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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" below, the auditing process for the annual results of China Fordoo Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") has not been completed. In the meantime, the Board of Directors (the "**Board**") of the Company is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019 (the "**Year**").

FINANCIAL HIGHLIGHTS

From continuing operations

- Revenue of the Group decreased by 38.2% to RMB359.0 million (2018 (Re-presented): RMB580.6 million).
- Gross profit of the Group decreased by 30.5% to RMB135.2 million (2018 (Re-presented): RMB194.5 million).
- Net loss of the Group was RMB156.5 million (2018 (Re-presented): net loss of RMB45.2 million).
- Basic and diluted loss per share was RMB8.13 cents (2018 (Re-presented): basic and diluted loss per share of RMB2.35 cents).
- The Board has resolved not to recommend the payment of a final dividend for the year (2018: Nil).

	2019 (Unaudited)	2018 (Re-presented)	Change
Profitability ratios			
From continuing operations			
Gross profit margin	**37.7%**	33.5%	+4.2 ppt
Net loss margin	**–43.6%**	–7.8%	–35.7 ppt
From continuing and discontinued operations			
Return on equity(1)	**–13.2%**	–3.1%	–10.1 ppt
Liquidity ratios			
From continuing operations			
Inventory turnover (Days)(2)	**55**	43	
Trade and bills receivables turnover (Days)(3)	**165**	140	
Trade payables turnover (Days)(4)	**19**	20	
Capital ratios			
Interest coverage ratios(5)	**N/A**	N/A	
Net Debt to equity ratio (%)(6)	**1.2%**	Net Cash	
Gearing ratio(7)	**40.5%**	37.5%	+3.0 ppt

Notes:

(1) Net loss 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 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.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000 (Unaudited)	2018 RMB'000 (Audited) (Re-presented)
Continuing operations			
Revenue	4	**358,987**	580,560
Cost of sales		**(223,770)**	(386,025)
Gross profit		**135,217**	194,535
Other income and other gains or losses	5	**2,683**	10,139
Impairment loss of goodwill		**(46,880)**	(25,576)
Impairment loss of intangible assets		**(6,457)**	–
Selling and distribution expenses		**(78,780)**	(56,452)
Administrative and other operating expenses		**(166,500)**	(149,357)
Loss from operations		**(160,717)**	(26,711)
Finance costs	*6(a)*	**(28,810)**	(25,813)
Loss before taxation	6	**(189,527)**	(52,524)
Share of loss of an associate		**–**	–
Income tax	7	**33,059**	7,320
Loss for the year from continuing operations		**(156,468)**	(45,204)
Discontinued operations			
(Loss)/Profit for the year from discontinued operations		**(7,534)**	1,065
Loss for the year		**(164,002)**	(44,139)
Other comprehensive (expenses)/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")		**(1,309)**	4,813
Exchange reserve realised on disposal of subsidiaries		**245**	–
Other comprehensive (expenses)/income for the year		**(1,064)**	4,813
Total comprehensive expenses for the year		**(165,066)**	(39,326)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

For the year ended 31 December 2019

(Expressed in Renminbi)

	Notes	**2019** **RMB'000** **(Unaudited)**	2018 *RMB'000* (Audited) (Re-presented)
(Loss)/Profit for the year attributable to equity holders of the Company			
— from continuing operations		**(156,468)**	(45,204)
— from discontinued operations		**(7,178)**	767
		(163,646)	(44,437)
(Loss)/Profit for the year attributable to non-controlling interest			
— from continuing operations		**–**	–
— from discontinued operations		**(356)**	298
		(356)	298
		(164,002)	(44,139)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(165,066)**	(39,624)
Non-controlling interest		**–**	298
		(165,066)	(39,326)
Loss per share (RMB cents)			
— Basic and diluted			
— from continuing and discontinued operations	*8*	**(8.51)**	(2.31)
— from continuing operations	*8*	**(8.13)**	(2.35)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019
(Expressed in Renminbi)

	Notes	**2019 *RMB'000* (Unaudited)**	2018 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**245,277**	254,476
Biological assets		**–**	2,774
Construction in progress		**373,975**	359,906
Prepayment for construction in progress		**150,000**	150,000
Goodwill	*9*	**–**	46,976
Deposits placed for life insurance		**7,050**	6,858
Investment properties		**21,368**	22,556
Lease prepayments		**–**	253,938
Right-of-use assets		**249,000**	–
Intangible assets	*10*	**120,122**	158,012
Deposit for acquisition of intangible assets		**–**	12,917
Investment in an associate		**–**	–
Deferred tax assets		**72,948**	58,469
Financial assets at amortised cost		**–**	41,612
		1,239,740	1,368,494
Current assets			
Inventories		**28,785**	44,669
Biological assets		**–**	1,871
Trade and other receivables	*11*	**185,040**	222,880
Pledged bank deposits		**12,708**	70,565
Fixed deposits held at bank with original maturity over three months		**4,000**	12,530
Cash and cash equivalents		**471,354**	541,359
		701,887	893,874
Current liabilities			
Trade, bills and other payables	*12*	**141,307**	244,461
Bank and other borrowings		**409,800**	434,800
Lease liabilities		**2,043**	–
Corporate bonds		**28,604**	–
Current taxation		**6,711**	8,662
		588,465	687,923
Net current assets		**113,422**	205,951
Total assets less current liabilities		**1,353,162**	1,574,445

	Notes	**2019** *RMB'000* **(Unaudited)**	2018 *RMB'000* (Audited)
Non-current liabilities			
Deferred tax liabilities		**46,041**	70,225
Bank and other borrowings		**–**	50,000
Lease liabilities		**943**	–
Corporate bonds		**64,729**	44,494
		111,713	164,719
Net assets		**1,241,449**	1,409,726
Capital and reserves			
Share capital	*13*	**3,819**	3,819
Reserves		**1,237,630**	1,402,340
Equity attributable to equity holders of the Company		**1,241,449**	1,406,159
Non-controlling interest		**–**	3,567
Total equity		**1,241,449**	1,409,726

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019
(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The unaudited consolidated financial statements for the year ended 31 December 2019 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 unaudited consolidated financial statements is the historical cost basis.

The preparation of the unaudited 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

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year:

IFRS 16	Leases
IFRIC-Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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

Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. 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 unaudited 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 unaudited 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

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 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of Business[2]
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 Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020

The directors of the Company consider that the application of all new and amendments to IFRSs and IASs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

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

For the year ended 31 December 2019

	Continuing operations				Discontinued operations			
	Menswear	Other	Unallocated	Sub-total	Other	Unallocated	Sub-total	Consolidated
	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	358,987	–	–	358,987	19,960	–	19,960	378,947
Segment result before the following items	(131,733)	–	–	(131,733)	(12,900)	–	(12,900)	(144,633)
Impairment of intangible assets	(6,457)	–	–	(6,457)	–	–	–	(6,457)
Impairment of inventories	–	–	–	–	–	–	–	–
Impairment of goodwill	(46,880)	–	–	(46,880)	–	–	–	(46,880)
Allowance for doubtful debts, NET	26,583	–	–	26,583	–	–	–	26,583
Segment result	(158,487)	–	–	(158,487)	(12,900)	–	(12,900)	(171,387)
Other revenue and unallocated gains			1,374	1,374		5,405	5,405	6,779
Corporate and other unallocated expenses			(32,414)	(32,414)		–	–	(32,414)
Loss before tax				(189,527)			(7,495)	(197,022)
Tax expense	33,059	–	–	33,059	(39)	–	(39)	33,020
				(156,468)			(7,534)	(164,002)

Segment assets and liabilities

	Continuing operations				Discontinued operations			
	Menswear	Other	Unallocated	Sub-total	Other	Unallocated	Sub-total	Consolidated
Segment assets	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Unallocated assets	1,148,580	–	793,047	1,941,627	–	–	–	1,941,627
Segment liabilities	562,384	–	137,794	700,178	–	–	–	700,178

For the year ended 31 December 2018

	Continuing operations				Discontinued operations			
	Menswear	Other	Unallocated	Sub-total	Other	Unallocated	Sub-total	Consolidated
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)	(Re-presented)
Revenue	580,560	–	–	580,560	30,489	–	30,489	611,049
Segment result before the following item	20,435	–	–	20,435	2,505	–	2,505	22,940
Impairment of intangible assets	–	–	–	–	–	–	–	–
Impairment of inventory	(3,954)	–	–	(3,954)	–	–	–	(3,954)
Impairment of goodwill	(25,480)	–	–	(25,480)	–	–	–	(25,480)
Allowance for doubtful debts, NET	(19,280)	–	–	(19,280)	–	–	–	(19,280)
Segment result	(28,279)	–	–	(28,279)	2,505	–	2,505	(25,774)
Other revenue and unallocated gains			626	626		790	790	1,416
Corporate and other unallocated expenses			(24,871)	(24,871)		(1,906)	(1,906)	(26,777)
Loss before tax				(52,524)			1,389	(51,135)
Tax expense	7,320	–	–	7,320	(421)	97	(324)	6,996
				(45,204)			1,065	(44,139)

Segment assets and liabilities

	Continuing operations				Discontinued operations			
	Menswear	Other	Unallocated	Sub-total	Other	Unallocated	Sub-total	Consolidated
Segment assets	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
						Re-presented	Re-presented	Re-presented
Unallocated assets	1,398,714	–	755,076	2,153,790	63,127	45,451	108,578	2,262,368
Segment liabilities	669,112	–	79,333	748,445	42,769	61,428	104,197	852,642

(a) Geographical information

The following table presents the Group's geographical information in terms of revenue for the years ended 31 December 2019 and 2018:

	Continuing operations		**Discontinued operations**		**Total**	
	2019	2018	**2019**	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
		(Re-presented)		(Re-presented)		(Re-presented)
China	**349,487**	400,463	**19,960**	30,489	**369,447**	430,952
US	**–**	678	**–**	–	**–**	678
Hong Kong	**9,500**	179,419	**–**	–	**9,500**	179,419
	358,987	580,560	**19,960**	30,489	**378,947**	611,049

(b) Non-current assets

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

Information about major customers

No revenue from the Group's customers, (2018: one customer amounting to RMB88,366,000) accounted for over 10% of the Group's total revenue.

4 REVENUE

The main business 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 ("VAT").

Revenue by product type is as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Re-presented)
Continuing operations		
Men's trousers	**189,758**	321,860
Men's tops	**168,508**	257,747
Accessories	**721**	953
	358,987	580,560

None of customer with whom transaction has exceeded 10% of the Group's revenue for the year ended 31 December 2019 from menswear segment (2018: one customer with approximately RMB88,366,000).

5 OTHER INCOME AND OTHER GAINS OR LOSSES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Re-presented)
Continuing operations		
Interest income	**4,758**	1,522
Rental income from investment properties less direct outgoings	**1,415**	1,472
Financial consultant service income	**1,380**	–
Government grants	**353**	474
Net foreign exchange (loss)/gain	**(947)**	6,616
Net loss on disposal of property, plant and equipment	**(4,447)**	(279)
Others	**171**	334
	2,683	10,139

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/(crediting):

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Re-presented)
Continuing operations		
(a) Finance costs:		
Interest on corporate bonds	**7,836**	4,895
Interest on bank and other borrowings	**20,896**	20,918
Interest on lease liabilities	**78**	–
	28,810	25,813
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	**956**	1,331
Salaries, wages and other benefits	**42,515**	65,957
Equity-settled share-based payment expenses for employees	**–**	264
	43,471	66,552
(c) Other items:		
Amortisation of lease prepayments	**–**	7,109
Amortisation of intangible assets	**44,164**	43,734
Depreciation of property, plant and equipment	**17,449**	17,617
Depreciation of investment properties	**1,187**	1,187
Depreciation of right-of-use assets	**8,496**	–
Auditors' remuneration	**1,936**	1,928
Research and developments expenses *(note (i))*	**8,534**	16,129
Cost of inventories *(note (ii))*	**223,770**	386,025
Allowance for doubtful debts	**81,296**	20,306
Impairment of inventory	**–**	3,954
Written-off of trade receivable	**857**	–
Operating lease payment	**–**	1,842
Reversal of allowance for doubtful debts	**(18,551)**	(1,026)
Expense related to short-term leases	**631**	–

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 RMB20,601,000 of staff costs, depreciation and amortisation charges for the year ended 31 December 2019 (2018: RMB47,683,000), 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:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Re-presented)
Continuing operations		
Current tax		
Provision for PRC enterprises income tax for the year	**6,226**	15,705
Deferred tax credit	**(39,285)**	(23,025)
	(33,059)	(7,320)

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 2019 and 31 December 2018.

(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 PER SHARE

(a) Basic loss per share

The calculation of the basic loss per share attributable to owners of the Company is based on the following data:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
		(Re-presented)
Loss		
(Loss)/Profit for the year for the purposes of computation of basic loss per share		
— from continuing operations	**(156,468)**	(45,204)
— from discontinued operations	**(7,178)**	767
	(163,646)	(44,437)

	Number of shares	
	'000	*'000*
	(Unaudited)	(Audited)
		(Re-stated)
Number of shares		
Weighted average number of ordinary shares in issue *(Note)*	**1,923,600**	1,923,600

Note: The weighted average number of ordinary shares in issue during the year ended 31 December 2018 had been adjusted for share subdivision on 17 October 2019. Details of the share subdivision are set out in Note 13.

(b) Diluted loss per share

The computation of diluted loss per share for the year ended 31 December 2018 and 2019 did not assumed the exercise of outstanding share options of the Company since their assumed conversion would result in a decrease in loss per share.

9 GOODWILL

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
At 1 January	**46,976**	72,456
Addition from business combination	**–**	96
Impairment	**(46,880)**	(25,576)
Disposal of subsidiaries	**(96)**	–
At 31 December	**–**	46,976

The Group performed its annual impairment test for goodwill allocated to the Chameleon Ventures Limited and its subsidiaries (the "**Chameleon Group**") by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the cash generating unit is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of 3% (2018: 3%). The discount rate used of 10.5% (2018: 12.7%) reflects specific risks related to the relevant segment. Other key assumptions for value in use calculations relate to the estimation of cash inflows/outflows which include budged sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Accordingly, impairment on goodwill allocated to the Chameleon Group with amount RMB46,880,000 (2018: RMB25,576,000) was recognised during the year.

10 INTANGIBLE ASSETS

	ERP system	Distribution network	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2018 (Audited)	4,429	217,000	221,429
Acquisition through business combination	189	–	189
At 31 December 2018 and 1 January 2019 (Audited)	4,618	217,000	221,618
Addition	12,967	–	12,967
Disposal of subsidiaries	(241)	–	(241)
Impairment	–	(6,457)	(6,457)
At 31 December 2019 (Unaudited)	17,344	210,543	227,887
Accumulated amortisation:			
At 1 January 2018 (Audited)	1,785	18,083	19,868
Charge for the year	338	43,400	43,738
At 31 December 2018 and 1 January 2019 (Audited)	2,123	61,483	63,606
Charge for the year	809	43,400	44,209
Disposal of subsidiaries	(50)	–	(50)
At 31 December 2019 (Unaudited)	2,882	104,883	107,765
Net book value			
At 31 December 2019 (Unaudited)	**14,462**	**105,660**	**120,122**
At 31 December 2018 (Audited)	2,495	155,517	158,012

11 TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**343,712**	425,974
Less: Loss allowance for expected credit loss *(note (b))*	**(207,532)**	(234,115)
Trade receivables *(note (a) and (c))*	**136,180**	191,859
Prepayments to suppliers	**1,731**	15,640
Other deposits, prepayments and receivables	**47,129**	15,381
	185,040	222,880

(a) Aging analysis

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

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
Within 3 months	**122,952**	136,736
More than 3 months but within 6 months	**11,419**	50,881
More than 6 months but within 1 year	**1,589**	4,242
Over 1 year	**220**	–
	136,180	191,859

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:

	2019 *RMB'000* (Unaudited)	2018 *RMB'000* (Audited)
At 1 January (1 January 2018 amount has been restated)	**234,115**	214,835
Reversal of allowance for doubtful debts recognised in prior years	**(18,551)**	(1,026)
Reversal due to written-off of trade receivables	**(89,328)**	–
Impairment loss recognised	**81,296**	20,306
At 31 December	**207,532**	234,115

As at 31 December 2019, the Group's trade receivables with net of allowance for doubtful debts of RMB81,296,000 (2018: RMB20,306,000) 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 aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Neither past due nor impaired	**133,223**	191,859
Less than 90 days overdue	**2,284**	–
Over 90 days overdue	**673**	–
	136,180	191,859

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.

12 TRADE, BILLS AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**11,282**	27,932
Bills payable	**36,500**	90,350
Other payables	**36,864**	61,996
Final payment for acquisition of subsidiaries	**–**	3,500
Accruals	**56,661**	60,683
	141,307	244,461

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

	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month or on demand	**4,216**	54,796
After than 1 month but within 3 months	**7,066**	33,486
Over 3 months but within 6 months	**36,500**	30,000
Over 6 months but within 1 year	**–**	–
	47,782	118,282

13 SHARE CAPITAL

	Number of ordinary shares of HK$0.01	Number of ordinary shares of HK$0.0025	Amount
			HK$'000
Authorised:			
At 1 January 2018, at 31 December 2018 and at 1 January 2019	1,000,000,000	–	10,000
Share subdivision *(note)*	(1,000,000,000)	4,000,000,000	–
At 31 December 2019	**–**	**4,000,000,000**	**10,000**

	Number of ordinary shares of HK$0.01	Number of ordinary shares of HK$0.0025	Amount	Amount
			HK$'000	*RMB'000*
Issued and fully paid:				
At 1 January 2018, at 31 December 2018 and at 1 January 2019	480,900,000		4,809	3,819
Share subdivision *(note)*	(480,900,000)	1,923,600,000	–	–
At 31 December 2019	**–**	**1,923,600,000**	**4,809**	**3,819**

Note: On 15 October 2019, the Company approved the share subdivision at the extraordinary general meeting, the share subdivision become effective on 17 October 2019, whereby each issued and unissued ordinary share of HK$0.01 each subdivided into four subdivided ordinary shares of HK$0.0025 each.

14 DISPOSAL OF SUBSIDIARIES

On 29 October 2019, The Company entered into a sales and purchases agreement with an independent third party in relation to disposal of 100% issued share capital of Rich Smooth Investment International Limited and its subsidiaries ("**Rich Smooth Group**") at a cash consideration of RMB17,000,000. Rich Smooth Investment International Limited is an investment holding company and its subsidiaries were principally engaged in the sales of Foie gras and by products and online platform and retails shops. The disposal of Rich Smooth Group was completed on 31 October 2019.

The net assets of Rich Smooth Group as at the date of disposal were as follow:

	31 October 2019
	RMB'000
Property, plant and equipment	**21,017**
Biological assets	**4,650**
Intangible assets	**191**
Right-of-use assets	**1,476**
Goodwill	**96**
Deferred tax assets	**622**
Financial assets at amortised cost	**39,612**
Inventories	**11,788**
Trade and other receivables	**14,512**
Cash and bank equivalents	**4,243**
Bank and other borrowings	**(37,173)**
Trade and other payables	**(45,642)**
Lease liabilities	**(586)**
Shareholder's loan	**(23,733)**
Net assets disposal of Rich Smooth Group	**(8,927)**
Non-controlling interests	**(3,211)**
Shareholder's loan	**23,733**
	11,595
Cash consideration	**(17,000)**
Gain on disposal	**(5,405)**
Cash consideration receivable	**17,000**
Cash and bank equivalents disposal of Rich Smooth Group	**(4,243)**
Net cash inflow from the disposal	**12,757**

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**") for the year ended 31 December 2019 (the "**Year**").

BUSINESS OVERVIEW

Year 2019 could be a tough year for the apparel industry of the PRC which experienced huge pressure. The international operating environment became increasingly complicated with insufficient growth momentum in the market. In particular, the spillover effect stemming from the negative impact of global trade tensions cast its long shadow over the development of international trade. Given such global sentiment, the macroeconomy of the PRC was also characterized by the increasing likelihood of a downturn, poor consumer confidence and a depressed market. Besides, the quicker pace of innovation for consumption demand also presented unprecedented challenges and difficulties for the development of the industry. Inevitably, results of the Group were adversely affected. In 2019, revenue of the Group from continuing operations decreased by 38.2% to RMB359.0 million as compared to last year while net loss of the Group for the Year increased by 271.6% to RMB164.0 million as compared to last year.

Facing the challenges ahead, the Group took a multi-pronged approach. We continued to improve operating efficiency by closing and integrating some of the underperforming retail outlets as well as strengthening the management towards our distributors. We managed to enhance the front-line and back-office operations as well as optimize the related work flow, thereby increasing efficiency and materializing reasonable cost control. In addition, we conducted in-depth analysis of the market and consumer behavior to ensure our product design, production and marketing strategies to be more prospective-oriented so as to enhance customer loyalty and consolidate our self-operated retail network. The Group has started exploring new opportunities in 2018 to expand and diversify its businesses and activities, with a view to broadening its source of income. In the second half of 2018, the Group also expanded its operation scope to the business of hatching, raising and butchering landes goose in Shandong, and established an online platform and physical stores in China to retail and distribute consumer goods such as high-end food stuff. However, financial performance of this new business line failed to live up to the expectation of the management regardless of the efforts we have made for over a year. In October 2019, the Group disposed of this business in order to avoid further resources commitment and to cut losses.

FUTURE PROSPECTS

The nationwide outbreak of novel coronavirus (COVID-19) has led to the suspension of social and economic activities in most cities across China and, in turn, imposed downward pressure on the prospect of economic growth in the short term. Industries including tourism, entertainment and retailing may be affected to a larger extent while halting the expansion of production facilities may have impact on industrial production and trading. However, we believe the impact is of a temporary nature and recovery will take place after the first quarter. Amid these uncertainties, the Group will brave all the difficulties to address the negative impact on the Group arising from adverse market environment by continuously monitoring business operations, controlling and reducing unnecessary expenses and saving costs, exploring markets or brands in other regions, developing a variety of products with different styles and specifications, expanding product portfolios and increasing choices of customer order to cater to market preferences and expand other sales channels, such as online distributors and third-party distributors. Above all, the Group will continue to explore other potential investment opportunities to achieve greater value for the shareholders of the Company (the "**Shareholders**").

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 during the Year. 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, 27 March 2020

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 2019, with the consumption patterns and consumer preferences being changed by the continuous rise of e-commerce and the emergence of fast fashion apparel, the business environment of the menswear industry remained tough and highly competitive. 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 develop new distribution channels, such as online distributors in order to improve operating efficiency. Furthermore, the Group persistently enhances its design and product development capabilities and is committed to diversify the product portfolios in order to meet the needs of customers and raise their brand loyalty. The Group had diversified 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, these new businesses had not been meeting expectation of the management and therefore the management sold these businesses to realise the investment rather than devoting further resources. The Group shall continue to explore new opportunities of maximizing the return to the Group and the Shareholders.

Financial Review

For the Year, the Group resulted a loss of approximately RMB164.0 million (2018: loss of RMB44.1 million). The incur of loss was mainly attributable to (i) the decline in Group's revenue and gross profit due to the cessation of the Group's export trading business which was loss making, the Group's consolidation strategy on its retail outlet network and the decrease in wholesale orders as a result of the Group's termination of distribution relationships with distributors which had unsatisfactory payment history; and; (ii) the recognition of an impairment loss on goodwill of approximately RMB46.9 million and intangible asset of approximately RMB6.5 million, which arose from our acquisition of the menswear retail business in the PRC in 2017. As at 31 December 2019, the Group had 498 retail outlets (including 2 self-operated retail stores located in Quanzhou and 28 self-operated retail outlets in Beijing), representing a net decrease of 174 retail outlets from 672 retail outlets as at 31 December 2018.

Revenue

For the Year, revenue from continuing operations decreased by approximately 38.2% to approximately RMB359.0 million from approximately RMB580.6 million for the previous year. The decrease in revenue was primarily due to the cessation of the Group's export trading business which was loss making, 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				
	2019		2018		**Change**
	RMB million	***% of revenue***	*RMB million* (Re-presented)	*% of revenue* (Re-presented)	**%**
Continuing operations					
Apparel					
Men's trousers	**189.8**	**52.9%**	321.9	55.4%	–41.1%
Men's tops	**168.5**	**46.9%**	257.8	44.4%	–34.6%
Accessories	**0.7**	**0.2%**	0.9	0.2%	–22.2%
Total	**359.0**	**100.0%**	580.6	100.0%	–38.2%

Men's trousers remained the major revenue contributor and accounted for approximately 52.9% of the total revenue during the Year (2018 (Re-presented): 55.4%).

Revenue by Product Style

	For the year ended 31 December				
	2019		2018		**Change**
	RMB million	***% of revenue***	*RMB million* (Re-presented)	*% of revenue* (Re-presented)	**%**
Continuing operations					
Apparel					
Business Casual	**228.0**	**63.6%**	238.9	41.1%	–4.6%
Business Formal	**72.6**	**20.2%**	81.8	14.1%	–11.2%
Casual[(1)]	**57.6**	**16.0%**	259.0	44.6%	–77.8%
Accessories	**0.7**	**0.2%**	0.9	0.2%	–22.2%
Total	**359.0**	**100.0%**	580.6	100.0%	–38.2%

Business casual series became our largest revenue contributor and accounted for approximately 63.6% of the total revenue during the Year (2018 (Re-presented): casual series with 44.6% 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

	For the year ended 31 December				
	2019		2018		**Change**
Region	***RMB million***	***% of Revenue***	*RMB million* (Re-presented)	*% of Revenue* (Re-presented)	**%**
Continuing operations					
Apparel and accessories					
Northern China (1)	**117.3**	**32.7%**	162.2	27.9%	–27.7%
Northeastern China (2)	**1.8**	**0.5%**	2.8	0.5%	–34.2%
Eastern China (3)	**145.5**	**40.5%**	191.9	33.1%	–24.2%
Central Southern China (4)	**13.9**	**3.9%**	10.8	1.9%	28.2%
Southwestern China (5)	**14.2**	**4.0%**	17.1	2.9%	–17.1%
Northwestern China (6)	**9.7**	**2.7%**	14.7	2.5%	–34.2%
US	**–**	**–**	0.7	0.1%	–100.0%
Hong Kong	**9.5**	**2.6%**	179.4	30.9%	–94.7%
Subtotal	**311.9**	**86.9%**	579.6	99.8%	–46.2%
Online distributor	**47.0**	**13.1%**	0.9	0.2%	5,121.3%
Total	**358.9**	**100%**	580.5	100%	–38.2%

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 Northern China regions remained the major revenue contributors to the Group during the year and together accounted for approximately 73.2% (2018 (Re-presented): 61%) of the total revenue. Revenue from online distributor increased from 0.2% to 13.1% of the total revenue and it reflected that we have placed more efforts on the internet marketing and expanded out distribution channel. However, the revenue from Hong Kong decreased from approximately 30.9% to 2.6% of the total revenue in 2019 due to termination of export trading with low margin.

Cost of Sales

Cost of sales decreased by approximately 42.0% to approximately RMB223.8 million for the Year from approximately RMB386.0 million for the previous year. The decrease was in line with the decrease in revenue for 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 2019, self-production accounted for approximately 41.7% (2018: 60.4%) of the total cost of sales for apparel business, decreased by approximately 18.7 percentage points compared with the year 2018. 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 30.5% year-on-year to approximately RMB135.2 million (2018 (Re-presented): RMB194.5 million). Gross profit margin increased approximately 4.2 percentage points year-on-year to approximately 37.7%, which was primarily attributable to an increase in revenue from self-operated shops with higher profit margin.

Other Incomes and Other Gains or Losses

For the Year, other incomes and other gains or losses decreased by approximately RMB7.4 million to approximately RMB2.7 million from approximately RMB10.1 million for the previous year. The net decrease was mainly due to a net increase in interest income of approximately RMB3.2 million and a net increase in financial consultant service income of approximately RMB1.4 million, offset by a net increase in foreign exchange loss of approximately RMB7.6 million and a net increase in net loss on disposal of fixed assets of RMB4.2 million.

Selling and Distribution Expenses

For the Year, selling and distribution expenses increased by approximately RMB22.3 million year-on-year to approximately RMB78.8 million, accounted for approximately 21.9% of total revenue, which represented a year-on-year increase of approximately 12.2 percentage points. The increase in selling and distribution expenses was primarily due to an increase in advertising and promotional expenses for more usage of online distributor, which was partially offset by (i) a decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops; and (ii) a decrease in packaging material expenses as a result of decreased sales volume.

Included in the amount were advertising and promotional expenses of approximately RMB48.9 million in total, which accounted for approximately 13.6% of the total revenue, increased by 8.1 percentage points compared to the previous year. The increase in advertising and promotional expenses led to an increase in sales through online distributor. The Group continued to take initiatives to promote its corporate image through multi-channel marketing campaigns.

Administrative and Other Operating Expenses

For the Year, the Group's administrative and other operating expenses increased by approximately RMB17.1 million year-on-year to RMB166.5 million, accounting for approximately 46.4% of total revenue, which represented a year-on-year increase of 20.7 percentage points. The increase was mainly due to the net increase in provisions for bad and doubtful debt by RMB43.4 million to RMB62.7 million (2018 (Re-presented): RMB19.3 million), as a result of the prudent account receivable provision policy adopted before to terminate the distribution relationships with some distributors who had slow repayment history in the previous year, net off by reduction in the salaries by RMB3.5 million and in the cost of research and development by RMB7.3 million. Excluding the effect of the provision for bad and doubtful debts, the Group's administrative and other operating expenses for the Year had decreased by approximately 20.2% compared to the previous year. This was mainly attributable to the decrease in the one-off staff demission compensation in 2018 by RMB10.1 million and the decrease in other general operating expenses.

Finance Costs

For the Year, finance cost increased by approximately 20.2% year-on-year to approximately RMB28.8 million (2018 (Re-presented): RMB25.8 million), which was mainly due to an increase in corporate bonds and higher average interest rate.

Income Tax

For the Year, income tax credit increased by approximately RMB25.7 million year-on-year to RMB33.0 million (2018 (Re-presented): RMB7.3 million). The increase in income tax credit 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 for the Year was approximately RMB156.5 million (2018 (Re-presented): loss of RMB45.2 million).

The Board has resolved not to recommend the payment of a final dividend for the Year (2018: Nil).

BUSINESS REVIEW

Distribution Network

As of 31 December 2019, our distribution network comprised 50 distributors (including one online distributor) and 82 sub-distributors who operated 468 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 28 self-operated retail outlets in Beijing.

The Group adopted a cautious view, suspended our expansion plan, and continued to consolidate our sales network and close down certain under-performing retail outlets in 2019. 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 28 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 2019, the Group had 498 retail outlets (including the 2 self-operated retail stores in Quanzhou and self-operated 28 retail outlets in Beijing), representing a net decrease of 174 retail outlets from 672 retail outlets as at 31 December 2018. The Group realigned its stores network and closed down certain under-performing retail outlets.

As of 31 December 2019, 82.3% of the retail outlets were located in department stores or shopping malls whereas 11.6% 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 2019, approximately 35.9% 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.

* *For identification purposes only*

The following table shows the number of retail outlets (including 2 self-operated retail outlets in Quanzhou and 28 self-operated retail outlets in Beijing) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2019 and 31 December 2018:

	Number of stores			
Region	**As of 31 December 2019**		As of 31 December 2018	
First-tier cities (1)	**43**	**8.6%**	57	8.5%
Second-tier cities (2)	**136**	**27.3%**	177	26.3%
Third-tier cities (3)	**231**	**46.4%**	287	42.7%
Fourth-tier cities (4)	**88**	**17.7%**	151	22.5%
	498	**100.0%**	672	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.

Besides, the Group started to place more efforts on online distributor to compensate the unsatisfactory retail performance. It sold more quantity of its products to online distributors 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 2019, the Group's distribution network included 50 distributors (2018: 50) and 82 sub-distributors (2018: 104). Among the 50 distributors, 9 (including their predecessors) had business relationships with us for more than ten 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 28 new stores and renovated 24 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 2019, our product design and development team consisted of 37 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 2019 autumn/winter collections was held in March 2019, and the sales fair for 2020 spring/summer collections were held in August 2019.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2019, the total cash and bank balances of the Group were approximately RMB488.1 million (2018: RMB624.5 million), comprising cash and cash equivalents of approximately RMB471.4 million (2018: RMB541.4 million), pledged bank deposits of approximately RMB12.7 million (2018: RMB70.6 million), and fixed deposits held at bank with original maturity over three months of approximately RMB4 million (2018: RMB12.5 million).

As at 31 December 2019, the Group had a total of interest bearing borrowings of approximately RMB503.1 million (2018: RMB529.3 million) comprising bank and other borrowings of approximately RMB409.8 million (2018: RMB484.8 million) and corporate bonds of approximately RMB93.3 million (2018: RMB44.5 million). The Group's borrowings were primarily denominated in RMB and HK$ (2018: in both RMB and HK$) and bear interest at fixed rate (2018: fixed rate) ranging from 5.0% to 7.5% (2018: 3.75% to 9.0%) per annum.

The maturity profile of the borrowings as at 31 December 2019 was as follows:

	2019		2018	
	RMB million	*%*	*RMB million*	*%*
— Within 1 year or on demand	**438.4**	**87.2%**	434.8	82.1%
— Over 1 but within 2 years	**44.4**	**8.8%**	26.5	5.0%
— Over 2 but within 5 years	**3.2**	**0.6%**	7.7	1.5%
— Over 5 years	**17.1**	**3.4%**	60.3	11.4%
Total	**503.1**	**100.0%**	529.3	100.0%

As at 31 December 2019, the gearing ratio was approximately 40.5% (2018: 37.5%). The increase was mainly due to the decrease of total equity. 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 2019, the Group's total equity decreased by approximately RMB168.3 million to approximately RMB1,241.4 million (2018: RMB1,409.7 million). The decrease was mainly due to the incur of loss for the year.

Trade Working Capital Ratios

The Group's average inventory turnover days was 55 days for the Year, as compared to 43 days for the previous 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 was 165 days for the Year, representing an increase of 25 days from 140 days for the previous year. As at 31 December 2019, the Group's total trade receivables decreased by approximately 28.1% year-on-year to RMB136.2 million (31 December 2018 (Re-presented): RMB189.3 million). The increase in trade receivables turnover days was 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 had been made.

The Group's average trade payables turnover days was 20 days for the Year, representing an increase of 1 days from 19 days for the previous year. We normally have 30 to 60 days credit period from our suppliers. The Group had negotiated with suppliers to obtain longer credit period to improve the liquidity and hence it increased the trade payables balance and the trade payables turnover days.

The Group recorded a net debt to equity ratio of approximately 1.2% as at 31 December 2019 (31 December 2018: net cash position).

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 2019, secured bank borrowings were secured by bank deposits, certain buildings, investment properties and land use rights with carrying value of approximately RMB12.7 million (2018: RMB70.6 million), approximately RMB237.9 million (2018: RMB218.9 million), approximately RMB21.4 million (2018: RMB22.6 million) and approximately RMB246.0 million (2018: RMB253.1 million), respectively.

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

Disposal of Subsidiaries

In October 2019, we completed a disposal transaction, which pursuant to the share transfer agreement to disposal 100% of the equity interests in Rich Smooth Investment International Limited and its subsidiaries (together, the "**Disposed Group**") for a total cash consideration of RMB17,000,000 ("**the Disposal**").

The main businesses of the Disposed Group are (i) online platform and retails shops and (ii) sale of foie gras and by products in the PRC. The financial performance of the Disposed Group had not been meeting expectation of the management. The Company intended to realise the investment in the Disposed Group rather than devoting further resource to the Disposed Group which is loss making. The Disposal did not constitute a disclosable transaction according to the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Except for the above Disposal 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 2022.

Capital Commitments and Contingencies

As at 31 December 2019, the Group had a total capital commitment of approximately RMB169.5 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 2019, 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 518 employees as at 31 December 2019 (2018 (Re-presented): 918). Total staff costs for the year amounted to approximately RMB45.9 million (2018 (Re-presented): RMB66.6 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 Board does do not recommend the declaration of the payment of a final dividend for the Year.

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 2019, the Group had utilised HK$385.1 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$69.6 million.

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

Use of net proceeds during the Year	***HK$ million***
Brand promotion and marketing	**–**
Research, design and product development	**4.7**
Repay a portion of our bank borrowings	**–**
Expand distribution network and provide storefront decoration	**–**
Install ERP system	**–**
Working capital and other general corporate purposes	**–**
	4.7

As at 31 December 2019, the accumulated use of the Net Proceeds is set out below:	**Available for use** *HK$million*	**Utilized (as at 31 December 2019)** *HK$million*	**Unutilized (as at 31 December 2019)** *HK$million*
Brand promotion and marketing	**122.8**	**(122.8)**	**–**
Research, design and product development	**90.9**	**(46.8)**	**44.1**
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	**(385.1)**	**69.6**

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 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 announcement, the Company has maintained the prescribed public float under the Listing Rules up to the date of this announcement.

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 (THE "CG 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 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 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, were not able to attend the Annual General Meeting of the Company held on 31 May 2019.

The Board currently comprises three executive Directors and four independent non-executive Directors, with independent non-executive Directors representing over 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.

SHARE ISSUED IN THE YEAR

Upon the Company's subdivision of every one (1) issued and unissued share of the Company of par value of HK$0.01 into four (4) subdivided shares of the Company of par value of one forth Hong Kong cent each (the "**Share Subdivision**") was effective on 17 October 2019, the authorised share capital of the Company became HK$10,000,000 divided into 4,000,000,000 shares of par value of one forth Hong Kong cent each, of which 1,923,600,000 subdivided shares of par value of one forth Hong Kong cent each was issued as fully paid and rank *pari passu* with each other in all respects with the shares in issue prior to the Share Subdivision.

IMPORTANT EVENTS AFTER THE REPORT PERIOD

There was no significant events after the reporting period of the Group.

REVIEW OF UNAUDITED ANNUAL RESULTS

The audit committee of the Company has reviewed with the management, the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters, including the review of the Company's unaudited annual results for the Year.

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of the PRC to combat the COVID-19 coronavirus outbreak. The unaudited results contained herein have not been agreed by the Company's auditors.

One of the uncertainties to the audit of the annual result is the possible recognition of impairment on construction in progress of the Fordoo Commercial Centre in Hui'an. Due to the coronavirus outbreak, valuer would not be able to carry out worksite inspection to complete the valuation report and thus the possible impairment recognition.

The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND DELAY IN PUBLICATION OF AUDITED FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019 AND DESPATCH OF THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

This announcement can be accessed on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.fordoo.cn.

For the reason explained in the paragraph headed "Review of Unaudited Annual Results" above, the Company currently expects that more time will be required to complete the audit work in the PRC and hence there will be a delay in the publications of audited results of the Group for the year ended 31 December 2019 and the despatch of the Company's annual report for the year ended 31 December 2019. Based on preliminary agreement with the auditors of the Company, it is expected that barring unforeseen circumstances, the audit of the final results for the year ended 31 December 2019 will be completed in mid May 2020. The Company expects that the annual report of the Company for the year ended 31 December 2019 will be published on or before 15 May 2020.

The Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The financial information of the Group for the year ended 31 December 2019 contained herein in respect of the annual results of the Group for the year ended 31 December 2019 have not been audited and have not been agreed with the auditors. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 27 March 2020

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, Ms. Huang Yumin and Mr. Steve Andrew Chen.