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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "**Board**") of directors (the "**Directors**") of China Fordoo Holdings Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2019.

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 51.5% to RMB152.2 million (2018: RMB314.1 million).
- Gross profit of the Group decreased by 47.0% to RMB55.6 million (2018: RMB104.8 million).
- Net loss of the Group was RMB56.0 million (2018: net loss of RMB7.1 million).
- Basic and diluted loss per share was RMB11.6 cents (2018: basic and diluted loss per share of RMB1.47 cents).

	For the six months ended		
	30 June 2019	30 June 2018	**Change**
Profitability ratios			
Gross profit margin	**36.5%**	33.4%	3.1 ppt
Net loss to revenue	**–36.8%**	–2.3%	–34.5 ppt
Return on equity (1)	**–4.1%**	–0.5%	–3.6 ppt
	As at 30 June 2019	As at 30 June 2018	
Liquidity ratios			
Inventory turnover (Days) (2)	**78**	46	
Trade receivables turnover (Days) (3)	**182**	129	
Trade payables turnover (Days) (4)	**57**	28	
	As at 30 June 2019	As at 30 December 2018	
Capital ratios			
Interest coverage ratios (5)	**N/A**	N/A	
Net debt to equity ratio (6)	**Net Cash**	Net Cash	
Gearing ratio (7)	**37.9%**	37.5%	0.4 ppt

Notes:

(1) Net loss for the period divided by total equity.

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

(3) Average of the trade receivables at the beginning and at the end of the period divided by revenue times number of days during the period.

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

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

(6) Net debt divided by total equity as of the end of the period. Net debt includes bank borrowings net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank. As at 30 June 2019 and 31 December 2018, the Group recorded a net cash position.

(7) Total debts divided by the total equity as of the end of the period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 — unaudited
(Expressed in Renminbi)

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
Revenue	*4*	**152,248**	314,098
Cost of sales		**(96,692)**	(209,343)
Gross profit		**55,556**	104,755
Other income and other gains or losses	*5*	**7,516**	4,068
Selling and distribution expenses		**(28,980)**	(25,863)
Administrative and other operating expenses		**(83,387)**	(75,880)
(Loss)/profit from operations		**(49,295)**	7,080
Finance costs	*6(a)*	**(15,634)**	(12,427)
Loss before taxation	*6*	**(64,929)**	(5,347)
Income tax	*7*	**8,975**	(1,733)
Loss for the period		**(55,954)**	(7,080)
Other comprehensive (expense)/income for the period			
Item 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**")		**(317)**	5,154
Total comprehensive expense for the period		**(56,271)**	(1,926)
Loss attributable to:			
Equity holders of the Company		**(55,883)**	(7,080)
Non-controlling interest		**(71)**	–
		(55,954)	(7,080)
Total comprehensive expense attributable to:			
Equity holders of the Company		**(56,200)**	(1,926)
Non-controlling interest		**(71)**	–
		(56,271)	(1,926)
Loss per share (RMB cents)			
Basic and diluted	*8*	**(11.6)**	(1.47)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019 — unaudited
(Expressed in Renminbi)

	Notes	**At 30 June 2019** *RMB'000* **Unaudited**	At 31 December 2018 *RMB'000* Audited
Non-current assets			
Property, plant and equipment		**244,832**	254,476
Biological assets		**3,177**	2,774
Construction in progress		**370,498**	359,906
Prepayment for construction in progress		**150,000**	150,000
Goodwill		**46,976**	46,976
Deposits placed for life insurance		**6,904**	6,858
Investment properties		**21,962**	22,556
Lease prepayments		**–**	253,938
Right-of-use assets		**252,895**	–
Intangible assets		**136,120**	158,012
Deposit for acquisition of intangible assets		**12,917**	12,917
Financial assets at amortised cost		**39,612**	41,612
Deferred tax assets		**65,330**	58,469
		1,351,223	1,368,494
Current assets			
Inventories		**38,840**	44,669
Biological assets		**2,867**	1,871
Trade, bills and other receivables	*9*	**144,361**	222,880
Pledged bank deposits		**17,092**	70,565
Fixed deposits held at bank with original maturity over three months		**6,360**	12,530
Cash and cash equivalents		**575,118**	541,359
		784,638	893,874
Current liabilities			
Trade, bills and other payables	*10*	**199,410**	244,461
Bank and other borrowings	*11*	**414,800**	434,800
Corporate bonds	*12*	**25,210**	–
Lease liabilities		**1,711**	–
Tax liabilities		**3,170**	8,662
		644,301	687,923
Net current assets		**140,337**	205,951
Total assets less current liabilities		**1,491,560**	1,574,445

	Notes	At 30 June 2019 RMB'000 Unaudited	At 31 December 2018 RMB'000 Audited
Non-current liabilities			
Bank and other borrowings	*11*	**35,173**	50,000
Corporate bonds	*12*	**37,972**	44,494
Lease liabilities		**160**	–
Deferred tax liabilities		**64,800**	70,225
		138,105	164,719
Net assets		**1,353,455**	1,409,726
Capital and reserves			
Share capital		**3,819**	3,819
Reserves		**1,346,140**	1,402,340
Equity attributable to equity holders of the Company		**1,349,959**	1,406,159
Non-controlling interest		**3,496**	3,567
Total equity		**1,353,455**	1,409,726

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019
(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("**IAS**") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("**IASB**"). It was authorised for issue on 28 August 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of China Fordoo Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") since the 2018 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

The interim financial information is unaudited, but has been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, Review of interim financial information performed by the independent auditor of the entity, issued by the Hong Kong Institute of Certified Public Accountants.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of new standards as set out below.

In the current interim period, the Group has adopted all the new standards, amendments and interpretations (the "**new and amended IFRSs**") issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2019. Except as described below, the adoption of these new and amended IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior accounting period.

The Group has not early applied any new and revised IFRSs that are not yet effective for the current period.

The Group has initially adopted IFRS 16 "Lease" from 1 January 2019 and the Group has changed its accounting policies as a result of adopting this standard. The impact of the adoption of this standard and the nature and effect of the change in accounting policies are further described below.

IFRS 16 — Lease

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and the related interpretations.

(a) Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments. The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

(b) Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

iv. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB942,000 and right-of-use assets of RMB254,898,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.59%.

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the condense consolidated statement of financial position as at 1 January 2019:

	RMB'000
Operating lease commitment as of 31 December 2018	1,615
Less: recognition exemption — short-term leases	(581)
Less: future interest expenses	(92)
Total lease liabilities as of 1 January 2019	942
Lease liabilities	
Current	548
Non-current	394
	942

The Carrying amount of right-of-use assets as at 1 January 2019 comprises as following:

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	942
Reclassified from prepaid rent	18
Reclassified from lease prepayments	253,938
	254,898

3 SEGMENT INFORMATION

Operating segments and the amounts of each segment item reported in the condensed consolidated interim financial statements are identified from the condensed consolidated interim 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.

(a) Segment revenue and results

	Menswear		Other		Unallocated		Consolidated	
	Six months ended 30 June 2019	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018	**Six months ended 30 June 2019**	Six months ended 30 June 2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Revenue	**140,463**	314,098	**11,785**	–	**–**	–	**152,248**	314,098
Segment result before the following item	**9,290**	30,238	**(10,532)**	–	**–**	–	**(1,242)**	30,238
Amortisation of intangible assets	**(21,892)**	(21,867)	**–**	–	**–**	–	**(21,892)**	(21,867)
Allowance for doubtful debts, net	**(29,708)**	(889)	**(100)**	–	**–**	–	**(29,808)**	(889)
Segment result	**(42,310)**	7,482	**(10,632)**	–	**–**	–	**(52,942)**	7,482
Other revenue and unallocated gains or loss					**4,084**	166	**4,084**	166
Corporate and other unallocated expenses					**(16,071)**	(12,995)	**(16,071)**	(12,995)
Loss before taxation							**(64,929)**	(5,347)
Tax expense	**9,014**	(1,733)	**(39)**	–	**–**	–	**8,975**	(1,733)
Loss for the period							**(55,954)**	(7,080)

(b) Segment assets and liabilities

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

	Menswear		Other		Unallocated		Consolidated	
	At 30 June 2019	At 31 December 2018	**At 30 June 2019**	At 31 December 2018	**At 30 June 2019**	At 31 December 2018	**At 30 June 2019**	At 31 December 2018
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**1,282,119**	1,398,714	**54,720**	63,127	**799,022**	800,527	**2,135,861**	2,262,368
Total liabilities	**592,983**	669,112	**45,211**	42,769	**144,212**	140,761	**782,406**	852,642

Note: Unallocated assets and liabilities mainly represent those relating to a commercial center project located in Hui'an, the PRC, which is under the construction stage.

(c) Geographical information

The following tables present the Group's geographical information in terms of revenue for the six months ended 30 June 2019 and 2018, and non-current assets as at 30 June 2019 and 31 December 2018.

Revenue from external customers

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PRC	**142,748**	201,431
Hong Kong	**9,500**	112,667
	152,248	314,098

The revenue information above is based on the locations of the customers.

Non-current assets

The principal place of the Group's operation is in the PRC. For the purpose of segment information disclosures under IFRS 8, 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.

4 REVENUE

The principal activities of the Group are manufacturing and wholesaling of menswear in the PRC. Revenue represents the sales value of goods sold less discounts and Value Added Tax.

Revenue by product type is as follows:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Men's trousers	**105,185**	175,712
Men's tops	**34,703**	137,973
Accessories	**548**	413
Online platform and retail stores	**6,504**	–
Foie gras and by products	**5,308**	–
	152,248	314,098

5 OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income	**2,866**	123
Rental income from investment properties less direct outgoings	**738**	729
Government grants	**313**	236
Net foreign exchange (loss)/gain	**(1,017)**	2,926
Loss on disposal of property, plant and equipment	**(303)**	(158)
Consultancy service income	**939**	–
Fair value gain on biological assets	**1,399**	–
Others	**2,581**	212
	7,516	4,068

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

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Corporate bonds	**3,271**	330
Interest on bank and other borrowings	**12,309**	12,097
Interest on lease liabilities	**54**	–
	15,634	12,427
(b) Staff costs:		
Contributions to defined contribution retirement plans	**543**	918
Salaries, wages and other benefits	**23,311**	43,731
Equity-settled share-based payment expenses for employees	**–**	27
	23,854	44,676
(c) Other items:		
Amortisation of lease prepayments	**–**	3,554
Amortisation of intangible assets	**21,892**	21,867
Depreciation of property, plant and equipment	**9,328**	9,045
Depreciation of investment properties	**594**	594
Depreciation of right-of-use assets	**4,346**	–
Research and developments expenses *(note (i))*	**4,129**	8,616
Cost of inventories *(note (ii))*	**112,851**	209,343
Allowance for doubtful debts	**29,808**	889
Operating lease payment	**508**	967
Reversal of allowance for doubtful debts	**(98)**	(957)
Write down of inventories	**–**	4,739

Notes:

(i) Research and development costs include staff costs of employees in the design and product development department of RMB2,207,000 (six months ended 30 June 2018: RMB4,168,000) which are included in the staff costs as disclosed in note 6(b).

(ii) Cost of inventories includes RMB13,970,000 (six months ended 30 June 2018: RMB34,393,000) relating to staff cost, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

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

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax		
Provision for PRC corporate income tax for the period	**3,311**	8,326
Deferred tax		
Origination and reversal of temporary differences	**(12,286)**	(6,593)
	(8,975)	1,733

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

(ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2019 and 2018.

(iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory rate of 25% of the assessable profits of the 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 PER SHARE

Basic loss per share is calculated by dividing the loss for the period attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The computation of diluted loss per share for the period ended 30 June 2019 and 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 follow.

The calculation of basic and diluted loss per share is based on the following:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss attributable to equity holders of the Company *(RMB'000)*	**(55,883)**	(7,080)
Weighted average number of shares for basic loss per share *('000 shares)*	**480,900**	480,900
Adjustments for share options *('000 shares)*	**–**	–
Weighted average number of shares for diluted loss per share *('000 shares)*	**480,900**	480,900
Loss per share, basic *(RMB)*	**(11.6) cents**	(1.47) cents
Loss per share, diluted *(RMB)*	**(11.6) cents**	(1.47) cents

9 TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June	At 31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade and bills receivables	**378,603**	425,974
Loss allowance	**(263,825)**	(234,115)
Trade and bills receivables net of allowance	**114,778**	191,859
Prepayments to suppliers	**11,925**	15,640
Other deposits, prepayments and receivables	**17,658**	15,381
	144,361	222,880

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:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Within 3 months	**75,732**	136,736
More than 3 months but within 6 months	**25,140**	50,881
More than 6 months but within 1 year	**13,906**	4,242
	114,778	191,859

Trade receivables are normally due for settlement within 90–180 days (31 December 2018: 90–180 days) from the invoice date.

Impairment of trade receivables

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

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

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Balance as at 1 January	**234,115**	214,835
Impairment loss reversed	**(98)**	(1,026)
Impairment loss recognised	**29,808**	20,306
Balance as at 30 June/31 December	**263,825**	234,115

10 TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Trade payables	**32,528**	27,932
Bills payables	**47,710**	90,350
Accruals	**57,456**	60,683
Other payables	**61,716**	61,996
Final payment for acquisition of subsidiaries	**–**	3,500
	199,410	244,461

As of the end of the reporting period, the ageing analysis of the trade and bills payables, based on relevant invoice date, is as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Within 1 month	**8,508**	54,796
After than 1 month but within 3 months	**15,377**	33,486
Over 3 months but within 6 months	**39,358**	30,000
Over 6 months but within 1 year	**16,995**	–
	80,238	118,282

11 BANK AND OTHER BORROWINGS

(a) As at 30 June 2019, the bank and other borrowings were repayable as follow:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Within 1 year or on demand	**414,800**	434,800
After 1 year but within 2 years	**–**	50,000
After 2 years but within 5 years	**35,173**	–
	449,973	484,800

(b) The bank and other borrowings were secured as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Bank and other borrowings		
— Secured	**414,800**	384,800
— Unsecured	**35,173**	100,000
	449,973	484,800

(c) Certain bank borrowings were secured by assets of the Group, the carrying amounts of these assets are as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Property, plant and equipment	**213,602**	233,771
Investment properties	**21,962**	22,556
Right-of-use assets	**252,895**	–
Lease prepayments	**–**	253,938
Pledge bank deposits	**17,092**	70,565
	505,551	580,830

(d) The amounts of banking facilities and the utilisation at the end of the reporting period are set out as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Facility amount	**964,900**	964,900
Utilised facilities amount in respect of bank borrowings	**414,800**	459,149

12 CORPORATE BONDS

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Unsecured corporate bonds	**63,182**	44,494

The Group's corporate bonds are repayable as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
Within 1 year	**25,210**	–
After 1 year but within 2 years	**4,738**	26,543
After 2 years but within 5 years	**17,100**	7,696
After 5 years	**16,134**	10,255
	63,182	44,494

The movement of corporate bonds is as follows:

	At 30 June 2019 *RMB'000* **(Unaudited)**	At 31 December 2018 *RMB'000* (Audited)
As at 1 January	**44,494**	–
Proceeds from issuance of bonds	**16,310**	47,876
Imputed interests	**1,862**	(4,895)
Exchange realignment	**516**	1,513
As at 30 June/31 December	**63,182**	44,494

During the period ended 30 June 2019, the Group issued bonds with a principle amount in a total of HK$24,800,000 (31 December 2018: HK$56,364,000) carried interest at 0.1%–6.5% (31 December 2018: 5–7.5%) per annum. Total transaction cost attributable to the issuance of the bonds amounted to HK$5,914,000 (31 December 2018: HK$6,710,000). The bonds are unsecured with maturity date falling on 2–8 years (31 December 2018: 2–8 years) of the issue date.

The effective interest rate of the bonds is ranging from 6.73% to 13.63% (31 December 2018: 9.2%–13.16%) per annum.

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 the first half of 2019, with the continuous rise of e-commerce and the emergence of fast fashion apparel, which had completely changed the consumption patterns and consumer preferences, the business environment of the menswear industry was very difficult. Apart from this, due to the ongoing Sino-US trade war and the slowdown in China's economic growth, consumers' interest in well-known branded products has been reduced, they are more prone to buying more affordable products, such as fast fashion, which has made the business environment more complicated. In addition, the increase in operating costs has also made the situation even worse, especially in some first-tier cities in China.

To cope with the intense competition in the retail market and weak consumer sentiment, the Group continued to rationalize its distribution network by closing some of the underperforming retail outlets and to strengthen the corporation with its distributors and sub-distributors in order to improve operating efficiency. Furthermore, the Group persistently enhances its design and product development capabilities and is committed to increase its brand building strategies in order to substantially meet the needs of customers and raise their brand loyalty. The Group had started to diversify its businesses and activities into landes goose business and online platform and retail stores business for sale and distribute consumer goods in China in the second half of 2018. However, the scales of these new businesses were still in development stage and did not contribute substantial revenue to the Group for the period under review.

Financial Review

For the six months ended 30 June 2019, the Group turned to a loss of approximately RMB56.0 million as compared to net loss of RMB7.1 million for the corresponding period last year. The significant decline was mainly attributable to the effect of a significant decline in Group's revenue and gross profit 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. As of 30 June 2019, the Group had 591 retail outlets (including 36 self-operated retail outlets in Beijing), representing a net decrease of 81 retail outlets from 672 retail outlets as at 31 December 2018.

The main operation of the Group is manufacturing and wholesaling of menswear in the People's Republic of China (the "**PRC**").

(a) Segment revenue and results

There are over 90% of the Group's revenue, operating results during the six months ended 30 June 2019 and 2018 were mainly derived from its manufacturing and wholesaling of menswear. Consequently, no operating segment analysis is presented.

(b) Segment assets and liabilities

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

	Menswear		Other		Unallocated		Consolidated	
	At 30 June 2019 (Unaudited)	At 31 December 2018 (Audited)	**At 30 June 2019 (Unaudited)**	At 31 December 2018 (Audited)	**At 30 June 2019 (Unaudited)**	At 31 December 2018 (Audited)	**At 30 June 2019 (Unaudited)**	At 31 December 2018 (Audited)
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Segment assets	**1,282**	1,399	**55**	63	**799**	801	**2,136**	2,263
Total liabilities	**593**	669	**45**	43	**144**	141	**782**	853

Note: Unallocated assets and liabilities mainly represent those relating to a commercial center project located in Hui'an, the PRC, which is under the construction stage as at 30 June 2019.

(c) Geographical information

The following tables present the Group's geographical information in terms of revenue for the six months ended 30 June 2019 and 2018, and non-current assets as at 30 June 2019 and 31 December 2018.

Revenue from external customers

	For the six months ended	
	30 June 2019	30 June 2018
	RMB million	*RMB million*
China	**142.7**	201.4
Hong Kong	**9.5**	112.7
	152.2	314.1

The revenue information above is based on the locations of the Group's customer.

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

Revenue decreased by approximately 52% from RMB314.1 million in the first half of 2018 to RMB152.2 million in the first half of 2019. The decrease in revenue was primarily due to the Group's continuing 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 six months ended				
	30 June 2019		30 June 2018		Change
	RMB million **(Unaudited)**	***% of revenue***	*RMB million* (Unaudited)	*% of revenue*	%
Apparel					
Men's trousers	**105.2**	**69.1%**	175.7	56.0%	–40.1%
Men's tops	**34.7**	**22.8%**	138.0	43.9%	–74.9%
Accessories	**0.5**	**0.3%**	0.4	0.1%	–25.0%
Online platform and retail stores	**6.5**	**4.3%**	–	–	N/A
Foie gras and by products	**5.3**	**3.5%**	–	–	N/A
Total	**152.2**	**100%**	314.1	100.0%	–51.5%

Trousers remained the major turnover contributor of the Group and accounted for 69.1% of the total revenue during the first half of 2019 (the first half of 2018: 56.0%).

Revenue by Product Style

	For the six months ended				
	30 June 2019		30 June 2018		Change
	RMB million **(Unaudited)**	***% of revenue***	*RMB million* (Unaudited)	*% of revenue*	%
Apparel					
Business Casual	**78.3**	**51.4%**	119.0	37.9%	–34.2%
Business Formal	**33.3**	**21.9%**	33.8	10.8%	–1.5%
Casual	**28.3**	**18.6%**	160.9	51.2%	–82.4%
Accessories	**0.5**	**0.3%**	0.4	0.1%	–25.0%
Online platform and retail stores	**6.5**	**4.3%**	–	–	N/A
Foie gras and by products	**5.3**	**3.5%**	–	–	N/A
Total	**152.2**	**100%**	314.1	100.0%	–51.5%

Business casual series became our largest revenue contributor and accounted for 51.4% of the total revenue for the first half of 2019 (the first half of 2018: casual series with 51.2% of the total revenue).

Revenue by Region

Region	For the six months ended **30 June 2019** *RMB million* **(Unaudited)**	*% of revenue*	30 June 2018 *RMB million* (Unaudited)	*% of revenue*	Change %
Northern China [1]	**14.8**	**9.7%**	8.6	2.7%	72.1%
Northeastern China [2]	**0.8**	**0.5%**	0.9	0.3%	–11.1%
Eastern China [3]	**51.4**	**33.8%**	107.8	34.3%	–52.3%
Central Southern China [4]	**4.0**	**2.6%**	3.4	1.1%	17.7%
Southwestern China [5]	**8.4**	**5.5%**	6.7	2.1%	25.4%
Northwestern China [6]	**5.4**	**3.6%**	6.5	2.1%	–16.9%
Hong Kong	**9.5**	**6.2%**	112.7	35.9%	–91.6%
Subtotal	**94.3**	**61.9%**	246.6	78.5%	–61.8%
Online distributor	**0.4**	**0.3%**	–	–	N/A
Self-operated retail outlets	**45.7**	**30.0%**	67.5	21.5%	–32.3%
Total of Apparel	**140.4**	**92.2%**	314.1	100.0%	–55.3%
Online platform and retail stores	**6.5**	**4.3%**	–	–	N/A
Foie gras and by products	**5.3**	**3.5%**	–	–	N/A
Total	**152.2**	**100.0%**	314.1	100.0%	–51.5%

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 and self-operated retail outlets became the major revenue contributors (the first half of 2018: Hong Kong, Eastern China and self-operated retail outlets), and together accounted for 63.8% (the first half of 2018: 91.7%) of the total revenue during the first half of 2019.

Cost of Sales

Cost of sales decreased by approximately 53.8% from RMB209.3 million in the first half of 2018 to RMB96.7 million in the first half of 2019. The decrease was due to the drop in the product demand and hence was in line with the decrease in revenue during the first half of 2019.

The Group continued to source its products either by self-production or OEM purchase. We use our in-house manufacturing facilities to produce most of our core products and outsource production of accessories and certain apparel products as we continue to expand and diversify our product offering. Our flexible manufacturing process has enabled us to maintain our product quality and protect our intellectual property.

In the first half of 2019, self-production accounted for approximately 50.0% (the first half of 2018: 57.9%) of the total cost of sales, decreased by 7.9 percentage points. The decrease was mainly due to the decreased sales orders from customers. The amount of purchase of higher-value products from OEMs decreased by 50.7% comparing with the first half of 2018.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 47.0% from RMB104.8 million in the first half of 2018 to RMB55.5 million in the first half of 2019, which was primarily attributable to a drop in product demand. Gross profit margin increased 3.1 percentage points from 33.4% in the first half of 2018 to 36.5% in the first half of 2019.

Other Income and Other Gains or Losses

Other income and other gains or losses increased by approximately RMB3.4 million from RMB4.1 million in the first half of 2018 to RMB7.5 million in the first half of 2019. The increase was mainly due to the interest income of RMB2.9 million (the first half of 2018: RMB0.1 million) which were mainly due to the interest incomes of matured deposit, interest of RMB2.4 million from investment fund (the first half of 2018: Nil) and fair value gain of RMB1.4 million on biological assets (the first half 2018: Nil), offset by a net foreign exchange loss of RMB1.0 million (the first half of 2018: exchange gain of RMB2.9 million) which was mainly due to the exchange of US dollar to RMB.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately RMB3.1 million from RMB25.9 million in the first half of 2018 to RMB29.0 million in the first half of 2019, accounting for approximately 19.0% of total revenue, representing a year-on-year increase of 10.8 percentage points. The increase in selling and distribution expenses was primarily due to: (i) the increase in salesmen salaries and insurance arising from the increase in headcourt of the acquired companies with revenue generated from online platform and retail stores in the second half of 2018; and (ii) the increase in advertising and promotional expenses; partially offset by the decrease in decoration expenses due to the consolidation strategy on the under-performing shops, which had already been partially offset by the costs-saving effect of the Group's consolidated strategy on retail outlets and termination of distributor relationship.

Included in the amount were advertising and promotional expenses of approximately RMB6.8 million in total, which accounted for approximately 4.4% of the total revenue, increase by 2.7 percentage points compared to the same period last year. The Group continued to take initiatives to promote its corporate image through multi-channel marketing campaigns.

Administrative and Other Operating Expenses

Administrative and other operating expenses increased by approximately RMB7.5 million from RMB75.9 million in the first half of 2018 to RMB83.4 million in the first half of 2019, accounting for approximately 53.8% of total revenue, representing a year-on-year increase of 29.7 percentage points. The increase mainly due to the increase in trade receivable provision as a result of the prudent account receivable provision policy and increase in salaries, partially offset by the decrease in research and development expenses.

Finance Costs

Finance costs increased by 25.8% from RMB12.4 million in the first half of 2018 to approximately RMB15.6 million in the first half of 2019, mainly due to higher average interest rate in the first half of 2019.

Income Tax

Income tax decreased by 617.9% from RMB1.7 million in the first half of 2018 to negative income tax RMB9.0 million in the first half of 2019. The decrease in income tax was mainly due to the decrease of profit before taxation.

Loss Attributable to Shareholders of the Company

For the first half of 2019, loss attributable to the shareholders of the Company (the "**Shareholders**") was approximately RMB56.0 million (the first half of 2018: loss of RMB7.1 million).

Interim Dividend

The board (the "**Board**") of directors (the "**Directors**") of the Company has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2019 (30 June 2018: Nil).

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the six months ended 30 June 2019:

Region	Number of stores As of 1 January 2019	Stores opened during the period	Stores closed during the period	**As of 30 June 2019**
Northern China	103	2	31	**74**
Northeastern China	38	0	9	**29**
Eastern China	238	1	22	**217**
Central Southern China	72	2	13	**61**
Southwestern China	48	1	7	**42**
Northwestern China	137	2	7	**132**
Subtotal	636	8	89	**555**
Self-operated retail outlets	36	0	0	**36**
Total	672	8	89	**591**

As of 30 June 2019, we had a nationwide retail network of 591 retail outlets (including 36 self-operated retail outlets in Beijing) across over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. There was a net decrease of 81 retail stores from 672 as at 31 December 2018, as we continued our consolidation strategy on the retail outlet network during the first half of 2019 and closed down inefficient retail stores.

As of 30 June 2019, 83.6% of the retail outlets were located in department stores or shopping malls whereas 16.4% of the retail outlets were standalone stores.

Distribution Channel Management

As of 30 June 2019, the Group's distribution network comprised 40 distributors (31 December 2018: 50 distributors) and 91 sub-distributors (31 December 2018: 104). Among the 40 distributors, 11 had business relationships with us for more than eight years. We believe these strong, stable and long-standing relationships with our distributors were essential to our brand building efforts and strong operating track record. At the same time, in order to strengthen our distribution channel, we are inviting distributors with deep industry experience, stable working capital and managerial expertise to join our distribution network.

To facilitate the management of our distributors and retail outlets, we divide our distribution network into different regions in the PRC. We have assigned a management team dedicated to each region. 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 will continue to provide training for its distributors and their management teams, aiming at elevating their retail management skills, sales technique as well as brand and product knowledge.

Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. In the first half of 2019, the Group invested moderately in advertising and promotion to heighten its brand awareness, including engaging in online advertisement through internet, e.g. www.163.com, and software value-added services to promote our brand name.

The Group continued to upgrade its existing retail stores to enhance and reinforce its brand image. The Group opened 8 new stores and renovated 13 existing stores during the first half of 2019. We also 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 put 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. Initiatives include launching of our new men's casual fashion series and developing our own quality fabrics. As of 30 June 2019, our product design and development team consisted of 41 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 sub-distributors. We review our distributors' orders placed at our sales fair to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2019 autumn/winter collections was held in March 2019, and the sales fairs for 2020 spring/summer collections will be held in August 2019.

PROSPECTS

The overall growth in the garment market has been relatively slow in recent years, but fast fashion and online sales have continued to rise. More new brands entering the market and international brands stepping up their presence in the mainland, market competition is heating up, while the degree of brand concentration is going down. The apparel industry enters a period of adjustment and transition. The Group's short to medium term performance may be affected by macroeconomic factors affecting China and global markets, including the slowdown in economic growth and the potential negative sentiment that may arise from trade tensions between China and the United States.

Despite the challenging operating environment, the Group's management remains optimistic about the long-term growth opportunities in the menswear market. The Group will continue to take initiatives to anticipate the fashion trends, consumer needs and preferences in the market and develop new products series with new and high-quality elements that appeal to the target customers, our marketing strategy and customer perception.

The Group endeavors to improve its product quality, deepen channels, reform supply chain and enhance its brand's strengths to further sharpen its competitive edge. Furthermore, the Group has been open to strategic investments and other possible investment opportunities to achieve better returns for shareholders and sustained long-term profit growth in the future.

Liquidity and Financial Resources

As at 30 June 2019, the Group had total bank and other borrowings of approximately RMB450.0 million (31 December 2018: RMB484.8 million). The net cash position as at 30 June 2019 with comparative figures as at 31 December 2018 is as follows:

	As at 30 June 2019 ***RMB million*** **(Unaudited)**	As at 31 December 2018 *RMB million*
Cash and bank balances (including pledged bank deposits)	**598.6**	624.5
Less: Total bank and other borrowings	**(450.0)**	(484.8)
Less: Amount due to Mr. Kwok Kin Sun & Mr. Kwok Hon Fung *(Note)*	**(0.4)**	(0.4)
Less: Corporate bonds	**(63.2)**	(44.5)
Net Cash	**85.0**	94.8

Note: The borrowings from the ultimate controlling parties, Mr. Kwok Kin Sun and Mr. Kwok Hon Fung, were primarily used to as short term working capital of the Group and repay certain bank borrowings. The amounts due to our controlling shareholders were unsecured, interest-free and had no fixed repayment terms, and are expected to be repaid in the second half of 2019.

The maturity profile of the total borrowings as at 30 June 2019 is as follows (with comparative figures as at 31 December 2018):

	As at 30 June 2019		As at 31 December 2018	
	RMB million	***%***	*RMB million*	*%*
Bank and other borrowings and corporate bonds				
— Within 1 year or on demand	**440.0**	**85.8%**	434.8	82.1%
— Over 1 but within 2 years	**4.8**	**0.9%**	26.5	5.0%
— Over 2 but within 5 years	**52.3**	**10.2%**	7.7	1.5%
— Over 5 years	**16.1**	**3.1%**	60.3	11.4%
Total	**513.2**	**100%**	529.3	100%

As at 30 June 2019, the bank and other borrowings were secured as follows (with comparative figures as at 31 December 2018):

	As at 30 June 2019	As at 31 December 2018
	RMB million	*RMB million*
Bank and other borrowings		
— Secured	**414.8**	384.8
— Unsecured	**35.2**	100.0
Total	**450.0**	484.8

As at 30 June 2019, all the Group's bank and other borrowings and corporate bonds were denominated in RMB and HK$ (31 December 2018: in both RMB and HK$) and bear interest at fixed rate (31 December 2018: fixed rate), with interest rate ranging from 4.79% to 9.00% (31 December 2018: 3.75% to 9.00%) per annum.

As at 30 June 2019, the Group had a net cash balance of RMB85.0 million (31 December 2018: RMB94.8 million). The gearing ratio as at 30 June 2019 was 37.9%, a decrease of 0.4 percentage point as compared to 37.5% as at 31 December 2018. It was mainly due to the decrease of bank borrowings.

The cash flow generated from operating activities for the six months ended 30 June 2019 amounted to approximately RMB11.4 million (30 June 2018: RMB52.3 million). The decrease was mainly due to a decrease in operating profit before changes in working capital of approximately RMB34.6 million, offset by an decrease in working capital balance of RMB2.5 million and a year- on-year increase of income tax paid of RMB3.7 million.

The cash flow generated from investing activities for the six months ended 30 June 2019 amounted to approximately RMB54.4 million (30 June 2018: cash flow used in investing activities RMB32.4 million). The amount mainly included payment for purchase of property, plant and equipment and payment of construction in progress of RMB10.6 million and net decrease in fixed deposits held at banks with original maturity over three months and pledged bank deposit of RMB59.6 million.

The cash flow used in financing activities for the six months ended 30 June 2019 amounted to approximately RMB32.0 million (30 June 2018: RMB17.0 million), which included interest paid of RMB13.5 million, net bank repayment of RMB34.8 million, offset by cash generated from issue of corporate bonds of RMB16.3 million.

As at 30 June 2019, the Group's total equity decreased by approximately RMB90.2 million to approximately RMB1,353.5 million (31 December 2018: RMB1,443.6 million).

Trade Working Capital Ratios

The Group's average inventory turnover days was 78 days for the first half of 2019, as compared to 46 days for the same period last year. The increase was mainly due to the underperformed turnover level because of decreased orders from customers.

The Group's average trade receivables turnover days for the first half of 2019 was 182 days, representing an increase of 53 days from 129 days for the same period last year. As at 30 June 2019, the Group's total trade receivables decreased by approximately 40.3% year-on-year to RMB114.8 million (30 June 2018: RMB192.2 million). The increase in trade receivables turnover days is mainly due to the long outstanding trade receivables of some customers which have ceased trading with the Group. The ability to recover such overdue receivables is low and hence provision for partial receivables has been made.

The Group's average trade payables turnover days was 57 days for the first half of 2019, representing an increase of 29 days as compared to 28 days for the same period last year. We normally have 30 to 60 days credit period from our suppliers. The Group has negotiated with suppliers to obtain longer credit period to improve the liquidity and hence it increases the trade payables balance and the trade payables turnover days.

The Group recorded a net cash position as at 30 June 2019 and 30 June 2018.

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

Charges on Group Assets

As at 30 June 2019, secured bank borrowings were secured by bank deposit, certain buildings, investment properties and lease prepayments with carrying value of RMB17.1 million (31 December 2018: RMB70.6 million), RMB211.8 million (31 December 2018: RMB218.9 million), RMB22.0 million (31 December 2018: RMB22.6 million) and RMB249.6 million (31 December 2018: RMB253.1 million), respectively. Save as disclosed above, there is no charge on Group assets.

Significant Investment, Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

During the first half of 2019, the Group had no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures.

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.

Save as disclosed above, the Group did not have other plans for material investment or capital assets as at 30 June 2019.

Capital Commitments and Contingencies

As at 30 June 2019, the Group had a total capital commitment of RMB173.0 million (31 December 2018: RMB182.9 million). It was primarily related to the proposed construction of Fordoo commercial center in Hui'an, Fujian Province. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 30 June 2019, the Group had no material contingent liabilities.

Foreign Currency Exposure

The functional currency of the Company is the Hong Kong dollar and the figures in the Group'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 business transaction principally in Renminbi, 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 1,298 employees as at 30 June 2019 (31 December 2018: 1,460). The Group invested in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission or bonuses and entitlement to participate in the Group's share option scheme.

Use of Proceeds

The shares of the Company (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). Parts of the Net Proceeds were applied during the reporting period 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 30 June 2019, the Group had utilized HK$382.6 million of the Net Proceeds and unutilized Net Proceeds amounts to HK$72.1 million.

The following table sets forth a breakdown of the use of the Net Proceeds as at 30 June 2019:

Use of net proceeds	**Available for use** *HK$ million*	**Utilized (as at 30 June 2019)** *HK$ million*	**Unutilized (as at 30 June 2019)** *HK$ million*
Brand promotion and marketing	**122.8**	**122.8**	**–**
Research, design and product development	**90.9**	**44.3**	**46.6**
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	**382.6**	**72.1**

The unutilized Net Proceeds were deposited into interest bearing bank accounts with licensed commercial banks in China. The Directors intended to continue to apply the unused Net Proceeds in the manner as set out in the Prospectus.

OTHER INFORMATION

Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of this announcement, the Company has maintained sufficient public float as required under the Listing Rules during the six months ended 30 June 2019.

Review of Interim Results

The Company has an audit committee (the "**Audit Committee**") which comprises 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 unaudited interim financial report for the six months ended 30 June 2019.

Purchase, Sale or Redemption of The Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") during the six months ended 30 June 2019, 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 balance 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, were not able to attend the 2019 Annual General Meeting held on 31 May 2019.

In addition, 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 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.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the code of conduct regarding securities transactions by directors (the "**Code of Conduct**") on terms no less than the required standard of dealings set out in the Model Code in Appendix 10 of the Listing Rules. Having made specific enquiries to all Directors, the Company confirmed that all Directors had complied with the required standard of dealings under the Code of Conduct throughout the reporting period.

Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

Our Directors are not aware of any legal, arbitration or administrative proceedings against us, including the matter described above, that will have a material adverse effect on our business, financial condition or results of operations.

EVENTS AFTER REPORTING PERIOD

Proposed Share Subdivision

On 28 August 2019, the Board proposed to subdivide each existing issued and unissued ordinary share of HK$0.01 each in the share capital of the Company into four ordinary shares of HK$0.0025 each in the share capital of the Company (the "Share Subdivision"). The Share Subdivision is subject to approval by shareholders at the extraordinary general meeting of the Company. The circular containing, amongst others, further details of the Share Subdivision will be despatched to Shareholders on or around Tuesday, 24 September 2019. For further details of the Share Subdivision, please refer to the announcement of the Company dated 28 August 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2019 Interim Report 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 August 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, Mr. Poon Yick Pang Philip and Ms. Huang Yumin.

* *For identification purposes only*