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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)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Greatime International Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022, with the comparative figures for the corresponding period in 2021, which have been prepared in accordance with the Hong Kong Financial Reporting Standards, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Six months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
Revenue		236,913	190,420
Cost of sales		<u>(178,969)</u>	<u>(147,843)</u>
Gross profit		57,944	42,577
Other income and gains	4	4,999	779
Selling and distribution expenses		(6,312)	(6,043)
Administrative expenses		(39,019)	(33,109)
Finance costs	5	<u>(2,652)</u>	<u>(2,550)</u>
Profit before tax		14,960	1,654
Income tax expense	6	<u>(2,896)</u>	<u>(2,662)</u>
Profit (loss) for the period	7	<u>12,064</u>	<u>(1,008)</u>
		<i>RMB cents</i>	<i>RMB cents</i>
Profit (loss) per share			
– Basic and diluted (RMB cents)	9	<u>2.4</u>	<u>(0.2)</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Profit (loss) for the period	7	<u>12,064</u>	<u>(1,008)</u>
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		<u>4,592</u>	<u>(9,552)</u>
Total comprehensive income (expense) for the period		<u>16,656</u>	<u>(10,560)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2022	At 31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	154,211	164,533
Investment property		2,876	3,098
Right-of-use assets	<i>11</i>	15,093	16,569
Deferred tax assets		1,594	1,152
		173,774	185,352
CURRENT ASSETS			
Inventories		110,105	88,167
Trade receivables	<i>12</i>	89,518	34,717
Prepayments and other receivables		6,460	6,831
Amounts due from related companies		89	239
Income tax receivables		–	1,102
Cash and bank balances		114,942	161,408
		321,114	292,464

		At 30 June 2022	At 31 December 2021
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
CURRENT LIABILITIES			
Trade payables	13	51,273	59,809
Accruals and other payables		27,106	21,939
Contract liabilities		14,340	12,261
Amounts due to related companies		1,202	1,392
Loan from a shareholder		4,156	4,103
Interest-bearing borrowings	14	103,000	103,000
Lease liabilities	11	682	1,567
Income tax payables		4,483	1,384
		<u>206,242</u>	<u>205,455</u>
Net current assets		<u>114,872</u>	<u>87,009</u>
Total assets less current liabilities		<u>288,646</u>	<u>272,361</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		153	188
Lease liabilities	11	143	479
		<u>296</u>	<u>667</u>
NET ASSETS		<u><u>288,350</u></u>	<u><u>271,694</u></u>
CAPITAL AND RESERVES			
Share capital		148,929	148,929
Reserves		<u>139,421</u>	<u>122,765</u>
TOTAL EQUITY		<u><u>288,350</u></u>	<u><u>271,694</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

Greatime International Holdings Limited (the “**Company**”), which acts as an investment holding company, was incorporated in the British Virgin Islands (the “**BVI**”) with limited liability under the Business Companies Act of the BVI (2004) (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 condensed consolidated financial information of the Group is presented in Renminbi (“**RMB**”), which is also the functional currency of the Company and its subsidiaries located in the People’s Republic of China (the “**PRC**”). Other than those PRC subsidiaries, the functional currency of subsidiaries established in Hong Kong and Myanmar are denoted in United States dollars and Myanmar Khamed.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021, except as described below.

In the current interim period, the Group has applied, for the first time, the Amendments to References to the Conceptual Framework in Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 January 2022.

Amendments to HKFRS 16	COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

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

3. SEGMENT INFORMATION

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

- 1) Innerwear products – manufacturing and sale of and provision of processing services on innerwear and garments
- 2) Knitted fabrics – manufacturing and sale of and provision of processing services on knitted fabrics

The following tables present revenue and profit information for the Group's reportable segments for the six months ended 30 June 2022 and 2021, respectively.

	Six months ended 30 June 2022		
	Innerwear products RMB'000 (Unaudited)	Knitted fabrics RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue			
External sales	171,269	65,644	236,913
Inter-segment revenue	61,710	49,314	111,024
Elimination	<u>(61,710)</u>	<u>(49,314)</u>	<u>(111,024)</u>
Group's revenue	<u>171,269</u>	<u>65,644</u>	<u>236,913</u>
Segment profit	<u>22,775</u>	<u>1,444</u>	24,219
Other income			346
Finance costs			(2,623)
Unallocated head office and corporate expenses			<u>(6,982)</u>
Profit before tax			<u>14,960</u>

	Six months ended 30 June 2021		
	Innerwear products <i>RMB'000</i> (Unaudited)	Knitted fabrics <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue			
External sales	141,069	49,351	190,420
Inter-segment revenue	81,510	48,687	130,197
Elimination	<u>(81,510)</u>	<u>(48,687)</u>	<u>(130,197)</u>
Group's revenue	<u>141,069</u>	<u>49,351</u>	<u>190,420</u>
Segment profit (loss)	<u>13,153</u>	<u>(2,053)</u>	11,100
Other income			184
Finance costs			(2,542)
Unallocated head office and corporate expenses			<u>(7,088)</u>
Profit before tax			<u>1,654</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. 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 chief operating decision makers for the purposes of resource allocation and performance assessment.

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

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

	30 June 2022 <i>RMB'000</i> (Unaudited)	31 December 2021 <i>RMB'000</i> (Audited)
Innerwear products	204,074	164,809
Knitted fabrics	168,953	142,921
Unallocated assets	<u>121,861</u>	<u>170,086</u>
Total assets	<u>494,888</u>	<u>477,816</u>
Innerwear products	47,903	64,908
Knitted fabrics	43,480	30,130
Unallocated liabilities	<u>115,155</u>	<u>111,084</u>
Total liabilities	<u>206,538</u>	<u>206,122</u>

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; and
- 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.

4. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Bank interest income	307	181
Exchange gain, net	1,160	223
Net gain on disposal of property, plant and equipment	36	85
Reversal of impairment loss on trade receivables	2,532	–
Government grant (<i>note</i>)	574	104
Others	390	186
	<u>4,999</u>	<u>779</u>

Note: During the six months ended 30 June 2022, the Group recognised government grants of approximately RMB478,000 (30 June 2021: approximately RMB88,000) received from the PRC government as incentives primarily to encourage the technology development of the Group and the contribution to the local economic development and approximately RMB96,000 (30 June 2021: approximately RMB16,000) received from the government of the Hong Kong Special Administrative Region to encourage the Group to promote its business to overseas market. These government grants are one-off with no specific condition attached.

5. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on lease liabilities	40	102
Interest on bank loans	2,612	2,448
	<u>2,652</u>	<u>2,550</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
– Provision for the year	2,929	2,750
Withholding tax	746	–
Deferred tax	(779)	(88)
	<u>2,896</u>	<u>2,662</u>

7. PROFIT (LOSS) FOR THE PERIOD

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Profit (loss) for the period has been arrived at after crediting:		
Salaries and other benefits	60,163	56,809
Contributions to retirement benefit scheme	7,676	6,404
	<u>67,839</u>	<u>63,213</u>
Total staff costs (including directors' emoluments)		
	<u>67,839</u>	<u>63,213</u>
Cost of inventories recognised as an expense	179,856	148,775
Depreciation of property, plant and equipment	12,516	13,080
Depreciation of investment property	222	222
Depreciation of right-of-use assets	1,565	1,651
Provision of impairment loss on inventories (included in cost of sales)	887	932
Impairment loss on trade receivables (included in administrative expenses)	–	1,476
	<u>–</u>	<u>1,476</u>

8. DIVIDENDS

No dividend was paid, declared or proposed during the period (six months ended 30 June 2021: nil). The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. PROFIT (LOSS) PER SHARE

The calculation of basic and diluted profit per share for the six months ended 30 June 2022 is based on the profit attributable to owners of the Company of approximately RMB12,064,000 and weighted average number of ordinary shares of 494,335,330 in issue during the six months ended 30 June 2022.

The calculation of basic and diluted loss per share for the six months ended 30 June 2021 is based on the loss attributable to owners of the Company of approximately RMB1,008,000 and weighted average number of ordinary shares of 494,335,330 in issue during the six months ended 30 June 2021.

Diluted profit (loss) per share for the six months ended 30 June 2022 and 2021 was the same as the basic profit (loss) per share as there were no dilutive potential ordinary share outstanding during the six months ended 30 June 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RMB5,000 (six months ended 30 June 2021: approximately RMB147,000), resulting in a net gain on disposal of approximately RMB36,000 (six months ended 30 June 2021: approximately RMB85,000).

During the six months ended 30 June 2022, the Group acquired approximately RMB1,787,000 (six months ended 30 June 2021: approximately RMB5,460,000) of property, plant and equipment.

11. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Right-of-use assets

As at 30 June 2022, the carrying amounts of right-of-use assets were approximately RMB2,245,000 and RMB12,848,000 (31 December 2021: approximately RMB3,498,000 and RMB13,071,000) in respect of the leased properties and prepaid lease payments on land use rights. During the six months ended 30 June 2022, no addition of lease agreement was entered by the Group.

(ii) Lease liabilities

As at 30 June 2022, the carrying amount of lease liabilities was approximately RMB825,000 (31 December 2021: approximately RMB2,046,000). During the six months ended 30 June 2022, no additional of lease agreement was entered by the Group.

(iii) Amounts recognised in profit or loss

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Depreciation expense on right-of-use assets	1,565	1,651
Interest expense on lease liabilities	40	102
Expense relating to short-term leases	895	522
Expense relating to leases of low value assets	4	3
	<u>1,504</u>	<u>2,178</u>

(iv) Others

During the six months ended 30 June 2022, the total cash outflow for leases amounted to approximately RMB1,877,000 (six months ended 30 June 2021: approximately RMB1,510,000).

12. TRADE RECEIVABLES

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

	30 June	31 December
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
0–30 days	57,657	28,245
31–60 days	12,506	4,369
61–90 days	14,930	1,441
Over 90 days	4,425	662
	<u>89,518</u>	<u>34,717</u>

13. TRADE PAYABLES

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

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
0-30 days	36,230	36,376
31-90 days	13,820	21,174
91-180 days	468	1,590
Over 180 days	755	669
	<u>51,273</u>	<u>59,809</u>

14. INTEREST-BEARING BORROWINGS

During the six months ended 30 June 2022, the Group obtained new bank borrowings amounting to approximately RMB55,000,000 (six months ended 30 June 2021: approximately RMB75,000,000) and repaid the bank borrowings amounting to approximately RMB55,000,000 (six months ended 30 June 2021: approximately RMB75,000,000).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Over the past year, many regions around the world stepped out of the shadow of COVID-19 pandemic by coexisting with the virus, and gradually resumed various industrial production activities under the new norm, which facilitated the orderly recovery of economic and consumption activities in different regions. However, during the first half of 2022, the imbalance of metal, commodity and energy supply caused by the geopolitical instability in Europe, the Russian-Ukrainian war in particular, led to an upsurge in various production costs which further aggravated the inflation problem in the United States and Europe. Central banks in Europe and the United States successively introduced various monetary tightening policies to curb inflation. In the first half of 2022, global textile and apparel exports continued to grow, while China's textile and apparel exports also continued to maintain growth momentum on the high base in 2021. According to the data from the Ministry of Industry and Information Technology of the PRC, exports of apparel and clothing accessories increased by 12% year-on-year to US\$80.2 billion.

In the first half of 2022, despite the fact that China's economic activities in some cities were affected by the stringent lockdown measures in the wake of a new wave of the pandemic, the production activities recovered rapidly in other cities with relatively less impact. Driven by external export demand, the export performance of textile and apparel industry remained satisfactory. In the first half of 2022, the import volume of textile and apparel products to the United States, which is a major export region of China's textile and apparel, saw a significant increase of approximately 31% to US\$50.63 billion, of which 26.8% came from China. Although China was still the major importer of the United States, its share dropped substantially under the trade sanction measures.

In order to suppress inflation, various countries have implemented monetary tightening policies, which will result in a slowdown in global economic growth in the second half of 2022. Moreover, the uncertain geopolitical situation in Europe, the political and economic tension between China and the United States and other factors have added uncertainties to the export of China's textile and apparel industry. Besides, since the beginning of this year, the prices of major raw materials including raw chemical fibre and cotton have been increasing, and it is difficult to pass on the increase in costs to downstream customers and end consumers under fierce competition environment. Therefore, cost pressure has become the most prominent operating barrier for the textile and apparel industry in China.

BUSINESS REVIEW

The Group has been devoting active efforts to diversifying its business to reduce business risks and expanding source of income. The Group continues to play a role as an original equipment manufacturer (“**OEM**”) innerwear supplier of numerous major international clothing brands, and operates production plants in China and Myanmar.

During the period from 1 January 2022 to 30 June 2022 (“**Period under Review**”), the Group recorded an increase in revenue of approximately 24.4% to approximately RMB236.9 million (2021: RMB190.4 million) by leveraging the opportunities arising from the growth in external export demand, as well as its efforts to control costs and boost sales in existing markets. The gross profit for the Period under Review increased by approximately 35.9% to RMB57.9 million (2021: RMB42.6 million). Profit attributable to shareholders for the period was approximately RMB12.1 million (2021: Loss of RMB1.0 million). During the Period under Review, the revenue from knitted fabrics and innerwear products was approximately RMB65.6 million and RMB171.3 million, respectively.

During the Period under Review, USD continued to strengthen against RMB, the depreciation of which brought certain advantages to the export business. This, coupled with the continuous stable performance of overseas sales, contributed to the relatively stable overall sales performance of the Group. In terms of domestic demand, a new round of pandemic prevention and lockdown policies in China in the first half of the year caused fluctuations in domestic sales performance. However, with the relevant lockdown policies effectively curbing the spread of the pandemic, along with the support of the national “consumption promotion” policy, the domestic sales remained stable during the Period under Review, similar to that of the same period of last year.

During the Period under Review, Japan remained as the largest export region of the Group. However, the Japanese economy narrowed in the first half of 2022. The bilateral trade volume between China and Japan amounted to US\$177.138 billion, representing a year-on-year decrease of 2.1%, among which China’s exports to Japan amounted to US\$83.54 billion, representing a slight increase of 4.4% over the same period of last year. Benefiting from the Group’s long-established relationship with its Japanese customers, the Group’s export sales to Japan maintained a similar performance as compared to the same period of last year under the difficult local economic environment. On the contrary, the number of orders from the United States, another major export region of the Group, dropped under the uncertain Sino-US trade relations, while the number of orders from China and continental Europe was similar to that of the same period of last year.

In the face of gradual economic stability following the pandemic, the Group endeavoured to explore new markets for fabric and innerwear products in order to diversify market risks and seek new development. In terms of production, during the Period under Review, the Group prudently managed the production base in Myanmar. Despite the continuous political instability in Myanmar, the production operation remained normal and the performance of garment processing business was stable.

FINANCIAL REVIEW

Revenue

The following table sets forth a breakdown of the Group's revenue by business segment as a percentage of the Group's total revenue for the six months ended 30 June 2022, with corresponding comparative figures for 2021:

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Knitted fabrics	65,644	27.7	49,351	25.9
Innerwear products	171,269	72.3	141,069	74.1
Total	<u>236,913</u>	<u>100.0</u>	<u>190,420</u>	<u>100.0</u>

For the six months ended 30 June 2022, the Group recorded a revenue of approximately RMB236.9 million (2021: RMB190.4 million), representing an increase of approximately RMB46.5 million, or approximately 24.4%, as compared with that for the corresponding period in 2021. The sales volume of fabrics and innerwear for the six months ended 30 June 2022 were approximately 2,450 tons and 13.8 million pieces respectively (2021: 2,309 tons and 11.4 million pieces respectively). The increase in revenue was mainly due to the increase in the sales of both Group's innerwear products and knitted fabrics from approximately RMB141.1 million and RMB49.4 million, respectively for six months ended 30 June 2021 to approximately RMB171.3 million and RMB65.6 million, respectively for six months ended 30 June 2022.

Revenue from knitted fabrics amounted to approximately RMB65.6 million (2021: RMB49.4 million), representing an increase of approximately RMB16.2 million or 32.8% when compared to the corresponding period in 2021, and accounting for approximately 27.7% (2021: 25.9%) of the total revenue of the Group for the six months ended 30 June 2022. The increase was mainly due to the increase in sales volume. The sales volume of knitted fabrics increased by approximately 6.1% to approximately 2,450 tons for the six months ended 30 June 2022 (2021: 2,309 tons). The knitted fabrics products were mainly distributed to branded customers in China. For the six months ended 30 June 2022, the Group took up more fabric knitting orders than the same period in 2021, which contributed a higher average unit selling price when compare to the fabrics dying orders mainly received in 2021.

Revenue from innerwear products amounted to approximately RMB171.3 million (2021: RMB141.1 million), representing approximately 72.3% (2021: 74.1%) of the total revenue for the six months ended 30 June 2022. The sales of innerwear products increased by RMB30.2 million, or approximately 21.4%. The increase in sales was mainly due to the increase in sales volume of the innerwear products. With the further easing of the COVID-19 pandemic around the world, garment orders were gradually recovering and the Group received more orders from domestic and oversea customers. The sales volume in 2022 amounted to approximately 13.8 million pieces, represented increase of 2.4 million pieces or 21.1% when comparing to the same period in 2021.

Cost of sales

Cost of sales increased by approximately 21.1% from approximately RMB147.8 million for the six months ended 30 June 2021 to approximately RMB179.0 million for the corresponding period in 2022. The increase in cost of sales was mainly due to the increase in the sales of both knitted fabrics and innerwear products for the six months ended 30 June 2022.

Gross profit and gross profit margin

Gross profit increased by approximately RMB15.3 million, or approximately 35.9%, from approximately RMB42.6 million for the six months ended 30 June 2021 to approximately RMB57.9 million for the six months ended 30 June 2022 as a result of the increase in sales of knitted fabric products and innerwear products of the Group. The Group's gross profit margin increased slightly from approximately 22.4% for the six months ended 30 June 2021 to approximately 24.4% for the corresponding period in 2022.

The following table sets forth the Group's gross profits and gross profit margins by products for the six months ended 30 June 2022, with corresponding comparative figures in 2021:

	Six months ended 30 June			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Knitted fabrics	8,222	12.5	1,716	3.5
Innerwear products	<u>49,722</u>	29.0	<u>40,861</u>	29.0
Total	<u>57,944</u>		<u>42,577</u>	

Other income and gains

Other income and gains amounted to approximately RMB5.0 million (2021: RMB0.8 million) for the six months ended 30 June 2022 which comprise mainly exchange gain, reversal of impairment loss on trade receivables and government grant. Such increase was mainly due to increase in exchange gain of RMB0.9 million and reversal of impairment loss on trade receivables of RMB2.5 million.

Selling and distribution expenses

Selling and distribution expenses increased by approximately RMB0.3 million to approximately RMB6.3 million (2021: RMB6.0 million) for the six months ended 30 June 2022. The increase in selling and distribution expenses was mainly due to the increase in sales volume of fabrics products of the Group, as well as the distribution cost of the same products for the six months ended 30 June 2021.

Administrative expenses

Administrative expenses increased by approximately 17.8% to approximately RMB39.0 million (2021: RMB33.1 million) for the six months ended 30 June 2022. The major components of the administrative expenses were staff benefits, depreciation expenses and rental expenses. The increase of the administrative expenses was mainly due to the increase in the cost of benefits of administrative staff in the Period under Review.

Finance costs

Finance costs maintained at approximately RMB2.7 million (2021: RMB2.6 million) for the six months ended 30 June 2022 primarily due to the same level of average bank borrowings when compared to that for the same period in 2021. The effective interest rates charged on bank borrowings for the six months ended 30 June 2022 ranged from 4.80% to 5.22%, which were similar as that of the same period in 2021 (2021: 4.38% to 5.22%).

Profit before tax

The Group's profit before tax was approximately RMB15.0 million (2021: RMB1.7 million) for the six months ended 30 June 2022. Such increase in profit before tax was mainly due to the increase in gross profit and other income and gains.

Income tax expense

Income tax expense increased to approximately RMB2.9 million (2021: RMB2.7 million) for the six months ended 30 June 2022. The Group's effective tax rate for the six months ended 30 June 2022 was 19.3% as compared to 158.8% for the corresponding period in 2021.

Profit (Loss) for the period and profit margin

The Group's profit increased by approximately RMB13.1 million, from approximately a loss of RMB1.0 million for the six months ended 30 June 2021 to a profit of approximately RMB12.1 million for the corresponding period in 2022. The increase in the profit was mainly due to the increase in gross profit and other income and gains.

Inventories

The inventory balances increased to approximately RMB110.1 million as at 30 June 2022 (as at 31 December 2021: RMB88.2 million), reflecting an increase in the purchase of raw materials and the amount of finished goods in anticipation of increase in sales delivery in the second half of 2022. For the six months ended 30 June 2022, the average inventories turnover days was 101 days (for the year ended 31 December 2021: 76 days).

Trade and bills receivables

Trade and bills receivables increased to approximately RMB89.5 million as at 30 June 2022 (as at 31 December 2021: RMB34.7 million). The increase in trade receivables was mainly due to the increase in sales activities near the end of 30 June 2022 and longer credit terms were granted to domestic customers to maintain a better relationship with the customers. The average trade receivables turnover days increased to approximately 48 days (for the year ended 31 December 2021: 37 days).

Trade payables

Trade payables decreased to approximately RMB51.3 million as at 30 June 2022 (as at 31 December 2021: RMB59.8 million). The Group made more purchases of raw materials in anticipation of increased sales orders and delivery, where most of them are paid in advance or by delivery.

Liquidity and financial resources

The Group's principal sources of working capital included cash flow generated from the sales of its products and bank borrowings. As at 30 June 2022, the Group's current ratio (calculated as current assets divided by current liabilities) was approximately 1.6 (as at 31 December 2021: 1.4). As at 30 June 2022, the Group had cash and cash equivalents of approximately RMB114.9 million (as at 31 December 2021: RMB161.4 million), which were mainly generated from and utilised in daily operations, including sales of products, purchase of materials and obtaining of the short-term bank loans of RMB103 million (as at 31 December 2021: RMB103 million). As at 30 June 2022, the Group's gearing ratio (calculated as the total debt as at period-end divided by total assets as at period-end x 100%, where total debts are defined to include both current and non-current interest-bearing borrowings) was approximately 20.8%, as compared to approximately 21.6% as at 31 December 2021.

As at 30 June 2022, the Group had fixed rate bank borrowings of approximately RMB55 million (as at 31 December 2021: RMB55 million) and variable rate bank borrowings of approximately RMB48 million (as at 31 December 2021: RMB48 million). The effective interest rates on the Group's fixed rate borrowings was 4.80% and variable rate bank borrowings was 5.22% per annum, as at 30 June 2022 (as at 31 December 2021: fixed rate bank borrowings 4.80%; variable rate bank borrowings 5.22% per annum). During the Period under Review, there was no material change to the Group's funding and treasury policy.

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

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

Interest rate and foreign currency risk exposure

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

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

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

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities.

Charges on Group assets

As at 30 June 2022, the Group's bank loans were secured by the Group's right-of-use assets and buildings of carrying amounts of approximately RMB10.2 million and RMB91.6 million, respectively (as at 31 December 2021: RMB10.3 million and RMB87.7 million, respectively).

HUMAN RESOURCES

As at 30 June 2022, the Group employed approximately 2,300 employees. Key components of the Group's remuneration packages include basic salary, medical insurance, discretionary cash bonus and retirement benefit scheme. The Group would conduct periodic reviews of the performance of its employees and their salaries and bonuses are performance-based. During the Period under Review, the Group has neither experienced any significant problems with its employees or disruptions to its operations due to labour disputes, nor has it experienced any difficulties in the recruitment and retention of experienced employees. The Group maintains good relationships with its employees.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30 June 2022 (2021: nil).

PROSPECTS

Despite the economy recovering orderly under the new norm in the post-pandemic era, economic growth will continue to slow down, which will in turn affect consumer sentiment in the context of monetary tightening policies of various countries. The severe apparel price inflation in the past year is expected to ease in the second half of the year as the prices of raw materials gradually fall. The market is also looking forward to the possibility of easing sanctions on China's exports to reduce costs due to the persistently high apparel prices in the United States. All these factors have brought variables to the textile and apparel export business in China in the second half of the year.

In the first half of the year, in addition to the impact of pandemic prevention and control and lockdown measures, the textile and apparel industry in China was deeply affected by the rising costs. With the costs stabilising in the second half of the year and the support of the PRC government's "consumption promotion" policy, the market expects that the consumption sentiment will gradually recover, driving the rebound of apparel demand. As the market enters the peak season of textile and apparel consumption in September and October, it is hoped that the domestic market will see significant improvement as compared with the first half of the year.

In the face of various operational uncertainties in the second half of the year, in order to strive for better performance, the Group will insist on diversifying its operational risks by leveraging its advantages in diversified sales regions, increase its sales efforts in China, adjust the production capacity of its production facilities in various regions and actively control costs. Meanwhile, the Group will continue to identify projects with investment and development potential other than its principal business to reduce operational risks while seeking development opportunities with a view to bringing satisfactory returns to shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2022.

MATERIAL ACQUISITIONS AND DISPOSALS

During the six months ended 30 June 2022, the Group did not engage in any material acquisitions or disposals.

EVENT AFTER THE REPORTING PERIOD

As at the date of this interim results announcement, there is no significant event subsequent to 30 June 2022 which would materially affect the Group’s operating and financial performance.

CORPORATE GOVERNANCE

The Company places high value on its corporate governance practice and the Board firmly believes that a good corporate governance practice can improve accountability and transparency for the benefit of its shareholders. The Company has adopted the code provisions and certain recommended best practices contained in the Corporate Governance Code (the “**CG Code**”), as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), as its code of corporate governance. The Board also reviews and monitors the practices of the Company from time to time with an aim to maintain and improve high standards of corporate governance practices. During the six months ended 30 June 2022, the Company has complied with the code provisions set out in the CG Code.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. The Company confirms that, having made specific enquiry of all the Directors, the Directors had complied with the required standards as set out in the Model Code during the six months ended 30 June 2022.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

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

The Audit Committee has reviewed the Group’s unaudited condensed consolidated interim results for the six months ended 30 June 2022.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the Stock Exchange’s website at www.hkexnews.hk and the website of the Company at www.greatimeintl.com. The Company’s interim report for the six months ended 30 June 2022 will be available on the same websites and will be despatched to the Company’s shareholders in due course.

By order of the Board
Greatime International Holdings Limited
廣泰國際控股有限公司
Wang Bin
Chairman

Hong Kong, 29 August 2022

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Wang Bin, Ms. Tian Ying and Mr. Du Shuwei, and one non-executive Director, namely Mr. Zhang Yanlin, and three independent non-executive Directors, namely Mr. Xu Dunkai, Ms. Zhao Weihong and Mr. Hu Quansen.