FORDOO
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CHINA FORDOO HOLDINGS LIMITED
中國虎都控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2399)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "**Board**") of directors (the "**Directors**") of China Fordoo Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2018 (the "**Year**").

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 45.9% to RMB611.0 million (2017: RMB1,129.4 million).
- Gross profit of the Group decreased by 45.0% to RMB208.4 million (2017: RMB378.6 million).
- EBITDA of the Group decreased by 58.5% to RMB45.0 million (2017: RMB108.4 million).
- Net loss of the Group was RMB44.1 million (2017: net profit of RMB22.1 million).
- Basic and diluted loss per share was RMB9 cents (2017: basic and diluted earnings per share of RMB5 cents).
- No final dividend is proposed (2017: Nil).

	2018	2017	Change
Profitability ratios			
Gross profit margin	**34.1%**	33.5%	0.6 ppt
EBITDA margin	**7.4%**	9.6%	–2.2 ppt
Net (loss)/profit margin	**–7.2%**	2.0%	–9.2 ppt
Return on equity[(1)]	**–3.1%**	1.5%	–4.6 ppt
Liquidity ratios			
Inventory turnover (Days)[(2)]	**44**	27	
Trade and bills receivables turnover (Days)[(3)]	**114**	94	
Trade payables turnover (Days)[(4)]	**27**	25	
Capital ratios			
Interest coverage ratios[(5)]	**N/A**	3	
Net Debt to equity ratio (%)[(6)]	**Net Cash**	Net Cash	
Gearing ratio[(7)]	**37.5%**	33.1%	4.4 ppt

Notes:

(1) Net profit for the Year divided by total equity.

(2) Average of the inventory at the beginning and at the end of the Year divided by cost of sales times number of days during the Year.

(3) Average of the trade and bills receivables at the beginning and at the end of the Year divided by revenue (including value-added tax) times number of days during the Year.

(4) Average of the trade payables at the beginning and at the end of the Year divided by costs of sales times number of days during the Year.

(5) Profit before interest and tax for the Year divided by interest expenses of the Year.

(6) Net debt divided by total equity as of the end of the Year. Net debt includes bank and other borrowings and corporate bonds net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank. As at 31 December 2017 and 31 December 2018, the Group recorded a net cash position.

(7) Total debts divided by the total equity.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018
(Expressed in Renminbi)

	Notes	2018 RMB'000	2017 RMB'000
Revenue	4	**611,049**	1,129,418
Cost of sales		**(402,632)**	(750,846)
Gross profit		**208,417**	378,572
Other income and other gains or losses	5	**10,828**	(4,609)
Selling and distribution expenses		**(63,902)**	(104,433)
Administrative and other operating expenses		**(180,064)**	(205,593)
(Loss)/profit from operations		**(24,721)**	63,937
Finance costs	6(a)	**(26,414)**	(21,400)
(Loss)/profit before taxation	6	**(51,135)**	42,537
Share of loss of an associate		**–**	(2,000)
Income tax	7	**6,996**	(18,411)
(Loss)/profit for the year		**(44,139)**	22,126
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		**4,813**	8,872
Total comprehensive (loss)/income for the year		**(39,326)**	30,998
(Loss)/profit attributable to:			
Equity holders of the Company		**(44,437)**	22,126
Non-controlling interest		**298**	–
		(44,139)	22,126
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(39,624)**	30,998
Non-controlling interest		**298**	–
		(39,326)	30,998
(Loss)/earnings per share (RMB cents)			
— Basic and diluted	8	**(9.00)**	4.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018
(Expressed in Renminbi)

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Non-current assets			
Property, plant and equipment		**254,476**	247,327
Biological assets		**2,774**	–
Construction in progress		**359,906**	343,314
Prepayment for construction in progress		**150,000**	150,000
Goodwill		**46,976**	72,456
Deposits placed for life insurance		**6,858**	–
Investment properties		**22,556**	23,743
Lease prepayments		**253,938**	260,238
Intangible assets		**158,012**	201,561
Deposit for acquisition of intangible assets		**12,917**	12,916
Investment in an associate		**–**	–
Deferred tax assets		**58,469**	52,050
Financial assets at amortised cost		**41,612**	–
		1,368,494	1,363,605
Current assets			
Inventories		**44,669**	52,210
Biological assets		**1,871**	–
Trade and other receivables	*9*	**222,880**	286,082
Pledged bank deposits		**70,565**	67,886
Fixed deposits held at bank with original maturity over three months		**12,530**	7,755
Cash and cash equivalents		**541,359**	502,107
		893,874	916,040
Current liabilities			
Trade, bills and other payables	*10*	**244,461**	253,367
Bank and other borrowings		**484,800**	482,992
Current taxation		**8,662**	3,548
		737,923	739,907
Net current assets		**155,951**	176,133
Total assets less current liabilities		**1,524,445**	1,539,738

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Non-current liabilities			
Deferred tax liabilities		**70,225**	87,469
Corporate bonds		**44,494**	–
		114,719	87,469
Net assets		**1,409,726**	1,452,269
Capital and reserves			
Share capital		**3,819**	3,819
Reserves		**1,402,340**	1,448,450
Equity attributable to equity holders of the Company		**1,406,159**	1,452,269
Non-controlling interest		**3,567**	–
Total equity		**1,409,726**	1,452,269

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018
(Expressed in Renminbi unless otherwise indicated)

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries.

These consolidated financial statements are presented in Renminbi ("**RMB**") rounded to the nearest thousand, except when otherwise indicated. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing 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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board ("IASB") that are mandatorily effective for an accounting period that begins on or after 1 January 2018. These amendments have been applied by the Group for the first time in the current year unless otherwise specified. The impact of these amendments are described below.

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

Except as described below, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

(a) IFRS 9 — Financial Instruments

IFRS 9 replaces the provisions of IAS 39 "Financial Instruments: Recognition and Measurement" that relate to the classification and measurement of financial assets and financial liabilities, impairment for financial assets and hedge accounting.

In accordance with the transitional provisions in IFRS 9, the Group has taken the exemption under IFRS 9 not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in opening retained profits as at 1 January 2018. Accordingly, the information presented for 2017 has been presented, as previously reported, under IAS 39.

The amount by which each financial statement line item is affected by the adoption of IFRS 9 on the date of initial application is shown as follows.

	Carrying amount as at 31 December 2017 *RMB'000*	Effect of adoption of IFRS 9 (note ii) *RMB'000*	**Carrying amount as at 1 January 2018** ***RMB'000***
Consolidated statement of financial position (extract)			
Trade and other receivables	286,082	(6,750)	**279,332**
Retained profits (reserves)	(1,160,618)	6,750	**(1,153,868)**

(i) Classification and measurement

From 1 January 2018, all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value on the basis of the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

— debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortised cost;

— debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income ("FVTOCI");

— all other debt investments and equity investments are subsequently measured at fair value through profit or loss ("FVTPL").

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

— the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in other comprehensive income; and

— the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain or loss previously recognised in other comprehensive income is not subsequently reclassified to profit or loss.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment (see note (ii) below).

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities.

On 1 January 2018 (the date of initial application of IFRS 9), the Group has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories.

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018.

	Original measurement category under IAS 39	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39** *RMB'000*	**New carrying amount under IFRS 9** *RMB'000*
Financial assets				
Trade and other receivables	Amortised cost (Loans and receivables)	Amortised cost	270,190	263,440
Pledged bank deposits	Amortised cost (Loans and receivables)	Amortised cost	67,886	67,886
Fixed deposits held at bank with original maturity over three months	Amortised cost (Loans and receivables)	Amortised cost	7,755	7,755
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	502,107	502,107
			847,938	841,188
Financial liabilities				
Trade bills and other payables	Amortised cost	Amortised cost	253,367	253,367
Bank and other borrowings	Amortised cost	Amortised cost	482,992	482,992
			736,359	736,359

The following table reconciles the carrying amounts of financial assets at amortised cost under IAS 39 to the carrying amounts under IFRS 9 on transition to IFRS 9 on 1 January 2018.

	Original carrying amount under IAS 39	**Remeasurement (note (ii))**	**New Carrying amount under IFRS 9**
	RMB'000	*RMB'000*	*RMB'000*
Trade and other receivables	270,190	(6,750)	263,440
Pledged bank deposits	67,886	–	67,886
Fixed deposits held at bank with original maturity over three months	7,755	–	7,755
Cash and cash equivalents	502,107	–	502,107
	847,938	(6,750)	841,188

(ii) Impairment

The impairment of financial assets has changed from the incurred loss model under IAS 39 to the expected credit loss model under IFRS 9. Under the new expected loss approach, it is no longer necessary for a loss event to occur before an impairment loss is recognised. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets. The Group assesses on a forward looking basis the expected credit losses associated with debt instruments carried at amortised cost or FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime expected losses to be recognised from initial recognition of the receivables. The Group has established a provision matrix that is based on the Group's historical default experience, adjusted for factors that are specific to the debtors and an assessment of both the current as well as the forecast direction of conditions.

Applying the expected credit loss model resulted in the recognition of additional impairment for the Group's trade and other receivables on 1 January 2018 as follows:

	RMB'000
Loss allowance at 31 December 2017 under IAS 39	208,201
Additional impairment recognised at 1 January 2018	6,750
Loss allowance at 1 January 2018 under IFRS 9	214,951

The additional impairment is recognised in retained profits, resulting in a decrease in trade and other receivables of approximately RMB6,750,000 and decrease in retained profits of approximately RMB6,750,000 as at 1 January 2018.

(b) ***IFRS 15 Revenue from Contracts with Customers***

IFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. Considering the nature of the Group's principal activities, the adoption of IFRS 15 does not have material impact on the Group's revenue recognition and IFRS 15 had no material impact on amounts and/or disclosures reported in these consolidated financial statements.

2.2 New and revised IFRSs that are not mandatorily effective for the current year

The Group has not applied any of the following new and revised IFRSs that have been issued but are not yet mandatorily effective:

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[2]
IFRIC-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1 and IAS 8	Definition of Materials[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sales and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale.

IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under IAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease. Furthermore, extensive disclosures are required by IFRS 16.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the consolidated financial statements are identified from the consolidated financial statements provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The main operation of the Group is manufacturing and wholesaling of menswear in the PRC.

The following is an analysis of the Group's revenue and results by segment:

Segment revenue and results

	Menswear		Other		Unallocated		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**580,560**	1,129,418	**30,489**	–	**–**	–	**611,049**	1,129,418
Segment result before the following item	**20,435**	467,494	**2,505**	–	**–**	–	**22,940**	467,494
Impairment of inventory	**(3,954)**	–	**–**	–	**–**	–	**(3,954)**	–
Impairment of goodwill	**(25,480)**	–	**–**	–	**–**	–	**(25,480)**	–
Allowance for doubtful debts, net	**(19,280)**	(88,922)	**–**	–	**–**	–	**(19,280)**	(88,922)
Segment result	**(28,279)**	378,572	**2,505**	–	**–**	–	**(25,774)**	378,572
Other revenue and unallocated gains					**1,416**	(4,609)	**1,416**	(4,609)
Corporate and other unallocated expenses					**(26,777)**	(331,426)	**(26,777)**	(331,426)
(Loss)/profit before taxation							**(51,135)**	42,537
Share loss of an associate	**–**	–	**–**	–	**–**	(2,000)	**–**	(2,000)
Tax expense	**7,319**	–	**(420)**	–	**97**	–	**6,996**	(18,411)
(Loss)/profit for the year							**(44,139)**	22,126

The following is an analysis of the Group's assets and liabilities by segments:

Segment assets and liabilities

	Menswear		Other		Unallocated		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**1,398,714**	1,564,511	**63,127**	–	**800,527**	715,134	**2,262,368**	2,279,645
Segment liabilities	**669,112**	695,865	**42,769**	–	**140,761**	131,511	**852,642**	827,376

(a) Geographical information

The following table present the Group's geographical information in terms of revenue for the years ended 31 December 2018 and 2017.

	2018	2017
	RMB'000	*RMB'000*
China	**430,952**	910,210
US	**678**	3,267
Hong Kong	**179,419**	215,941
	611,049	1,129,418

(b) Non-current assets

The principal place of the Group's operation is in mainland China. For the purpose of segment information disclosures under IFRS 8, the Group regards mainland China as its country of domicile. Over 90% of the Group's non-current assets are located in the mainland China.

Information about major customers

Revenue from one of the Group's customers, amounting to RMB88,366,000 (2017: nil) accounted for over 10% of the Group's total revenue.

4. REVENUE

The principal activities of the Group are manufacturing and wholesaling of menswear in the mainland China. Revenue represents the sales value of goods sold less discounts and Value Added Tax ("**VAT**").

Revenue by product type is as follows:

	2018	2017
	RMB'000	*RMB'000*
Men's trousers	**321,860**	603,237
Men's tops	**257,747**	495,544
Accessories	**953**	4,697
Fabrics	**–**	25,940
Online platform and retail stores	**28,130**	–
Foie gras and by products	**2,359**	–
	611,049	1,129,418

One customer with whom transaction has exceeded 10% of the Group's revenue for the year ended 31 December 2018 with approximately RMB88,366,000 from menswear segment (2017: nil).

5. OTHER INCOME AND OTHER GAINS OR LOSSES

	2018	2017
	RMB'000	*RMB'000*
Interest income	**2,336**	4,025
Rental income from investment properties less direct outgoings	**1,472**	1,475
Government grants	**474**	295
Net foreign exchange gain/(loss)	**6,603**	(4,116)
Net loss on disposal of property, plant and equipment	**(278)**	(6,502)
Others	**221**	214
	10,828	(4,609)

Government grants were received from several local government authorities, of which the entitlements were under the discretion of the relevant authorities.

6. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging/(crediting):

		2018	2017
		RMB'000	*RMB'000*
(a)	Finance costs:		
	Interest on corporate bonds	**4,895**	–
	Interest on bank and other borrowings	**21,519**	21,400
		26,414	21,400
(b)	Staff costs (including directors' remuneration):		
	Contributions to defined contribution retirement plans	**3,320**	2,026
	Salaries, wages and other benefits	**72,097**	136,737
	Equity-settled share-based payment expenses for employees	**42**	331
		75,459	139,094
(c)	Other items:		
	Amortisation of lease prepayments	**7,086**	7,109
	Amortisation of intangible assets	**43,650**	18,417
	Depreciation of property, plant and equipment	**17,807**	19,760
	Depreciation of investment properties	**1,187**	1,187
	Auditors' remuneration	**1,928**	1,730
	Research and developments expenses *(note (i))*	**16,129**	19,189
	Cost of inventories *(note (ii))*	**402,633**	750,846
	Allowance for doubtful debts	**20,306**	167,881
	Impairment of inventory	**3,954**	–
	Impairment of goodwill	**25,480**	–
	Operating lease payment	**1,842**	726
	Reversal of allowance for doubtful debts	**(1,026)**	(78,959)

Notes:

(i) Research and development costs include staff costs working in Group's design and product development department. The staff costs disclosed in note 6(b) included such an amount.

(ii) Included in cost of sales are RMB47,683,000 of staff costs, depreciation and amortisation charges for the year ended 31 December 2018 (2017: RMB102,515,000), which are also included in the respective amounts disclosed in note 6(b).

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprises income tax for the year	**16,125**	43,862
Deferred tax credit	**(23,121)**	(25,451)
	(6,996)	18,411

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("**BVI**"), none of the members of the Group are subject to any income tax in the Cayman Islands or BVI.

(ii) No provision has been made for Hong Kong Profits Tax as none of the members of the Group earned any income that was subject to Hong Kong Profits Tax for the years ended 31 December 2018 and 31 December 2017.

(iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprises income tax is calculated based on the statutory rate of 25% of the assessable profits of subsidiaries incorporated in the PRC.

(iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of the basic (loss)/earnings per share are based on the loss attributable to equity owners for the year ended 31 December 2018 of RMB44,437,000 (2017: profit attributable to equity owners RMB22,126,000) and the weighted average number of issued ordinary shares of 480,900,000 (2017: 481,071,000 ordinary shares) during the year ended 31 December 2018, calculated as follows:

(b) Diluted (loss)/earnings per share

The computation of diluted (loss)/earnings per share for the year ended 31 December 2018 does not assumed the exercise of outstanding share options of the Company since the assumed exercise of the share options would result in the decrease in loss per share, calculated as follows:

	Weighted average number of ordinary shares	
	2018	2017
Weighted average number of ordinary shares at 1 January	**480,900,000**	480,900,000
Effect of share options	**–**	170,685
Weighted average number of ordinary shares at 31 December	**480,900,000**	481,070,685

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**425,974**	464,794
Less: Loss allowance for expected credit loss *(note (b))*	**(234,115)**	(208,201)
Trade and bills receivables *(note (a) and (c))*	**191,859**	256,593
Prepayments to suppliers	**15,640**	15,892
Other deposits, prepayments and receivables	**15,381**	13,597
	222,880	286,082

(a) Ageing analysis

At the end of the reporting period, the ageing analysis of trade and bills receivables with net of allowance for doubtful debts, based on invoice date, is as follows:

	2018	2017
	RMB'000	*RMB'000*
Within 3 months	**136,736**	203,068
More than 3 months but within 6 months	**50,881**	44,963
More than 6 months but within 1 year	**4,242**	8,562
	191,859	256,593

Trade receivables are normally due for settlement within 90–180 days from the invoice date.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the recovery of the receivable is remote, in which case the receivable is written off directly.

The movement in the allowance for doubtful debts during the year is as follows:

	2018	2017
	RMB'000	*RMB'000*
At 1 January (1 January 2018 amount has been restated)	**214,835**	119,279
Reversal of allowance for doubtful debts recognised in prior years	**(1,026)**	(78,959)
Impairment loss recognised	**20,306**	167,881
At 31 December	**234,115**	208,201

As at 31 December 2018, the Group's trade receivables with net of allowance for doubtful debts of RMB20,306,000 (2017: RMB167,881,000) were individually determined to be impaired. These individually impaired receivables related to customers that were in financial difficulties and hence the management fully impaired the trade receivables during the year. Reversal of allowance for doubtful debts recognised in prior years were fully received by cash during the year.

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2018	2017
	RMB'000	*RMB'000*
Neither past due nor impaired	**191,859**	248,031
Less than 90 days overdue	**–**	8,562
	191,859	256,593

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Based on experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. TRADE, BILLS AND OTHER PAYABLES

	2018	2017
	RMB'000	*RMB'000*
Trade payable	**27,932**	31,059
Bills payable	**90,350**	82,620
Other payables	**61,996**	40,388
Final payment for acquisition of subsidiaries	**3,500**	29,282
Accruals	**60,683**	70,018
	244,461	253,367

The below is an aging analysis of the trade and bills payables at the end of the reporting period based on relevant invoice dates:

	2018	2017
	RMB'000	*RMB'000*
Within 1 month or on demand	**54,796**	37,214
After than 1 month but within 3 months	**33,486**	19,695
Over 3 months but within 6 months	**30,000**	36,770
Over 6 months but within 1 year	**–**	20,000
	118,282	113,679

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of China Fordoo Holdings Limited (the "**Company**"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**" or "**China Fordoo**") for the year ended 31 December 2018 (the "**Year**").

BUSINESS OVERVIEW

In view of the domestic and global challenges, according to information released by the National Bureau of Statistics of China, the annual growth rate of gross domestic product for 2018 was 6.6% while the growth rate for the fourth quarter was 6.4%, being the lowest level in the past decade. The consumption data showed that the per capita consumption expenditure of the whole country increased by 8.4% over the previous year, and the real growth rate was 6.2% after deducting the price factor. In contrast, the per capita expenditure on apparel consumption increased by only 4.1%, a 120 basis points increase from 2.9% in 2017. Among which, the nominal growth of urban residents' expenditure on apparel was as low as 2.9%, while the nominal growth of rural residents' expenditure on apparel was 5.9%. The retail market in China showed a steady upward trend, however, some segments were not performing satisfactorily. Under the influence of the dynamic environment of the retail industry, including the impacts from the Internet and e-commerce brands, the society has undergone dramatic changes and the consumers' unique spending patterns have changed. Due to the fierce price competition among retailers and increasing operating costs, the overall market conditions were still difficult, especially the increasingly considerable impacts of internet and e-commerce brands on retail stores. As a result, the performance of the Group was inevitably adversely affected. In 2018, the revenue of the Group decreased by 45.9% to RMB611.0 million as compared to last year while net loss for the Year was RMB44.1 million as compared to a net profit of RMB22.1 million last year.

Facing various challenges and uncertainties, the Group continued to enhance its overall operating efficiency by closing and consolidating the underperforming retail outlets, strengthening its control over distributors and sub-distributors, and accelerating the product turnover. At the same time, the Group further enhanced the design and product development capabilities, and continued to invest resources to strengthen its brand building marketing strategies, organize marketing campaigns to enhance customer loyalty and consolidate its self-operated retail network. Apart from the menswear business, the Group has started exploring new opportunities in 2018 to expand and diversify its businesses and activities, with a view to broadening the sources of income of the Group. In the second half of 2018, the Group also expanded its businesses to the hatching, raising and butchering of landes goose business in Shandong, and acquired an online platform and retail stores to retail and distribute consumer goods such as high-end food products in China. As the Group has just carried out the above new businesses which were still in their early stages, these segments did not contribute significant revenue to the Group's annual results for 2018.

Future Prospects

In 2018, the global economy enjoyed steady growth. However, the escalation of trade tensions brought by the rise of protectionism and the gradually tightening monetary policy cast uncertainties over the economic outlook. It is not difficult to predict that the operating environment for the next financial year will continue to be full of challenges, and the customers' spending sentiments will become more prudent. Nevertheless, the Group believes that diversification, segmentation, seamless convergence of online and offline channels, transformation and upgrading are the major trends in the apparel industry. We will continue to take initiatives to review the refined consumer groups and market demands, add in new and high-quality elements and implement innovative concepts while focusing on cost control, so as to cater to customers' personality and fulfil their diversified needs. Besides, the Group will strive to improve product quality, deepen channels, reform the supply chain, and enhance the brand's strengths in order to cope with the negative impacts of adverse market conditions on the Group.

Although the new landes goose farming business and the retail and distribution of consumer goods such as high-end food products via its online platform and retail stores did not contribute substantial revenue to the Group during the Year, the prospects of such segments remain promising. The Group will continue to invest resources in these businesses to unlock their potential values. In addition, the Group will continue to explore other possible investment opportunities with a view to enhancing its value to the shareholders of the Company.

Appreciation

Last but not least, I would like to take this opportunity to extend my sincere gratitude to all shareholders, fellow directors, senior management and staff for their dedication and contribution to the Group's development. I, on behalf of the Board, would like to thank all of our clients, suppliers and business partners for their continuous support and trust. Going forward, we shall remain unwavering in exploring further opportunities and overcoming challenges for attaining better results for the Group.

Kwok Kin Sun
Chairman

Hong Kong, 28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

The Group is one of the leading menswear enterprises in the PRC focusing on the design, sourcing, manufacturing and sales of its branded menswear products.

In 2018, the operating environment of the garment retail industry in China remained tough and highly competitive. The shift in consumer spending patterns from offline to online shopping due to continuous e-commerce boom, intense price competitions among retailers and escalating operating costs had all cast adverse impacts on the Group's performance. In the face of such challenges, the Group continued to implement its strategies by closing certain underperforming retail outlets in order to consolidate its distribution network and improve operating efficiency. The Group also strengthened its control over distributors and sub-distributors and further enhanced its design and product development capabilities. In addition, the Group continued to optimize retail platforms, strengthen its brand building strategies, organize marketing campaigns to enhance customer loyalty and consolidate its self-operated retail network. Since early 2018, the Group has started exploring opportunities to expand and diversify its businesses and activities. In the second half of 2018, the Group successfully acquired the hatching, raising and butchering of landes goose business in Shandong, and set up an online platform and retail stores to retail and distribute consumer goods such as high-end food products in China with a view to creating new sources of income and maximizing the return to the Company and its shareholders in the long run.

Financial Review

For the year ended 31 December 2018, the Group turned to a loss of approximately RMB44.1 million as compared to net profit of RMB22.1 million for the previous year. The incur of loss was mainly attributable to (i) the decline in Group's revenue and gross profit due to the Group's consolidation strategy on its retail outlet network; (ii) the recognition of an impairment loss on goodwill, which arose from our acquisition of the menswear retail business in the PRC in 2017. As of 31 December 2018, the Group had 672 retail outlets (including 2 self-operated retail stores located in Quanzhou and 34 self-operated retail outlets in Beijing), representing a net decrease of 399 retail outlets from 1,071 retail outlets as at 31 December 2017.

(a) Segment revenue and results

The following is an analysis of the Group's revenue and result by segment:

	Menswear		Other		Unallocated		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue	**580,560**	1,129,418	**30,489**	–	**–**	–	**611,049**	1,129,418
Segment result before the following item	**20,435**	467,494	**2,505**	–	**–**	–	**22,940**	467,494
Impairment of inventory	**(3,954)**	–	**–**	–	**–**	–	**(3,954)**	–
Impairment of Goodwill	**(25,480)**	–	**–**	–	**–**	–	**(25,480)**	–
Allowance for doubtful debts, NET	**(19,280)**	(88,922)	**–**	–	**–**	–	**(19,280)**	(88,922)
Segment result	**(28,279)**	378,572	**2,505**	–	**–**	–	**(25,774)**	378,572
Other revenue and unallocated gains					**1,416**	(4,609)	**1,416**	(4,609)
Corporate and other unallocated expenses					**(26,777)**	(331,426)	**(26,777)**	(331,426)
Profit before taxation							**(51,135)**	42,537
Share loss of an associate	**–**	–	**–**	–	**–**	(2,000)	**–**	(2,000)
Tax expense	**7,319**	–	**(420)**	–	**97**	–	**6,996**	(18,411)
Loss for the year							**(44,139)**	22,126

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by segments:

	Menswear		Other		Unallocated		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**1,398,714**	1,564,511	**63,127**	–	**800,527**	715,134	**2,262,368**	2,279,645
Segment liabilities	**669,112**	695,865	**42,769**	–	**140,761**	131,511	**852,642**	827,376

(c) Geographical information

The following table presents the Group's geographical information in terms of revenue for the year ended 31 December 2018 and 2017, and non-current assets as at 31 December 2018 and 2017.

Revenue from external customers

	For the year ended 31 December	
	2018	2017
	RMB million	*RMB million*
China	**430.9**	910.2
Hong Kong	**179.4**	215.9
US	**0.7**	3.3
	611.0	1,129.4

Non-current assets

The principal place of the Group's operations is in the PRC. For the purpose of segment information disclosure under IFRS8, the Group regards the PRC as its country of domicile. Over 90% of the Group's non-current assets are located in the PRC, being single geographical region.

Revenue

For the year ended 31 December 2018, revenue decreased by approximately 45.9% to RMB611.0 million from RMB1,129.4 million for the previous year. The decrease in revenue was primarily due to the Group's consolidation strategy on its retail outlet network and the decrease in wholesale orders as a result of the termination of distribution relationships with some of the Group's distributors who had slow repayment history.

Revenue by Product Type

	For the year ended 31 December				
	2018		2017		**Change**
	RMB million	***% of revenue***	*RMB million*	*% of revenue*	*%*
Apparel					
Men's trousers	**321.9**	**52.7%**	603.2	53.4%	–46.6%
Men's tops	**257.7**	**42.2%**	495.6	43.9%	–48.0%
Accessories	**0.9**	**0.1%**	4.7	0.4%	–80.9%
Fabrics	**–**	**–**	25.9	2.3%	–100.0%
Online platform and retail stores[1]	**28.1**	**4.6%**	–	–	N/A
Foie gras and by products[2]	**2.4**	**0.4%**	–	–	N/A
Total	**611.0**	**100.0%**	1,129.4	100.0%	–45.9%

Men's trousers remained the major revenue contributor and accounted for 52.7% of the total revenue during the Year (2017: 53.4%).

Notes:

(1) In July 2018, the Group acquired 100% of equity interests in 天津悅心億彩電子商務有限公司 (Tianjin Yuexin Yicai E-Commerce Co., Limited*) ("**Tianjin Yuexin**"), which has an online platform and retail stores to retail and distribute consumer goods such as high-end food products in the PRC.

(2) In November 2018, the Group acquired 60% of equity interests in 臨朐東大鵝業有限公司 (Linqu Dongda Goose Industry Company Limited*) ("**Dongda Goose Industry**"), which has its primary business operation in hatching, raising and butchering of landes goose.

Revenue by Product Style

	For the year ended 31 December				
	2018		2017		**Change**
	RMB million	***% of revenue***	*RMB million*	*% of revenue*	*%*
Apparel					
Business Casual	**238.9**	**39.1%**	514.1	45.5%	–53.5%
Business Formal	**81.8**	**13.4%**	204.2	18.1%	–59.9%
Casual(1)	**258.9**	**42.4%**	380.5	33.7%	–32.0%
Accessories	**0.9**	**0.1%**	4.7	0.4%	–80.9%
Fabrics	**–**	**–**	25.9	2.3%	–100.0%
Online platform and retail stores	**28.1**	**4.6%**	–	–	N/A
Foie gras and by products	**2.4**	**0.4%**	–	–	N/A
Total	**611.0**	**100.0%**	1,129.4	100.0%	–45.9%

Casual series became our largest revenue contributor and accounted for 42.4% of the total revenue during the Year (2017: business casual series with 45.5% of the total revenue).

Note:

(1) Casual series include jeans and shorts targeting customers aged between 31 and 60 and men's casual fashion series products targeting customers aged between 18 and 30. Men's casual fashion series include T-shirts, casual shirts, jackets, sweaters, casual trousers, jeans and shorts.

Revenue by Region

Region	For the year ended 31 December				Change
	2018		2017		**Change**
	RMB million	***% of Revenue***	*RMB million*	*% of Revenue*	*%*
Apparel and accessories					
Northern China [1]	**162.2**	**26.5%**	194.8	17.3%	–16.7%
Northeastern China [2]	**2.8**	**0.4%**	28.5	2.5%	–90.2%
Eastern China [3]	**191.9**	**31.4%**	404.5	35.8%	–52.6%
Central Southern China [4]	**10.8**	**1.8%**	101.8	9.0%	–89.4%
Southwestern China [5]	**17.1**	**2.8%**	70.8	6.3%	–75.8%
Northwestern China [6]	**14.7**	**2.4%**	73.7	6.5%	–80.1%
US	**0.7**	**0.1%**	3.3	0.3%	–78.8%
Hong Kong	**179.4**	**29.4%**	215.9	19.1%	–16.9%
Subtotal	**579.6**	**94.8%**	1,093.3	96.8%	–47.0%
Online distributor	**0.9**	**0.2%**	10.2	0.9%	–91.2%
Subtotal	**580.5**	**95.0%**	1,103.5	97.7%	–47.4%
Fabrics	**–**	**–**	25.9	2.3%	–100.0%
Total of Apparel	**580.5**	**95.0%**	1,129.4	100%	–48.6%
Online platform and retail stores	**28.1**	**4.6%**	–	–	N/A
Foie gras and by products	**2.4**	**0.4%**	–	–	N/A
Total	**611.0**	**100.0%**	1,129.4	100.0%	–45.9%

Notes:

(1) Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.

(2) Northeastern China includes Heilongjiang, Jilin and Liaoning.

(3) Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.

(4) Central Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.

(5) Southwestern China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.

(6) Northwestern China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

Eastern China, Northern China and Hong Kong regions remained the major revenue contributors to the Group, and together accounted for 87.3% (2017: 72.2%) of the total revenue.

Cost of Sales

Cost of sales decreased by approximately 46.4% to RMB402.6 million for the year ended 31 December 2018 from approximately RMB750.8 million for the previous year. The decrease was in line with the decrease in revenue during the Year.

The Group continued to manufacture its products either by self-production or OEM purchase. We used our in-house manufacturing facilities to manufacture most of our core products and outsourced the production of accessories and certain apparel products as we continued to expand and diversify our product offering. This flexible manufacturing process allowed us to achieve the best product quality, cost efficiency and flexibility in production arrangement as well as to protect our intellectual property.

During the year ended 31 December 2018, self-production accounted for approximately 60.4% (2017: 67.8%) of the total cost of sales for apparel business, decreased by 7.4 percentage points compared with the year 2017. The decrease was mainly due to the fact that we purchased more high-value products from OEMs and utilized some of our production facilities to fulfill certain lower-value overseas bulk purchase orders.

Gross Profit and Gross Profit Margin

Gross profit for the Year decreased by approximately 45.0% year-on-year to RMB208.4 million (2017: RMB378.6 million). Gross profit margin increased 0.6 percentage points year-on-year to 34.1%.

The increase in gross profit margin was mainly due to the increase in the revenue attributed by self-operated retail outlets and the newly acquired online platform, which had higher gross profit margin.

Other Incomes and Other Gains or Losses

For the year ended 31 December 2018, other incomes and other gains or losses increased by approximately RMB15.4 million to a gain of RMB10.8 million from a loss of RMB4.6 million for the previous year. The increase in other incomes was mainly due to a net increase in foreign exchange gain or loss of RMB10.7 million and a net decrease in net loss on disposal of fixed assets of RMB6.2 million, offset by a decrease in interest income of approximately RMB1.7 million, which was mainly due to the decrease of fixed deposits held at bank with original maturity over three months.

Selling and Distribution Expenses

For the year ended 31 December 2018, selling and distribution expenses decreased by approximately RMB40.5 million year-on-year to RMB63.9 million, accounted for approximately 10.5% of total revenue, which represented a year-on-year increase of 1.3 percentage points. The decrease in selling and distribution expenses was primarily due to (i) a decrease in advertising and promotional expenses; (ii) a decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops; and (iii) a decrease in packaging material expenses as a result of decreased sales volume.

Included in the amount were advertising and promotional expenses of approximately RMB17.1 million in total, which accounted for approximately 2.8% of the total revenue, decreased by 1.6 percentage points compared to the previous year. The Group continued to take initiatives to promote its corporate image through multi-channel marketing campaigns.

Administrative and Other Operating Expenses

For the year ended 31 December 2018, the Group's administrative and other operating expenses decreased by approximately RMB25.5 million year-on-year to RMB180.1 million, accounting for approximately 29.5% of total revenue, which represented a year-on-year increase of 11.3 percentage points. Included in the amount were provisions for bad and doubtful debt of approximately RMB19.2 million (2017: RMB88.9 million) in total. As a result of the prudent account receivable provision policy adopted before, after termination distribution relationships with some distributors who had slow repayment history in the previous year, we are glad to see that the account receivables have improved and provision for bad and doubtful debts has been reversed. The Group also recognized an impairment loss on goodwill of approximately RMB25.5 million (2017: Nil), which arose from the acquisition of the menswear retail business in the PRC in 2017. The impairment was mainly due to the fact that financial performance of the retail business was less than expected for the year ended 31 December 2018. Excluding the effect of the account receivables provision and goodwill impairment, the Group's administrative and other operating expenses for the year ended 31 December 2018 had increased by 12.6% compared to the previous year. This was mainly attributable to the increase in amortization of intangible assets, offset by the decrease of other general operating expenses.

Finance Costs

For the year ended 31 December 2018, finance cost increased by 23.4% year-on-year to approximately RMB26.4 million (2017: RMB21.4 million), which was mainly due to an increase in corporate bonds and higher average interest rate.

Income Tax

For the year ended 31 December 2018, income tax decreased by approximately RMB25.4 million year-on-year to a negative RMB7.0 million (2017: positive RMB18.4 million). The negative in income tax was mainly due to the decrease of profit before taxation and the increase in deferred tax assets due to the increase in amortization of intangible assets and impairment of goodwill.

Loss Attributable to Shareholders of the Company

Loss attributable to the shareholders of the Company (the "**Shareholders**") for the Year was approximately RMB44.4 million (2017: profit of RMB22.1 million).

The Board has resolved not to recommend the payment of a final dividend for the Year (2017: Nil).

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the year ended 31 December 2018:

Region	As of 1 January 2018	Number of stores: Stores opened during the period	Stores closed during the period	As of 31 December 2018
Northern China	170	6	73	**103**
Northeastern China	64	7	33	**38**
Eastern China	340	15	117	**238**
Central Southern China	159	10	97	**72**
Southwestern China	112	4	68	**48**
Northwestern China	181	5	49	**137**
Subtotal	1,026	47	437	**636**
Self-operated retail outlets	45	2	11	**36**
Total	1,071	49	448	**672**

As of 31 December 2018, our distribution network comprised 50 distributors (including one online distributor) and 104 sub-distributors who operated 636 retail outlets, spanning over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. We also sell our products directly to end customers through our 2 self-operated retail outlets in Quanzhou, Fujian Province and 34 self-operated retail outlets in Beijing.

The Group adopted a cautious view, suspended our expansion plan, and consolidated and closed down certain under-performing outlets in sales network in 2018. The Group primarily sells its products on a wholesale basis to its third-party distributors, who then sell the products to end customers through retail outlets or resell the products to their sub-distributors, who in turn sell the products to end customers through retail outlets operated by those sub-distributors.

We have 2 self-operated retail outlets in Quanzhou, Fujian Province, which are flagship stores to showcase our expectation and standards of a store environment to our distributors and their sub-distributors. We also have 34 self-operated retail outlets in Beijing since we acquired 北京浩垠服飾有限公司 (Beijing Haoyin Clothing Co., Ltd), which engages in menswear retail business in the PRC, during the year 2017.

As of 31 December 2018, the Group had 672 retail outlets (including the 2 self-operated retail stores in Quanzhou and self-operated 34 retail outlets in Beijing), representing a net decrease of 399 retail outlets from 1,071 retail outlets as at 31 December 2017. The Group realigned its stores network and closed down certain under-performing retail outlets.

As of 31 December 2018, 87.6% of the retail outlets were located in department stores or shopping malls whereas 12.4% of the retail outlets were standalone stores.

We continued the strategy to further penetrate the markets in the lower tier cities in the PRC, where we already had significant presence. We believe there is strong demand for quality branded products and higher potential for growth in the number of retail outlets in the lower tier cities in the PRC due to a higher growth rate of urbanization and faster rising disposable income in these regions as compared to the higher tier cities.

As of 31 December 2018, approximately 34.8% of our retail outlets were located in first-tier cities and second-tier cities and the remaining retail outlets were located in lower tier cities including third-tier and fourth-tier cities. We believe our footprint has provided us with a strong foundation to capture future growth opportunities arising from different regions in the PRC.

The following table shows the number of retail outlets (including 2 self-operated retail outlets in Quanzhou and 34 self-operated retail outlets in Beijing) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2018:

	Number of stores			
Region	**As of 31 December 2018**		As of 31 December 2017	
First-tier cities (1)	**57**	**8.5%**	79	7.4%
Second-tier cities (2)	**177**	**26.3%**	241	22.5%
Third-tier cities (3)	**287**	**42.7%**	412	38.5%
Fourth-tier cities (4)	**151**	**22.5%**	339	31.6%
	672	**100.0%**	1,071	100.0%

Notes:

(1) First-tier cities include Beijing, Shanghai, Shenzhen and Guangzhou.

(2) Second-tier cities include the capitals of provinces in the PRC (excluding Guangzhou), municipalities under the direct administration of the PRC central government (excluding Shanghai and Beijing), and the capital of the autonomous regions in the PRC.

(3) Third-tier cities include prefecture-level cities in the PRC, excluding any first- and second-tier cities.

(4) Fourth-tier cities include country-level and other township-level cities.

In addition, the Group sold a small quantity of its products to an online distributor, who then sold the products to end customers through different third-party online platforms such as Tmall.com and JD.com.

Distribution Channel Management

As of 31 December 2018, the Group's distribution network included 50 distributors (2017: 65) and 104 sub-distributors (2017: 149). Among the 50 distributors, 10 (including their predecessors) had business relationships with us for more than eight years. We believe that we have cultivated strong, stable and long-standing relationships with our distributors, which have been core to our brand building efforts as well as our strong operating track record.

To facilitate our management over our distributors and retail outlets, we divide our distribution network into different regions in the PRC. We have assigned management teams dedicated to each of the regions. Each team is responsible for soliciting and selecting potential distributor candidates, supervising and communicating with our distributors and monitoring and conducting on-site inspections of retail outlets within their respective region. The Group has entered into a form of distribution agreements with its distributors, which contains additional terms, including, among other things, that the distributors are required to provide the Group with quarterly sales reports which contain information on their number of retail outlets, sales and inventory level of "FORDOO" products and the distributors are required to enter into sub-distribution agreements with their sub-distributors that are on substantially the same terms and conditions of the form of sub-distribution agreement provided by the Group.

The Group provides training for its distributors and their management teams. The training programs cover brand image, marketing strategies, operational best practice of other distributors as well as product knowledge. We also provide general training at our sales fairs to our distributors and their sub-distributors regarding market development, customer preferences, our design theme, production techniques and fabrics used and allow them to share operating knowledge and provide feedback from their retail outlets.

Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. During the Year, the Group invested moderately in advertising and promotion to enhance its brand awareness, including organizing presentation events for new products and engaging in online advertisement through internet, e.g. www.163.com, and software value-added services to improve our brandname.

The Group continued to upgrade its existing retail outlets to enhance and reinforce its brand image. The Group decorated 49 new stores and renovated 43 existing stores during the Year. We endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

Design and Product Development

The Group always puts great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. As of 31 December 2018, our product design and development team consisted of 56 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and their sub-distributors. We review our distributors' orders placed at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2018 autumn/winter collections and 2019 spring/summer collections were held in March 2018 and September 2018, respectively.

Liquidity and Financial Resources

As at 31 December 2018, the total cash and bank balances of the Group were approximately RMB624.5 million (2017: RMB577.7 million), comprising cash and cash equivalents of approximately RMB541.4 million (2017: RMB502.1 million), pledged bank deposits of approximately RMB70.6 million (2017: RMB67.9 million), and fixed deposits held at bank with original maturity over three months of approximately RMB12.5 million (2017: RMB7.7 million).

As at 31 December 2018, the Group had a total of interest bearing borrowings of RMB529.3 million (2017: RMB483.0 million) comprising bank borrowings of approximately RMB434.8 million (2017: RMB483.0 million), corporate borrowings of approximately RMB50.0 million (2017: Nil) and corporate bonds of approximately RMB44.5 million (2017: Nil). The Group's borrowings were primarily denominated in RMB and HK$ (2017: in both RMB and HK$) and bear interest at the fixed rate (2017: RMB393.8 million at fixed rate and RMB89.2 million at variable rate) ranging from 3.75% to 9.0% (2017: 2.6% to 5.66%) per annum.

The maturity profile of the borrowings as at 31 December 2018 was as follows:

	2018		2017	
	RMB million	*%*	*RMB million*	*%*
— Within 1 year or on demand	**434.8**	**82.1%**	483.0	100.0%
— Over 1 but within 2 years	**26.5**	**5.0%**	–	–
— Over 2 but within 5 years	**7.7**	**1.5%**	–	–
— Over 5 years	**60.3**	**11.4%**	–	–
Total	**529.3**	**100.0%**	483.0	100.0%

As at 31 December 2018, the Group had a net cash balance of approximately RMB95.2 million (2017: RMB94.7 million). The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%. As at 31 December 2018, the gearing ratio was 37.5% (2017: 33.1%). The increase was mainly due to the increase of interest bearing borrowings.

As at 31 December 2018, the Group's total equity decreased by approximately RMB42.6 million to approximately RMB1,409.7 million (2017: RMB1,452.3 million). The decrease was mainly due to the decrease of intangible assets and goodwill, and the increase of corporate bonds.

Trade Working Capital Ratios

The Group's average inventory turnover days was 44 days for the Year, an increase of 17 days from 27 days for the previous year. The increase was mainly due to the termination of distribution relationship with some distributors who have slow repayment history during the Year, which some of them had already placed orders in the 2018 spring/summer and 2018 autumn/winter sales fair.

The Group's average trade receivables turnover days was 114 days for the Year, an increase of 21 days from 94 days for the previous year. Netting the balance of RMB214.9 million provision on the book at the beginning of the Year, a provision of RMB19.2 million was made during the Year. As at 31 December 2018, the Group's total trade receivables decreased by approximately 25.2% year-on-year to RMB191.9 million (31 December 2017: RMB256.6 million).

The Group's average trade payables turnover days was 27 days for the Year, an increase of 2 days from 25 days for the previous year. We normally have 30 to 60 days credit period from our suppliers.

The Group recorded a net cash position as at 31 December 2018 and 31 December 2017.

The Group regularly and actively monitors its capital structure to ensure there is sufficient working capital to operate its business and to maintain a balanced capital structure between providing steady returns to the Shareholders and benefits to its other stakeholders and having an adequate level of borrowing and security.

Charges of Assets

As at 31 December 2018, secured bank borrowings were secured by bank deposits, certain buildings, investment properties and land use rights with carrying value of RMB70.6 million (2017: RMB67.9 million), RMB218.9 million (2017: RMB233.4 million), RMB22.6 million (2017: RMB23.7 million) and RMB253.1 million (2017: RMB260.2 million), respectively.

Significant Investment, Material Acquisition and Disposal of Subsidiaries and Associated Companies

Acquisition of E-Commerce Online Platform

In July 2018, we completed an acquisition, which pursuant to the share transfer agreement to acquire 100% of the equity interests in Tianjin Yuexin, for a total cash consideration of RMB10,000,000 (the "**E-Commerce Acquisition**"). Tianjin Yuexin has an online platform and retail stores to retail and distribute consumer goods such as high-end food products in the PRC. For details, please refer to the announcement of the Company dated 31 July 2018.

Subscribe for Investment Fund

In August 2018, an indirect wholly-owned subsidiary of the Company, Beijing Ruibao Investment Fund Co., Limited* (北京瑞保投資基金有限公司) and China Bohai Bank Co., Ltd* (渤海銀行股份有限公司) entered into a subscription agreement, pursuant to which the Subscriber has agreed to subscribe for New Retail Industry Merger and Acquisition Private Equity Investment Fund* (新零售產業併購私募投資基金) (target fund size of RMB200,000,000) at a total consideration of RMB40,000,000 with a return of 12% per annum, being the benchmark interest rate (the "**Subscription**"). For details, please refer to the announcement of the Company dated 1 August 2018.

Acquisition of Goose Factory

In November 2018, we completed an acquisition, which pursuant to the share transfer agreement to acquire 60% of the equity interests in Dongda Goose Industry, for a total cash consideration of RMB5,000,000 (the "**Goose Industry Acquisition**"). Dongda Goose Industry operates in Shandong with its primary business operation in hatching, raising and butchering of landes goose. Landes goose is of French origins. It is renowned for storing significant amount of fat in its liver. This natural physiological capacity allows production of high-quality foie gras and goose liver paste products.

Except for the above E-Commerce Acquisition, Subscription and Goose Industry Acquisition during the Year, there was no other significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company.

Future Plans for Material Investments and Capital Assets

Fordoo commercial center

Our Fordoo commercial center project in Hui'an is under the construction stage. The whole project is principally funded by cash generated from our operations and bank borrowings. To cooperate with the facilitates of the government, we expect the whole constructions will be completed by 2021.

Capital Commitments and Contingencies

As at 31 December 2018, the Group had a total capital commitment of RMB182.9 million. It was primarily related to the proposed construction of Fordoo commercial centre in Hui'an, Fujian Province. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 31 December 2018, the Group had no material contingent liabilities.

Foreign Currency Exposure

The functional currency of the Company is Hong Kong dollar and the Company's financial statements are translated into Renminbi for reporting and consolidation purpose. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts its business transactions principally in Renminbi, other than the US dollar fixed deposit held in bank, the exchange rate risk at the Group's operational level is not significant. The Group does not employ any financial instruments for hedging purpose.

Employees, Training, and Development

The Group had a total of 1,460 employees as at 31 December 2018 (2017: 2,169). Total staff costs for the year amounted to approximately RMB15.6 million (2017: RMB139.1 million).

The Group places strong emphasis on recruiting quality personnel from universities and technical schools and provides on-going training and development opportunities to our staff members. Our training programs cover topics such as sales and production, customer service, quality control, sales fairs planning and pre-employment training. We also provide training on workplace ethics, fire protection and other areas relevant to the industry. We believe that staff training plays an important role in recruiting and retaining talent as well as enhancing employees' loyalty.

The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission/bonuses and share options, based on factors such as market rates, responsibility, job complexity and the Group's performance.

Dividend

The Directors do not recommend the declaration of the payment of a final dividend for the Year.

Closure of Register of Members

The register of members of the Company will be closed from Monday, 27 May 2019 to Friday, 31 May 2019 (both days inclusive) for the purpose of determining entitlements of Shareholders to attend and vote at the forthcoming annual general meeting (the "**2019 AGM**"). In order to qualify for attending and voting at the 2019 AGM, all transfers of Shares accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Friday, 24 May 2019.

Use of Proceeds

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 July 2014 with net proceeds (the "**Net Proceeds**") from the global offering of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the financial year in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014 (the "**Prospectus**"). As at 31 December 2018, the Group had utilised HK$380.4 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$74.3 million.

The following table sets forth a breakdown of the use of the Net Proceeds during the Year:

Use of net proceeds	**Available for use** *HK$million*	**Utilized (as at 31 December 2018)** *HK$million*	**Unutilized (as at 31 December 2018** *HK$million*
Brand promotion and marketing,	122.8	(122.8)	–
Research, design and product development	90.9	(42.1)	48.8
Repay a portion of our bank borrowings	90.9	(90.9)	–
Expand distribution network and provide storefront decoration	59.1	(59.1)	–
Install ERP system	45.5	(20.0)	25.5
Working capital and other general corporate purposes	45.5	(45.5)	–
	454.7	(380.4)	74.3

The proceeds not utilised were deposited into interest bearing bank accounts with licensed commercial banks in China. The Directors intend to continue to apply the unused proceeds in the manner as set out in the Prospectus.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of securities on the Stock Exchange (the "**Listing Rules**") (the "**Model Code**") as the Company's code of conduct regarding Directors' securities transactions. Upon specific enquiries, all Directors confirmed that they have complied with the relevant provisions of the Model Code throughout the Year.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules up to the date of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the Year.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Directors, the Company has complied with all applicable code provisions of the CG Code as set out in Appendix 14 to the Listing Rules during the year ended 31 December 2018, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Cheung Chiu Tung and Ms. Huang Yumin, both independent non-executive Directors and Ms. Yuan Mei Rong, an executive Director, were not able to attend the 2018 AGM held on 17 May 2018.

The Board currently comprises three executive Directors and three independent non-executive Directors, with independent non-executive Directors representing 50% of the Board, which is higher than the requirement of the Listing Rules. Such a high percentage of independent non-executive Directors on the Board can ensure their views carrying significant weight and reflecting independence of the Board. On the above basis, the Board considers that the current board structure will not impair the balance of power and the authority of the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS

As disclosed in the Prospectus, the Company has agreed with Human Resources and Social Welfare Bureau of Fengze District, Quanzhou (the "**Bureau**") on a five-year social insurance fund contribution scheme (the "**Five-year Scheme**"). According to the Five-year Scheme, the Company expects to make future social insurance fund contributions for all of its eligible employees gradually in accordance with the relevant PRC laws and regulations in the five years from 2014 to 2018. The Bureau has also agreed not to impose any fine on the Company if the Company can fully make the social contributions in accordance with the Five-year Scheme.

Our Directors have reviewed and considered that the Company has fully made the necessary social contributions for the year ended 31 December 2018 in accordance with the Five-year Scheme.

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China and Hong Kong. During the Year and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China and Hong Kong, including those governing labor and safety and emissions control. Our Directors are not aware of any legal, arbitration or administrative proceedings against the Company that will have a material adverse effect on our business, financial condition or results of operations.

IMPORTANT EVENTS AFTER THE REPORT PERIOD

On 13 March 2019, the Company entered into a memorandum of understating ("**MOU**") in relation to the possible acquisition of Karhoe Company Limited (嘉禾有限公司), a company established in the BVI which operates through its wholly owned subsidiary with its primary business operation engaged in property development and management in Liao Ning, the PRC (the "**Possible Acquisition**"). As at the date of this announcement, the Possible Acquisition has not materialised, and the provisions of the MOU are not legally binding save for the provisions relating to confidentiality and governing law and jurisdiction.

The Group considers that the Possible Acquisition, if materialised, will enable the Group to diversify and tap into assets management services business, thereby creating new sources of income.

For further details of the Possible Acquisition, please refer to the announcement of the Company dated 13 March 2019.

REVIEW OF ANNUAL RESULT

The audit committee (the "**Audit Committee**") consists of the three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and Ms. Huang Yumin. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, internal control and risk management systems, and has reviewed the audited annual financial results for the year ended 31 December 2018.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual report for the Year will be dispatched to the shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.fordoo.cn in due course. This announcement can also be accessed on the above websites.

By Order of the Board
China Fordoo Holdings Limited
Kwok Kin Sun
Chairman and Executive Director

Hong Kong, 28 March 2019

As at the date of this announcement, the executive directors of the Company are Mr. Kwok Kin Sun, Mr. Kwok Hon Fung and Ms. Mo Wei; and the independent non-executive directors of the Company are Mr. Cheung Chiu Tung, Ms. Huang Yumin and Mr. Poon Yick Pang Philip.

* *For identification purposes only*