5,202)**	(5,755)
Repayment of lease liabilities	**(1,990)**	(3,841)
NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES	**785**	(31,931)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**48,798**	(53,950)
CASH AND CASH EQUIVALENTS AS AT 1 JANUARY	**93,755**	147,664
Effect of foreign exchange rate changes	**(1,954)**	41
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER, represented by cash and bank balances	**140,599**	93,755

1. GENERAL INFORMATION AND BASIS OF PRESENTATION OF CONSOLIDATION

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

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

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

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

In the current year, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in HKFRSs and 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 2020:

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRSs and 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[5]
Amendments to HKFRS 3	Reference to Conceptual Framework[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
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[5]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[3]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendment to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[3]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2022.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2023.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

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 assets and contract liabilities

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

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

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

The Group recognised revenue from the following major sources:

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

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

Leasing

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

For contracts entered into or modified on or after the date of initial application or arising from business combinations, 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:

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

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

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

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

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, 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 lessee (Continued)

Lease modification

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

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

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

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

The Group as lessor

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefits costs

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

Short-term benefits

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

Borrowing costs

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

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

Government grants

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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 professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

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

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 represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Cash and cash equivalents

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

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

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)

(i) Amortised cost and effective interest method

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

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

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

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

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

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

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 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.

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 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.

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 2020, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB9,482,000 (2019: RMB10,033,000) from the relevant PRC government authorities. In the opinion of the directors of the Company, the absence of formal title to these properties does not impair their values to the Group as the Group has paid in full purchase consideration of these buildings and the probability of being evicted on the ground of an absence of formal title is remote.

Key sources of estimation uncertainty

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

Useful lives and residual values of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual value and the useful life of the property, plant and equipment, and if the expectation differs from the original estimate, such a difference may impact the depreciation charged in the year and the estimate will be changed in the future period. As at 31 December 2020, the carrying amount of property, plant and equipment was approximately RMB184,146,000 (2019: RMB195,249,000).

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

At 31 December 2020, the carrying amount of trade and bills receivables is approximately RMB56,567,000 (2019: RMB39,920,000), net of loss allowance of approximately RMB3,187,000 (2019: RMB1,864,000).

At 31 December 2020, the carrying amount of other receivables is approximately RMB2,308,000 (2019: RMB22,188,000), net of loss allowance of approximately nil (2019: RMB170,000).

During the year ended 31 December 2020, an impairment loss of approximately RMB1,347,000 (2019: RMB320,000) was recognised on trade and bills receivables and a reversal of impairment loss of approximately RMB170,000 (2019: an impairment loss of approximately RMB80,000) was recognised on other receivables. Bad debts of approximately RMB47,000 (2019: RMB181,000) was recognised during the year.

Impairment of inventories

The Group reviews an ageing analysis at the end of each reporting period, and makes impairment for obsolete and slow-moving inventory items. Management estimates the net realisable value for such inventories based primarily on the latest invoice prices. As at 31 December 2020, the carrying amount of inventories was approximately RMB59,149,000 (2019: RMB61,651,000).

During the year ended 31 December 2020, an impairment loss on inventory of approximately RMB668,000 (2019: a reversal of impairment loss of approximately RMB1,011,000) was recognised.

4. CRITICAL ACCOUNTING JUDGMENTS 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 in performing a valuation of property, plant and equipment in determining the recoverable amount. The impairment loss for property, plant and equipment and right-of-use assets were recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of property, plant and equipment and right-of-use assets are the greater of the fair value less costs to sell and value-in-use. In determining the recoverable amount, data such as second hand market prices of comparables, and transaction costs are used.

As at 31 December 2020, the carrying amount of property, plant and equipment and right-of-use assets were approximately RMB184,146,000 and RMB20,923,000 (2019: RMB195,249,000 and RMB22,273,000) 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 2020, deferred tax assets of approximately RMB606,000 (2019: RMB393,000), 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 RMB41,266,000 (2019: RMB46,935,000) as at 31 December 2020, due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are more/less than expected, a material recognition/reversal of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a recognition/reversal takes place.

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the loan from a shareholder and interest-bearing borrowings as disclosed in note 30 and note 31 respectively, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves.

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

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**198,116**	154,694
Financial liabilities		
Financial liabilities at amortised cost	**169,084**	159,215

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 payables, accruals and other payables, amount due to a related company, 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.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31 December 2020, the Group's maximum exposure to credit risk, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties, is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of our Group mainly arises from cash and cash equivalents, trade receivables, 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.

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

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

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

The loan and interest receivables included in other receivables are unsecured. The maximum exposure to credit risk in respect of the loans at the end of the reporting period and the key terms of the loans are disclosed in note 20.

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

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

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

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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

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

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

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk (Continued)

The Group's exposure to credit risk

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

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

The credit quality of the Group's financial assets and the Group's maximum exposure to credit risk by credit risk rating grades are disclosed in notes 20, 23, 24 and 25 respectively.

As at 31 December 2020, the Group's concentration of credit risk by geographical locations is mainly in Japan and the PRC which accounted for 14% and 76% (2019: Japan and the PRC which accounted for 19% and 76%) respectively of the total receivables.

As at 31 December 2020, the Group has concentration of credit risk as 23% (2019: 13%) and 56% (2019: 45%) 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% (2019: nil) 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% (2019: nil) of the total bills receivables as at 31 December 2020.

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

Foreign currency risk

The Group has foreign currency sales, which expose the Group to foreign currency risk. During the year ended 31 December 2020, approximately 62% (2019: 57%), 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% (2019: 100%) of costs are denominated in the group entity's respective functional currencies.

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

	2020 **RMB'000**	2019 RMB'000
Assets		
USD	**35,345**	52,167
HKD	**5,471**	4,819
RMB	**800**	3,770
Liabilities		
USD	**4,573**	4,807
HKD	**1,227**	1,309

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

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in the functional currency of the relevant group entities against the relevant foreign currencies. 5% (2019: 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% (2019: 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 an increase/decrease in post-tax profit (loss) where the respective foreign currency strengthens 5% (2019: 5%) against the relevant functional currency. For a 5% (2019: 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 2020 RMB'000	Year ended 31 December 2019 RMB'000
Increase in profit	**1,154**	–
Decrease in loss	**–**	1,776

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Foreign currency risk (Continued)

Sensitivity analysis (Continued)

	HKD impact	
	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Increase in profit	**159**	–
Decrease in loss	**–**	132

	RMB impact	
	Year ended 31 December 2020 RMB'000	Year ended 31 December 2019 RMB'000
Increase in profit	**30**	–
Decrease in loss	**–**	141

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate loan receivables (note 20) and interest-bearing borrowings (note 31) and cash flow interest rate risk in relation to variable-rate interest-bearing bank balances (note 26) and borrowings (note 31). The Group currently does not have an interest rate hedging policy. However, the directors of the Company continuously monitor the related interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

6. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments including interest-bearing pledged bank deposits, bank balances and interest-bearing borrowings at the end of the reporting period. The analysis is prepared assuming these financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2019: 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 (2019: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31 December 2020 (2019: post-tax loss) would decrease/increase by approximately RMB767,000 (2019: increase/decrease by approximately RMB457,000).

Liquidity risk

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

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

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

As at 31 December 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**

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**

6. FINANCIAL INSTRUMENTS (Continued)

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

Liquidity risk (Continued)

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

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

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

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 2020 and 2019, the aggregate undiscounted principal amounts of these bank loans amounted to RMB103,000,000 and RMB98,000,000 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 RMB104,818,000 (2019: RMB100,718,000).

7. REVENUE

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

Revenue from contracts with customers within the scope of HKFRS 15

Disaggregated by major products or services lines

	2020 **RMB'000**	2019 RMB'000
Manufacture and sale of products:		
– Innerwear products	**319,879**	289,392
– Knitted fabrics	**48,196**	66,598
	368,075	355,990
Processing services income:		
– Innerwear products	**8,662**	11,383
– Knitted fabrics	**41,423**	42,844
	50,085	54,227
	418,160	410,217

Disaggregation of revenue by timing of recognition

	Year ended **31/12/2020** **RMB'000**	Year ended 31/12/2019 RMB'000
Timing of revenue recognition		
At a point in time and total revenue from contracts with customers	**418,160**	410,217

8. SEGMENT INFORMATION

The Group's operating segments, by category of products, based on information reported to the directors of the Company, being the chief operating decision makers ("CODM") for the purpose of 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 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**

8. SEGMENT INFORMATION (Continued)

Segment revenues and results (Continued)

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

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

Inter-segment sales are charged at prevailing market price.

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

	Year ended 31 December 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**

8. SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

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

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.

8. SEGMENT INFORMATION (Continued)

Other segment information

	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
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	(296)	(151)	(27)	(474)
Interest income on loan receivables	–	–	(20)	(20)
Interest expense	3,490	1,539	–	5,029
Income tax expense	7,271	–	67	7,338

8. SEGMENT INFORMATION (Continued)

Other segment information (Continued)

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

Note:

During the year ended 2019, certain long aged inventories were sold. As a result, a reversal of write-down of inventories of approximately RMB1,155,000 has been recognised and included in cost of sales.

8. SEGMENT INFORMATION (Continued)

Geographical information

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

	Revenue from contracts with external customers		Non-current assets	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
The PRC (country of domicile)	**159,063**	174,400	**173,389**	192,944
Japan	**241,253**	210,107	**–**	–
United States	**133**	11,733	**–**	–
Africa	**3,732**	7,209	**–**	–
Italy	**12,061**	5,963	**–**	–
Myanmar	**33**	760	**33,985**	36,808
Hong Kong	**1,885**	45	**4,255**	4,183
	418,160	410,217	**211,629**	233,935

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:

	2020	2019
	RMB'000	RMB'000
Customer A (note (a))	**58,017**	73,198
Customer B (note (b))	**41,954**	N/A

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. During year ended 31 December 2019, revenue from customer B did not contribute over 10% of the total revenue of the Group.

9. OTHER INCOME AND GAINS

	2020 **RMB'000**	2019 RMB'000
Bank interest income	**474**	2,161
Sales of scrap materials	**1,837**	2,114
Interest income on loan receivables	**20**	82
Government grants (note)	**2,250**	533
Net gain on disposal of property, plant and equipment	**353**	259
Rental income from an investment property		
– Lease payments that are fixed	**146**	221
Insurance claim received	**–**	8
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	**1,625**	211
	7,063	5,589

Note:

During the year 31 December 2020, the Group recognised government grants of approximately RMB1,166,000 in respect of COVID-19-related subsidies, of which amounted to approximately RMB1,166,000 related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The remaining government grants recognised are awarded to the Group by (a) the PRC government as incentives primarily to encourage the technology development of the Group and the contribution to the local economic development; and (b) the Hong Kong Special Administrative Region to encourage the Group to promote its business to overseas market. The government grants are one-off with no specific condition attached.

10. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**173**	215
Interest on bank loans	**5,029**	5,540
Less: amounts capitalised in the cost of qualifying assets	**–**	(560)
	5,202	5,195

During the year ended 31 December 2019, borrowing costs capitalised arose on the general borrowing pool are calculated by applying a capitalisation rate of 2.6% per annum to expenditure on qualifying assets. No borrowing costs was capitalised during the year ended 30 December 2020.

11. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax:		
PRC Enterprise Income Tax (the "EIT")		
– Provision for the year	**8,020**	4,291
Overseas income tax		
– Provision for the year	**387**	720
– (Over) under-provision in prior years	**(719)**	112
Withholding tax	**–**	1,552
Deferred tax (note 21)	**(350)**	383
	7,338	7,058

(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%.

11. INCOME TAX EXPENSE (Continued)

(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 2020 and 2019, 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 2020 and 2019 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 2020 and 2019.

(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.

11. INCOME TAX EXPENSE (Continued)

(d) Withholding tax (Continued)

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

	2020 **RMB'000**	2019 RMB'000
Profit before tax	**16,260**	313
Tax at the domestic income rate of 25% (2019: 25%)	**4,065**	78
Tax effect of income not taxable for tax purpose	**(419)**	(203)
Tax effect of expenses not deductible for tax purpose	**2,049**	4,723
Tax effect of tax deductible temporary difference not recognised	**438**	298
Utilisation of tax deductible temporary difference previously not recognised	**(106)**	(344)
Tax effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**67**	1,510
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1,347**	2,202
Tax effect of tax losses not recognised	**820**	1,308
(Over) under-provision in prior years	**(719)**	112
Utilisation of tax losses previously not recognised	**(204)**	(2,626)
Income tax expense for the year	**7,338**	7,058

Details of deferred taxation are set out in note 21.

12. PROFIT (LOSS) FOR THE YEAR

	2020 **RMB'000**	2019 RMB'000
Profit (loss) for the year has been arrived at after charging (crediting):		
Salaries and other benefits	**109,925**	106,300
Contributions to retirement benefit schemes	**1,594**	11,952
Total staff costs (including directors' and chief executive's emoluments)	**111,519**	118,252
Auditor's remuneration	**800**	820
Depreciation of property, plant and equipment	**26,704**	23,487
Depreciation of investment property	**442**	442
Depreciation of right-of-use assets	**3,735**	2,912
Exchange loss, net	**895**	1,843
Bad debt written off	**47**	181
Amount of inventories recognised as an expense	**320,648**	309,221
Provision (reversal) of impairment loss on inventories (included in cost of sales)	**668**	(1,011)
Impairment loss on trade receivables (included in administrative expenses)	**1,347**	320
Impairment loss on loan receivables	**–**	41
Impairment loss on other receivables	**–**	39
Impairment loss on amounts due from related companies	**–**	263

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

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

For the year ended 31 December 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 Quansen	134	–	–	134
Ms. Zhao Weihong	34	–	–	34
	403	–	–	403
Total	581	3,222	–	3,803

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

For the year ended 31 December 2019

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

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 2020 and 2019. 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 2020 and 2019.

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

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.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2019: three) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining two (2019: two) individuals were as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other benefits	**4,436**	4,304
Contributions to retirement benefit schemes	**–**	7
	4,436	4,311

Their emoluments were within the following bands:

	2020 **No. of** **Employees**	2019 No. of Employees
HKD1,000,001 to HKD1,500,000 (2020: equivalent to approximately RMB889,543 to RMB1,334,313, 2019: equivalent to approximately RMB882,001 to RMB1,323,000)	**1**	1
HKD3,500,001 to HKD4,000,000 (2020: equivalent to approximately RMB3,113,397 to RMB3,558,168, 2019: equivalent to approximately RMB3,087,001 to RMB3,528,000)	**1**	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 2020 and 2019.

15. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2020, nor has any dividend been proposed since the end of the reporting period (2019: nil).

16. PROFIT (LOSS) PER SHARE

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.

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

Diluted profit (loss) per share for the years ended 31 December 2020 and 2019 was the same as the basic profit (loss) per share as there were no dilutive potential ordinary shares outstanding during the year ended 31 December 2020 (2019: nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000 (note)	Leasehold improvements RMB'000	Machinery RMB'000	Office Equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST:							
As at 1 January 2019	180,541	23,806	134,862	12,529	9,411	5,357	366,506
Additions	–	4,472	15,335	2,729	2,368	8,114	33,018
Transfer	289	11	–	–	–	(300)	–
Transferred to investment property	(5,426)	–	–	–	–	–	(5,426)
Disposals	–	–	(6,110)	(330)	(2,979)	–	(9,419)
Exchange adjustments	–	61	368	133	77	444	1,083
As at 31 December 2019 and 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	189,737	30,060	152,946	16,022	8,759	–	397,524
ACCUMULATED DEPRECIATION:							
As at 1 January 2019	55,794	19,014	83,884	10,623	7,240	–	176,555
Provided for the year	8,713	2,021	10,580	1,125	1,048	–	23,487
Transferred to investment property	(1,001)	–	–	–	–	–	(1,001)
Eliminated on disposals	–	–	(5,532)	(286)	(2,885)	–	(8,703)
Exchange adjustments	–	3	91	38	43	–	175
As at 31 December 2019 and 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	72,926	23,485	97,797	12,824	6,346	–	213,378
CARRYING VALUES:							
As at 31 December 2020	116,811	6,575	55,149	3,198	2,413	–	184,146
As at 31 December 2019	111,898	7,312	55,432	3,561	3,431	13,615	195,249

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

Note: As at 31 December 2020, the Group was applying for certificates of ownership for buildings with carrying values of approximately RMB9,482,000 (2019: RMB10,033,000) 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 2020, certain Group's buildings with an aggregate carrying amounts of approximately RMB84,018,000 (2019: RMB90,995,000) were pledged to secure the bank borrowings granted to the Group (note 35).

18. INVESTMENT PROPERTY

	RMB'000
COST	
At 1 January 2019	–
Transferred from property, plant and equipment	5,426
At 31 December 2019, at 1 January 2020 and at 31 December 2020	5,426
ACCUMULATED DEPRECIATION	
At 1 January 2019	–
Transferred from property, plant and equipment	1,001
Provided for the year	442
At 31 December 2019	1,443
Provided for the year	442
At 31 December 2020	1,885
CARRYING VALUES	
As at 31 December 2020	3,541
As at 31 December 2019	3,983

The fair value of the Group's investment property as at 31 December 2020 was approximately RMB4,735,000 (2019: RMB4,893,000). The fair value has been arrived at based on a valuation carried out by APAC Appraisal and Consulting Limited, an independent valuer not connected with the Group. The valuation was determined by reference to recent market prices for similar properties in the similar locations and conditions and is categorized as level 3 of the fair value hierarchy.

There has been no change from the valuation technique used in the prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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

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

19. LEASES

(i) Right-of-use assets

	2020 **RMB'000**	2019 RMB'000
Land	**13,514**	14,165
Buildings (factories, offices and staff quarters)	**7,409**	8,108
	20,923	22,273

At 31 December 2020, right-of-use assets of approximately RMB13,514,000 (2019: RMB14,165,000) represent land use rights located in the PRC and Myanmar.

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

Additions to the right-of-use assets for the year ended 31 December 2020 amounted to approximately RMB2,323,000 (2019: RMB2,636,000), due to new leases of office and staff quarter.

As at 31 December 2020, the Group's right-of-use assets with an aggregate carrying amount of approximately RMB10,640,000 (2019: RMB10,938,000) were pledged to secure the bank borrowings granted to the Group (note 35).

(ii) Lease liabilities

	2020 **RMB'000**	2019 RMB'000
Non-current	**1,801**	1,757
Current	**1,816**	1,736
	3,617	3,493

19. LEASES (Continued)

(ii) Lease liabilities (Continued)

Amounts payable under lease liabilities	**2020** **RMB'000**	2019 RMB'000
Within one year	**1,816**	1,736
After one year but within two years	**1,613**	895
After two years but within five years	**188**	862
	3,617	3,493
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(1,816)**	(1,736)
Amount due for settlement after 12 months	**1,801**	1,757

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 (2019: RMB2,636,000).

(iii) Amounts recognised in profit or loss

	Year ended **2020** **RMB'000**	2019 RMB'000
Depreciation expense on right-of-use assets:		
– Land	**530**	415
– Buildings (factories, offices and staff quarters)	**3,205**	2,497
	3,735	2,912
Interest expense on lease liabilities	**173**	215
Expense relating to short-term leases	**1,603**	2,001
Expense relating to leases of low value assets	**8**	10

(iv) Others

During the year ended 31 December 2020, the total cash outflows for leases amount to approximately RMB3,774,000 (2019: RMB6,067,000).

20. PREPAYMENTS AND OTHER RECEIVABLES

	2020 **RMB'000**	2019 RMB'000
Non-current asset:		
Loan receivables (notes a & c)	**–**	13,974
Less: Loss allowance on loan receivables	**–**	(124)
	–	13,850
Current assets:		
Loan receivables (notes b & c)	**–**	668
Less: Loss allowance on loan receivables	**–**	(6)
	–	662
Other receivables (note d)	**2,308**	7,716
Less: Loss allowance on other receivables	**–**	(40)
	2,308	7,676
Prepayments	**4,818**	4,543
Advance to suppliers	**726**	700
	7,852	13,581
	7,852	27,431

Notes:

(a) The amounts were unsecured, interest-free and fully settled during the year ended 31 December 2020.

(b) The amounts were unsecured, interest-bearing at 4.35% per annum and fully settled during the year ended 31 December 2020.

(c) The loans were advanced to related companies that are controlled by the director of subsidiaries or a close family member of the director of subsidiaries and the loans were fully settled during the year ended 31 December 2020.

(d) An earnest money of approximately RMB4,474,000 was paid to an independent escrow agent during the year ended 31 December 2019 for a potential acquisition and it was fully refunded during the year ended 31 December 2020 as to the potential acquisition was cancelled.

20. PREPAYMENTS AND OTHER RECEIVABLES (Continued)

The Group measures the loss allowance for loan receivables at an amount equal to 12-month ECL by applying probability of default approach as it has low risk of default or has not been significantly increase in credit risk since initial recognition. A reversal of impairment loss of approximately RMB130,000 (2019: impairment loss of approximately RMB41,000) was recognised during the year ended 31 December 2020.

The Group has individually assessed all the remaining other receivables including the earnest money at 12-month ECL by applying probability of default approach as it has low risk of default or has not been significantly increase in credit risk since initial recognition. A reversal of impairment loss of approximately RMB40,000 (2019: impairment loss of approximately RMB39,000) was recognised during the year ended 31 December 2020.

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

	2020 **RMB'000**	2019 RMB'000
At the beginning of the year	**170**	89
Impairment loss on loan receivables	**–**	41
Impairment loss on other receivables	**–**	39
Reversal of impairment loss on loan receivables	**(130)**	–
Reversal of impairment loss on other receivables	**(40)**	–
Exchange realignment	**–**	1
At the end of the year	**–**	170

As at 31 December 2020 and 2019, 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:

	2020 **RMB'000**	2019 RMB'000
HKD	**110**	4,555

21. 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.

	2020 RMB'000	2019 RMB'000
For financial reporting purpose:		
Deferred tax assets	**606**	393
Deferred tax liabilities	**(473)**	(616)
	133	(223)

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

	Unrealised profit (loss) on inventories RMB'000	**Withholding tax on undistributed profit of subsidiaries in the PRC** RMB'000	**Tax losses** RMB'000	**Accelerated tax depreciation** RMB'000	**Total** RMB'000
At 1 January 2019	244	(469)	489	(103)	161
(Charged) credited to profit or loss for the year	(425)	42	–	–	(383)
Exchange difference	–	(8)	9	(2)	(1)
As at 31 December 2019 and 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	236	(473)	469	(99)	133

21. DEFERRED TAXATION (Continued)

As at 31 December 2020, the Group has unused Hong Kong and PRC tax losses of approximately RMB26,019,000 and RMB18,089,000 (2019: RMB22,694,000 and RMB27,263,000) respectively available for offsetting against future profits. A deferred tax asset has been recognised in respect of Hong Kong tax losses of approximately RMB2,842,000 (2019: RMB3,022,000) of such losses. No deferred tax asset has been recognised in respect of the remaining Hong Kong tax losses of approximately RMB23,177,000 (2019: RMB19,672,000) and PRC tax losses of approximately RMB18,089,000 (2019: RMB27,263,000) due to unpredictability of future profit streams. All unrecognised PRC tax losses as at 31 December 2020 will expire in 2021 to 2023 (2019: expired in 2020 to 2023). Other losses may be carried forward indefinitely.

For the year ended 31 December 2020, PRC tax losses of approximately RMB813,000 and RMB8,361,000 (2019: RMB10,505,000 and RMB2,456,000) 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 RMB4,971,000 of PRC and HK tax losses (2019: nil and RMB7,929,000 of PRC and HK tax losses respectively) was recognised respectively for the year ended 31 December 2020.

At the end of the reporting period, the Group has deductible temporary differences of approximately RMB5,520,000 (2019: RMB4,192,000). 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 RMB82,148,000 (31 December 2019: RMB62,576,000). 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.

22. INVENTORIES

	2020 **RMB'000**	2019 RMB'000
Raw materials	**27,031**	19,887
Work-in-progress	**26,908**	33,898
Finished goods	**5,210**	7,866
	59,149	61,651

During the year ended 31 December 2019, inventories of approximately RMB1,155,000 which was fully impaired in prior years were sold at a consideration above RMB1,155,000. As a result, reversal of impairment on inventories of approximately RMB1,155,000 was recognised. No reversal of impairment on inventories was recognised during the year ended 31 December 2020.

23. TRADE RECEIVABLES

	2020 RMB'000	2019 RMB'000
Receivables at amortised cost comprise:		
Trade receivables	**54,787**	41,784
Less: Loss allowance on trade receivables	**(3,187)**	(1,864)
	51,600	39,920

As at 31 December 2020, the gross amount of trade receivable arising from contracts with customers amounted to approximately RMB54,787,000 (2019: RMB41,784,000).

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

	2020 RMB'000	2019 RMB'000
0–30 days	**31,507**	29,770
31–60 days	**9,335**	7,244
61–90 days	**3,767**	1,162
Over 90 days	**6,991**	1,744
	51,600	39,920

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.

23. TRADE RECEIVABLES (Continued)

For certain trade receivables of approximately RMB1,177,000 (2019: RMB1,135,000) 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 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**

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

* Less than RMB1,000.

23. 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 2020, approximately RMB47,000 (2019: RMB181,000) was being written off.

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

	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**1,864**	1,541
Impairment loss on trade receivables	**1,347**	320
Exchange realignment	**(24)**	3
At the end of the year	**3,187**	1,864

The loss allowance included an amount of approximately RMB1,177,000 (2019: RMB1,135,000) 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:

	2020	2019
	RMB'000	RMB'000
EUR	**988**	113
USD	**3,724**	4,683
	4,712	4,796

24. BILLS RECEIVABLES

	2020	2019
	RMB'000	RMB'000
Receivables at amortised cost comprise:		
Bills receivables	**4,967**	–

24. BILLS RECEIVABLES (Continued)

At as 31 December 2020, the gross amount of bills receivables arising from contracts with customers amounted to approximately RMB4,967,000 (2019: nil).

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

	2020 RMB'000	2019 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 2020 and 2019.

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

	2020 RMB'000	2019 RMB'000
EUR	**213**	–

25. AMOUNTS DUE FROM (TO) RELATED COMPANIES

	2020 RMB'000	2019 RMB'000
Amounts due from related companies	**408**	1,912
Less: Loss allowance on amounts due from related companies	**(71)**	(264)
	337	1,648

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

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

The Group has individually assessed all amounts due from related companies. A reversal of impairment loss of approximately RMB188,000 (2019: impairment loss of approximately RMB263,000) was recognised in profit or loss during the year ended 31 December 2020. The Group has engaged an external valuer to assist in performing an impairment assessment on these receivables from related companies.

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

	At 31 December 2020		At 31 December 2019	
	Gross carrying amount RMB'000	**Loss allowance RMB'000**	Gross carrying amount RMB'000	Loss allowance RMB'000
Internal credit rating				
– Performing	**198**	**1**	1,469	13
– Default	**210**	**70**	443	251
	408	**71**	1,912	264

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

	12-month ECL RMB'000	**Lifetime ECL – credit impaired** RMB'000	**Total** RMB'000
At 1 January 2019	–	–	–
Increase during the year	13	250	263
Exchange realignment	–	1	1
At 31 December 2019	13	251	264
Decrease during the year	(12)	(176)	(188)
Exchange realignment	–	(5)	(5)
At 31 December 2020	1	70	71

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

26. CASH AND BANK BALANCES

During the year ended 31 December 2020, bank balances carried interest at average market rates from 0.001% to 2.1% (2019: 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:

	2020 **RMB'000**	2019 RMB'000
USD	**31,621**	47,484
HKD	**5,376**	264
RMB	**800**	3,770
Euro	**265**	536
Pound sterling	**5**	8
Japanese yen	**14**	4
	38,081	52,066

27. TRADE PAYABLES

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

	2020 **RMB'000**	2019 RMB'000
0–30 days	**32,228**	29,293
31–90 days	**10,881**	9,191
91–180 days	**644**	583
Over 180 days	**516**	988
	44,269	40,055

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.

28. ACCRUALS AND OTHER PAYABLES

	2020 **RMB'000**	2019 RMB'000
Payroll and welfare payables	**12,002**	10,619
Other tax payables	**2,156**	2,799
Other payables	**4,726**	5,913
	18,884	19,331

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:

	2020 **RMB'000**	2019 RMB'000
USD	**103**	311
HKD	**1,227**	1,309
	1,330	1,620

29. CONTRACT LIABILITIES

	2020 **RMB'000**	2019 RMB'000
Advance from customers	**1,184**	975

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

Revenue recognised during the year ended 31 December 2020 that was included in the contract liabilities as at 1 January 2020 is approximately RMB975,000 (2019: RMB1,787,000). There was no revenue recognised in the current year that related to performance obligations that were satisfied in prior year.

30. LOAN FROM A SHAREHOLDER

As at 31 December 2020, Junfun, the ultimate beneficial owner of the Company, has advanced USD640,000 (equivalent to approximately RMB4,228,000 as at 31 December 2020 (2019: RMB4,496,000). 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.

31. INTEREST-BEARING BORROWINGS

	2020 **RMB'000**	2019 RMB'000
Bank borrowings – secured	**103,000**	98,000

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 2020, secured bank borrowings with carrying amount of approximately RMB103,000,000 (2019: RMB98,000,000) were secured by right-of-use assets and buildings of the Group. Details are disclosed in note 35.

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:

	2020		2019	
	Effective interest rate	**RMB'000**	Effective interest rate	RMB'000
Variable rate borrowings	**4.62% – 5.22%**	**48,000**	4.98% – 5.17%	48,000
Fixed rate borrowings	**4.80%**	**55,000**	4.80%	50,000
		103,000		98,000

The Group has variable-rate borrowings which carry interest at base rate plus ranged from 0.10% to 0.20% (2019: base rate plus 0.20%). Interest is reset every month for both years.

During the year, the Group obtained new loans in the amount of approximately RMB103,000,000 (2019: RMB98,000,000). The loans bear interest at market rates and the balance will be repayable in 2021. The proceeds were used to finance the working capital of the Group.

As at 31 December 2020 and 2019, the carrying amounts of the Group's borrowings are denominated in RMB.

32. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary share without par value		
Authorised:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	1,000,000,000	N/A

	Number of shares	Amount RMB'000
Issued and fully paid:		
At 1 January 2019, 31 December 2019, 1 January 2020 and 31 December 2020	494,335,330	148,929

33. 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 2020 and 2019.

34. 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.

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:

	2020 **RMB'000**	2019 RMB'000
Within 1 year	**200**	200
After 1 year but within 2 years	**200**	200
After 2 years but within 3 years	**200**	200
After 3 years but within 4 years	**200**	200
After 4 years but within 5 years	**210**	200
After 5 years	**630**	840
	1,640	1,840

35. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure interest-bearing borrowings (note 31) of the Group at the end of the reporting period:

	2020 **RMB'000**	2019 RMB'000
Right-of-use assets	**10,640**	10,938
Buildings	**84,018**	90,995
	94,658	101,933

36. CAPITAL COMMITMENTS

	2020 **RMB'000**	2019 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**	2,172

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.

The total cost charged to profit or loss of approximately RMB1,594,000 (2019: RMB11,952,000) 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. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, Myanmar's military launched coup and declared the country into a one-year state of emergency, the political environment in Myanmar become unstable and unpredictable in 2021. The time duration and the influence of the coup cannot be accurately assessed at this point of time. Given the Group has operation in Myanmar, the directors of the Company considered that the financial impact will be reflected subsequently in the Group's financial statements. The Group will closely monitor the development of the coup and assess its impact on its operations until the situation stabilised.

39. 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	**2020** **RMB'000**	2019 RMB'000
Related companies (note)	Sales	**887**	1,306
	Purchase	**869**	4,365
	Loan interest income	**20**	82
	(Reversal of) impairment loss on loan receivables	**(130)**	41
	(Reversal of) impairment loss on amount due from related companies	**(188)**	263
	Rental expense paid	**752**	370
	Purchase of motor vehicle	**–**	1,240

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

The above transactions were made on the terms mutually agreed between both parties.

39. 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:

	2020	2019
	RMB'000	RMB'000
Short-term benefits	**12,876**	12,563
Post-employment benefits	**141**	96
	13,017	12,659

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.

40. MAJOR NON-CASH TRANSACTIONS

(a) During the year ended 31 December 2020, the Group has a total addition of plant, property and equipment amounting to approximately RMB14,332,000 (2019: RMB33,018,000), out of which approximately RMB12,430,000 (2019: RMB74,000) was settled by the deposit paid in year ended 31 December 2019.

(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 (2019: RMB2,636,000) were recognised at the commencement of the lease.

41. 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 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 31)	**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 30)	**4,496**	**–**	**–**	**–**	**–**	**(268)**	**4,228**
Lease liabilities (note 19)	**3,493**	**(1,990)**	**–**	**2,323**	**–**	**(209)**	**3,617**
Total	**106,121**	**785**	**(2,250)**	**2,323**	**5,202**	**(477)**	**111,704**

			Non-cash changes				
	1 January 2019 RMB'000	Financing cash flows RMB'000	Government grants receivable RMB'000	New lease arrangements RMB'000	Finance cost incurred RMB'000	Foreign exchange movements RMB'000	31 December 2019 RMB'000
Interest-bearing borrowings (note 31)	121,000	(23,000)	–	–	–	–	98,000
Government grants received	–	533	(533)	–	–	–	–
Accrued interest	–	(5,755)	–	–	5,755	–	–
Advance from a related company	–	132	–	–	–	–	132
Loan from a shareholder (note 30)	4,412	–	–	–	–	84	4,496
Lease liabilities (note 19)	4,439	(3,841)	–	2,636	–	259	3,493
Total	129,851	(31,931)	(533)	2,636	5,755	343	106,121

42. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the subsidiaries as at 31 December 2020 and 2019 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 2020	Indirectly 2019	**2020**	2019	
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
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

42. 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 2020	Indirectly 2019	**2020**	2019	
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 (2019: USD3,175,000)	**100%**	100%	**100%**	100%	Manufacturing of fabrics

Notes:

(a) The entity is wholly foreign owned enterprise established in the PRC.

(b) The English translation of the company names is for reference only. The official names of these companies are in Chinese.

None of the subsidiaries had issued debt securities at the end of the years 31 December 2020 and 2019 or at any time during both years.

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**310**	585
Right-of-use assets		**1,564**	2,530
Unlisted investment in a subsidiary		**28,071**	28,071
		29,945	31,186
Current assets			
Prepayments and other receivables		**258**	4,743
Amount due from a subsidiary	(a)	**61,161**	65,028
Cash and bank balances		**33,447**	38,919
		94,866	108,690
Current liabilities			
Accruals and other payables		**997**	1,242
Loan from a shareholder (note 30)		**4,228**	4,496
Lease liabilities		**841**	849
		6,066	6,587
Net current assets		**88,800**	102,103
Total assets less current liabilities		**118,745**	133,289
Non-current liability			
Lease liabilities		**811**	1,757
		117,934	131,532
Capital and reserves			
Share capital (note 32)		**148,929**	148,929
Reserves	(b)	**(30,995)**	(17,397)
Total equity		**117,934**	131,532

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

Notes:

(a) Amounts due from subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

(b) Movement in the Company's reserves

	Other reserve RMB'000 (note)	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2019	27,988	(35,771)	(7,783)
Loss and total comprehensive expense for the year	–	(9,614)	(9,614)
As at 31 December 2020 and 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 2020	27,988	(58,983)	(30,995)

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.