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 AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of China Fordoo Holdings Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 (the "**Year**").

FINANCIAL HIGHLIGHTS

From continuing operations

- Revenue of the Group decreased by 24.8% to RMB270.1 million (2019: RMB359.0 million).
- Gross profit of the Group decreased by 43.1% to RMB76.9 million (2019: RMB135.2 million).
- Net loss of the Group was RMB552.2 million (2019: net loss of RMB303.7 million).
- Basic and diluted loss per share was RMB28.71 cents (2019: basic and diluted loss per share of RMB15.79 cents).
- The Board has resolved not to recommend the payment of a final dividend for the year (2019: Nil).

	2020	2019	**Change**
Profitability ratios			
From continuing operations			
Gross profit margin	**28.5%**	37.7%	–9.2 ppt
Net loss margin	**–204.5%**	–84.6%	–119.9 ppt
From continuing and discontinued operations			
Return on equity(1)	**–101.6%**	–28.4%	–73.2 ppt
Liquidity ratios			
From continuing operations			
Inventory turnover (Days)(2)	**81**	55	+26
Trade and bills receivables turnover (Days)(3)	**202**	165	+37
Trade payables turnover (Days)(4)	**26**	19	+7
Capital ratios			
Interest coverage ratios(5)	**N/A**	N/A	
Net Debt to equity ratio (%)(6)	**57.2%**	1.4%	+55.8 ppt
Gearing ratio(7)	**93.9%**	46.0%	+47.9 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 2020
(Expressed in Renminbi)

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Continuing operations			
Revenue	*4*	**270,070**	358,987
Cost of sales		**(193,169)**	(223,770)
Gross profit		**76,901**	135,217
Other income and other gains or losses	*5*	**5,889**	2,683
Impairment loss of goodwill		**–**	(46,880)
Impairment loss of intangible assets		**(16,749)**	(6,457)
Impairment loss of construction in progress		**(376,700)**	(147,275)
Selling and distribution expenses		**(66,182)**	(78,780)
Administrative and other operating expenses		**(168,753)**	(166,500)
Loss from operations		**(545,594)**	(307,992)
Finance costs	*6(a)*	**(34,250)**	(28,810)
Loss before taxation	*6*	**(579,844)**	(336,802)
Income tax	*7*	**27,615**	33,059
Loss for the year from continuing operations		**(552,229)**	(303,743)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(7,534)
Loss for the year		**(552,229)**	(311,277)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2020
(Expressed in Renminbi)

	2020	2019
	RMB'000	*RMB'000*
Other comprehensive income/(expenses) for the year		
Items that will not 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**") to presentation currency	**1,429**	(1,309)
Exchange reserve realised on disposal of subsidiaries	**–**	245
Other comprehensive income/(expenses) for the year	**1,429**	(1,064)
Total comprehensive expenses for the year	**(550,800)**	(312,341)
Loss for the year attributable to equity holders of the Company		
— from continuing operations	**(552,229)**	(303,743)
— from discontinued operations	**–**	(7,178)
	(552,229)	(310,921)
Loss for the year attributable to non-controlling interest		
— from discontinued operations	**–**	(356)
	(552,229)	(311,277)

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

For the year ended 31 December 2020

(Expressed in Renminbi)

	Notes	**2020** *RMB'000*	2019 *RMB'000*
Total comprehensive expense attributable to:			
Equity holders of the Company		**(550,800)**	(311,985)
Non-controlling interest		**–**	(356)
		(550,800)	(312,341)
Loss per share (RMB cents)			
Basic and diluted			
— from continuing and discontinued operations	*8*	**(28.71)**	(16.16)
— from continuing operations	*8*	**(28.71)**	(15.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020
(Expressed in Renminbi)

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**67,788**	245,277
Construction in progress	*9*	**–**	376,700
Goodwill		**–**	–
Deposits placed for life insurance		**–**	7,050
Investment properties	*10*	**280,041**	21,368
Lease prepayments		**–**	–
Right-of-use assets		**239,236**	249,000
Intangible assets	*11*	**57,456**	120,122
Investment in an associate		**–**	–
Deferred tax assets		**85,723**	72,948
		730,244	1,092,465
Current assets			
Inventories		**56,702**	28,785
Trade and other receivables	*12*	**219,650**	185,040
Pledged bank deposits		**2,600**	12,708
Fixed deposits held at bank with original maturity over three months		**–**	4,000
Cash and cash equivalents		**196,651**	471,354
		475,603	701,887
Current liabilities			
Trade, bills and other payables	*13*	**120,944**	141,307
Bank borrowings		**419,800**	409,800
Lease liabilities		**331**	2,043
Corporate bonds		**51,502**	28,604
Current taxation		**–**	6,711
		592,577	588,465
Net current (liabilities)/assets		**(116,974)**	113,422
Total assets less current liabilities		**613,270**	1,205,887

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2020
(Expressed in Renminbi)

	Notes	**2020** **RMB'000**	2019 RMB'000
Non-current liabilities			
Deferred tax liabilities		**31,004**	46,041
Lease liabilities		**–**	943
Corporate bonds		**38,892**	64,729
		69,896	111,713
Net assets		**543,374**	1,094,174
Capital and reserves			
Share capital	*14*	**3,819**	3,819
Reserves		**539,555**	1,090,355
Total equity		**543,374**	1,094,174

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020
(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

China Fordoo Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 23 December 2013 as an exempted company with limited liability under the Company Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The Company and its subsidiaries hereinafter are collectively referred to as the "**Group**".

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacturing and wholesaling of menswear in the People's Republic of China (the "**PRC**").

At 31 December 2020, the directors consider the immediate parent of the Company to be Everkept Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Kwok Kin Sun.

In preparing these consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 December 2020, the Group has net current liabilities and loss for the year of approximately RMB116,974,000 and RMB552,229,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, these consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the Directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

(i) The Group have guarantee contracts with certain banks to obtain maximum credit amounts of RMB1,307,690,000 and as at 31 December 2020, the unutilized facilities amount in respect of bank borrowings is approximately RMB881,390,000.

(ii) The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investments and business opportunities with an aim to attain profitable and positive cash flow operations.

On the basis of the foregoing, and after assessing the Group's current and forecasted cash positions, the Directors are satisfied that the Group will be able to meet in full the Group's financial obligations as they fall due for the period of twelve months from the date of consolidated financial statements. Accordingly, the consolidated financial statements of the Group have been prepared on the going concern basis.

2 APPLICATION OF NEW AND AMENDMENTS 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:

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

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 on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments in the current year had no impact on the consolidated financial statements, but may impact future periods should the Group make any acquisition.

Impacts on application of Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the current year had no impact on the consolidated financial statements.

2.2 New and amendments 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:

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to IFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022

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

Amendment to IFRS 16 COVID-19 Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19 related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

— update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "**Conceptual Framework**") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

— add a requirement that, for transactions and other events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC-Int 21 Levies, an acquirer applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

— add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform — Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

— **Modification of financial assets, financial liabilities and lease liabilities**. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16;

— **Hedge accounting requirements**. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

— **Disclosures**. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current and related amendments to International Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

— specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

— clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

In addition, International Interpretation 5 was revised as a consequence of the Amendments to IAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to IFRSs Annual Improvements to IFRSs 2018–2020

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 Agriculture

The amendment ensures consistency with the requirements in IFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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 2020

	Menswear *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Revenue	**270,070**	**–**	**270,070**
Segment result before the following items	**(96,741)**	**–**	**(96,741)**
Impairment of intangible assets	**(16,749)**	**–**	**(16,749)**
Allowance for ECL, net	**(51,172)**	**–**	**(51,172)**
Segment result	**(164,662)**	**–**	**(164,662)**
Other revenue and unallocated gains		**2,129**	**2,129**
Corporate and other unallocated expenses		**(417,311)**	**(417,311)**
Loss before tax			**(579,844)**
Tax expenses	**27,615**	**–**	**27,615**
			(552,229)

Segment assets and liabilities

	Menswear *RMB'000*	Unallocated *RMB'000*	Consolidated *RMB'000*
Segment assets	**927,498**	**278,349**	**1,205,847**
Segment liabilities	**523,626**	**138,847**	**662,473**

For the year ended 31 December 2019

	Continuing operations			Discontinued operations			
	Menswear *RMB'000*	Unallocated *RMB'000*	Sub-total *RMB'000*	Other *RMB'000*	Unallocated *RMB'000*	Sub-total *RMB'000*	Consolidated *RMB'000*
Revenue	358,987	–	358,987	19,960	–	19,960	378,947
Segment result before the following items	(42,405)	–	(42,405)	(12,900)	–	(12,900)	(55,305)
Impairment of intangible assets	(6,457)	–	(6,457)	–	–	–	(6,457)
Impairment of goodwill	(46,880)	–	(46,880)	–	–	–	(46,880)
Allowance for ECL, net	(62,745)	–	(62,745)	–	–	–	(62,745)
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		(179,689)	(179,689)		–	–	(179,689)
Loss before tax			(336,802)			(7,495)	(344,297)
Tax expenses	33,059	–	33,059	(39)	–	(39)	33,020
			(303,743)			(7,534)	(311,277)

	Continuing operations			Discontinued operations			
	Menswear *RMB'000*	Unallocated *RMB'000*	Sub-total *RMB'000*	Other *RMB'000*	Unallocated *RMB'000*	Sub-total *RMB'000*	Consolidated *RMB'000*
Segment assets	1,148,580	645,772	1,794,352	–	–	–	1,794,352
Segment liabilities	562,384	137,794	700,178	–	–	–	700,178

(a) Geographical information

The following table presents the Group's geographical information in terms of revenue for the years ended 31 December 2020 and 2019:

	Continuing operations		**Discontinued operations**		**Total**	
	2020 ***RMB'000***	2019 *RMB'000*	**2020** ***RMB'000***	2019 *RMB'000*	**2020** ***RMB'000***	2019 *RMB'000*
China	**270,070**	349,487	**–**	19,960	**270,070**	369,447
Hong Kong	**–**	9,500	**–**	–	**–**	9,500
	270,070	358,987	**–**	19,960	**270,070**	378,947

(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

Revenue from customers of the current year contributing over 10% of the Group's total revenue are as follows:

	2020	2019
	RMB'000	*RMB'000*
Customer A	**48,333**	–*
Customer B	**32,154**	–*
Customer C	**28,622**	–*

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

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.

Revenue by product type is as follows:

	2020	2019
	RMB'000	*RMB'000*
Men's trousers	**141,940**	189,758
Men's tops	**125,058**	168,508
Accessories	**3,072**	721
	270,070	358,987
Timing of revenue recognition		
At a point of time	**270,070**	358,987

5 OTHER INCOME AND OTHER GAINS OR LOSSES

	2020	2019
	RMB'000	*RMB'000*
Interest income	**4,190**	4,758
Rental income from investment properties less direct outgoings	**2,542**	1,415
Service income	**855**	1,380
Government grants	**406**	353
Net foreign exchange loss	**(157)**	(947)
Net loss on disposal of property, plant and equipment	**(2,479)**	(4,447)
Net gain on termination of lease liabilities	**21**	–
Loss on modification of corporate bonds	**(262)**	–
Others	**773**	171
	5,889	2,683

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):

		2020 *RMB'000*	2019 *RMB'000*
(a)	Finance costs:		
	Interest on corporate bonds	**11,335**	7,836
	Interest on bank borrowings	**22,830**	20,896
	Interest on lease liabilities	**85**	78
		34,250	28,810
(b)	Staff costs (including directors' remuneration):		
	Contributions to defined contribution retirement plans	**651**	956
	Salaries, wages and other benefits	**31,390**	42,515
		32,041	43,471
(c)	Other items:		
	Amortisation of intangible assets	**45,917**	44,164
	Depreciation of property, plant and equipment	**11,213**	17,449
	Depreciation of investment properties	**5,343**	1,188
	Depreciation of right-of-use assets	**8,935**	8,496
	Auditors' remuneration	**1,602**	1,936
	Research and developments expenses *(note i)*	**7,181**	8,534
	Cost of inventories *(note (ii))*	**193,169**	223,770
	Allowance for ECL, net	**51,172**	62,745
	Written-off of trade receivable	**560**	857
	Expense related to short-term leases	**41**	631

Notes:

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

(ii) Included in cost of inventories are RMB13,269,000 of staff costs, depreciation and amortisation charges for the year ended 31 December 2020 (2019: RMB20,601,000). The staff costs 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

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

	2020	2019
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprises income tax for the year	**197**	6,226
Deferred tax credit	**(27,812)**	(39,285)
	(27,615)	(33,059)

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 2020 and 2019.

(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:

	2020	2019
	RMB'000	*RMB'000*
Loss		
Loss for the year for the purposes of computation of basic loss per share		
— from continuing operations	**(552,229)**	(303,743)
— from discontinued operations	**–**	(7,178)
	(552,229)	(310,921)
	Number of shares	
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**1,923,600**	1,923,600

(b) Diluted loss per share

The computation of diluted loss per share for the year ended 31 December 2019 and 2020 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 CONSTRUCTION IN PROGRESS

	2020	2019
	RMB'000	*RMB'000*
Cost:		
As at 1 January	**376,700**	359,906
Additions	**–**	164,069
Written off/Impairment *(note)*	**(376,700)**	(147,275)
As at 31 December	**–**	376,700
Net book value:		
As at 31 December	**–**	376,700

Note: As at 31 December 2020, the amount of RMB376,700,000 has been written off due to the suspension of the construction of commercial centre. As at 31 December 2019, the Group assessed the recoverable amount of construction in progress and the carrying amount of which were written down to their recoverable amount of approximately RMB376,700,000. Accordingly, an impairment loss of approximately RMB147,275,000 was recognised during the year ended 31 December 2019. The estimates of recoverable amount were based on the replacement cost approach carried out by an independent qualified valuer, International Valuation Limited.

10 INVESTMENT PROPERTIES

	2020	2019
	RMB'000	*RMB'000*
Cost:		
As at 1 January	**35,613**	35,613
Transfer from property, plant and equipment	**277,378**	–
Addition	**91,211**	–
As at 31 December	**404,202**	35,613
Accumulated depreciation:		
As at 1 January	**14,245**	13,057
Charge for the year	**5,343**	1,188
Transfer from property, plant and equipment	**104,573**	–
As at 31 December	**124,161**	14,245
Net book value:		
As at 31 December	**280,041**	21,368
Classify as:		
Construction in progress	**91,211**	–
Investment properties	**188,830**	21,368
	280,041	21,368

a. Investment properties are located in the PRC under a medium-term lease.

b. The fair value of the Group's investment properties at 31 December 2020 was RMB258,400,000 (2019: RMB35,975,000). The fair value has been arrived at based on a valuation carried out by Ascent Partners Valuation Service Limited, an independent valuer, who is not connected with the Group.

c. The investment properties were pledged as security for bank borrowings.

d. The Group leases out investment properties under operating leases on terms ranging from two to five years and with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

11 INTANGIBLE ASSETS

	ERP system *RMB'000*	Distribution network *RMB'000*	Total *RMB'000*
Cost:			
As at 1 January 2019	4,618	217,000	221,618
Addition	12,967	–	12,967
Disposal of subsidiaries	(241)	–	(241)
As at 31 December 2019, 1 January 2020 and 31 December 2020	**17,344**	**217,000**	**234,344**
Accumulated amortisation and impairment:			
As at 1 January 2019	2,123	61,483	63,606
Charge for the year	809	43,400	44,209
Impairment	–	6,457	6,457
Disposal of subsidiaries	(50)	–	(50)
As at 31 December 2019 and 1 January 2020	2,882	111,340	114,222
Charge for the year	2,517	43,400	45,917
Impairment	–	16,749	16,749
As at 31 December 2020	**5,399**	**171,489**	**176,888**
Net book value			
As at 31 December 2020	**11,945**	**45,511**	**57,456**
As at 31 December 2019	14,462	105,660	120,122

For the year ended 31 December 2020, an impairment loss of approximately RMB16,749,000 (2019: RMB6,457,000) on intangible assets that relates to the Chameleon Group, which constitutes a cash generating unit, has been recognised as a result of an impairment assessment made by the management.

12 TRADE AND OTHER RECEIVABLES

	2020 ***RMB'000***	2019 *RMB'000*
Trade receivables	**512,565**	433,897
Less: Loss allowance for expected credit loss	**(216,014)**	(207,532)
Written-off	**(133,434)**	(90,185)
Trade receivables	**163,117**	136,180
Prepayments to suppliers	**6,729**	1,731
Other deposits, prepayments and receivables	**49,804**	47,129
	219,650	185,040

As at 31 December 2020, included in the Group other receivables were fixed-rate short-term receivables of approximately RMB 29,472,000 due from independent third parties with interest-bearing rate range 5%–15% per year, certain of other receivables were guaranteed by independent third parties and a other receivable was secured by securities account.

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:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**114,572**	122,952
More than 3 months but within 6 months	**24,297**	11,419
More than 6 months but within 1 year	**21,513**	1,589
Over 1 year	**2,735**	220
	163,117	136,180

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

13 TRADE, BILLS AND OTHER PAYABLES

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**16,248**	11,282
Bills payable	**6,500**	36,500
Other payables	**45,412**	36,864
Accruals	**52,784**	56,661
	120,944	141,307

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 month or on demand	**7,289**	4,216
After than 1 month but within 3 months	**15,250**	7,066
Over 3 months but within 6 months	**129**	36,500
Over 6 months but within 1 year	**80**	–
	22,748	47,782

14. SHARE CAPITAL

	Number of ordinary shares of HK$0.01	Number of ordinary shares of HK$0.0025	Amount
			HK$'000
Authorised:			
As at 1 January 2019	1,000,000,000	–	10,000
Share subdivision *(note)*	(1,000,000,000)	4,000,000,000	–
As at 31 December 2019, 1 January 2020 and 31 December 2020	**–**	**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:				
As at 1 January 2019	480,900,000		4,809	3,819
Share subdivision *(note)*	(480,900,000)	1,923,600,000	–	–
As at 31 December 2019, 1 January 2020 and 31 December 2020	**–**	**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.

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 2020 (the "**Year**").

BUSINESS OVERVIEW

2020 was an extremely challenging year for the Group. The nationwide outbreak of novel coronavirus (COVID-19) 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. Industries including tourism, entertainment and retailing were affected to a larger extent while the suspension of the expansion of production facilities might have an impact on industrial production and trading. Inevitably, the results of the Group in 2020 were adversely affected. The revenue of the Group decreased by 24.8% from RMB359.0 million in 2019 to RMB270.1 million in 2020 while the net loss from continuing operations increased by 81.8% from RMB303.7 million in 2019 to RMB552.2 million in 2020.

In light of the challenges ahead, the Group has taken a multi-pronged approach. We have 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 started to increase the volume of outsourcing from OEM suppliers and reduce the volume of self-production to increase flexibility and reduce fixed manufacturing costs. To improve the revenue streams, we also started to license the brand name "Fordoo" to our distributors to earn licensing fees and lease out some vacant factory area to outsiders to earn rental income.

In order to diversify its business and to strengthen the long-term growth potential and shareholder value, the Group has been looking for business opportunities in China in respect of online e-commerce platform combined with an offline trading service system, which coordinate with China's major e-commerce platforms and major distributors to carry out automotive sales business since 2018. One of the ways to gain access to the PRC automobile industry quickly is through acquisition.

On 23 October 2020, the Group successfully acquired the entire equity interests in Tianjin Free Trade Pilot Zone Blue High-tech Co., Ltd.* (天津自貿試驗區藍高科技有限公司) ("**Tianjin Blue**") for a consideration of RMB1.46 million. Tianjin Blue is engaged in, among others, software development, internet operations, sales of automobiles and parts and equipment thereof, as well as the provision of information consulting services and property management, exhibition and display services.

Subsequent to the Year, the Company had successfully acquired the entire issued share capital of Good Productive Limited, which indirectly holds the entire issued share capital of a WFOE and through a set of VIE agreements entered into among the WFOE, Tianjin Honggao Technology Co., Ltd.* (天津洪高科技有限公司) ("**OPCO**") and the registered owner of the OPCO, has effective control over the financing and operations of the OPCO, and enjoys the economic interest and benefits of the OPCO. OPCO has developed an online e-commerce platform known as "Changyou Car* (暢遊汽車)" ("**Changyou Car**"), which has been working on materialising car sales by integrating mobile apps with offline trading service centres of distributors across the nation.

FUTURE PROSPECTS

Although we are facing unprecedented challenges and uncertainties ahead, we remain cautiously optimistic towards our business development in medium and long run. As the COVID-19 vaccination is getting common, many cities across China are loosening restrictions and resuming normal business and social activities, therefore Industries including tourism, entertainment and retailing will be benefit from that. Our retail business was significantly affected in 2020 and we believe that it will recover in 2021. We also expect that the demand of our products will increase when the economy restores. The Group will continue to monitor the menswear business operations, control and reduce unnecessary expenses and save costs.

In addition, the Group believes that the expansion into the automotive sales business segment can allow the Group to share the benefit of the development of China's huge automotive market and thus achieve greater value for the Shareholders of the Company in the near future.

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 our customers, 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, 30 March 2021

* *For identification purpose only*

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 2020, due to the combined effect of COVID-19 pandemic and decline in the domestic demand, the Group's revenue decreased from RMB359.0 million to RMB270.1 million, representing an approximately 24.8% decrease comparing with the financial year of 2019.

The business environment of the menswear industry was very difficult. Due to the COVID-19 pandemic 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. Apart from this, the quarantine order in some cities across China in 2020 had led to the suspension of social and economic activities and it worsened the performance of the Group's business in these cities. In addition, the increase in operating costs, such as raw materials and labour, 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 to increase its brand building strategies and flexibility in manufacturing by outsourcing part of the production process.

Financial Review

For the Year, the Group resulted a loss of approximately RMB552.2 million (2019 from continuing operations: RMB303.7 million), representing an approximately 81.8% increase in loss comparing with the 2019. The increase of loss was mainly attributable to (i) the decline in Group's revenue and gross profit due to the combining effect of persistent COVID-19 pandemic and the decline in the domestic demand for the Group's products; (ii) the recognition of an impairment loss on certain intangible assets of approximately RMB16.7 million; (iii) the written off of the remaining balance of the construction in progress of approximately RMB376.7 million in relation to the construction of the Fordoo commercial centre commencing from 2014; and (iv) an increase in an allowance for expected credit losses on trade receivables under IFRS9 "Financial Instruments" of approximately RMB51.2 million. As at 31 December 2020, the Group had 336 retail outlets (including 2 self-operated retail stores located in Quanzhou and 19 self-operated retail outlets in Beijing), representing a net decrease of 162 retail outlets from 498 retail outlets as at 31 December 2019.

Revenue

For the Year, revenue from continuing operations decreased by approximately 24.8% to approximately RMB270.1 million from approximately RMB359.0 million for the previous year. The decrease in revenue was primarily due to: (i) the persistent COVID-19 pandemic and slowdown in China's economic growth, lower the selling prices to attract consumers; (ii) the Group's continued consolidation strategy on its retail outlet network; and (iii) 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				
	2020		2019		**Change**
	RMB million	***% of revenue***	*RMB million*	*% of revenue*	**%**
Men's trousers	**141.9**	**52.6%**	189.8	52.9%	–25.2%
Men's tops	**125.1**	**46.3%**	168.5	46.9%	–25.8%
Accessories	**3.1**	**1.1%**	0.7	0.2%	342.9%
Total	**270.1**	**100.0%**	359.0	100.0%	–24.8%

Men's trousers remained the major revenue contributor and accounted for approximately 52.6% of the total revenue during the Year (2019: 52.9%).

Revenue by Product Style

	For the year ended 31 December				
	2020		2019		**Change**
	RMB million	***% of revenue***	*RMB million*	*% of revenue*	**%**
Business Casual	**180.1**	**66.7%**	228.0	63.6%	–21.0%
Business Formal	**54.0**	**20.0%**	72.6	20.2%	–25.6%
Casual [(1)]	**32.9**	**12.2%**	57.6	16.0%	–42.9%
Accessories	**3.1**	**1.1%**	0.7	0.2%	342.9%
Total	**270.1**	**100.0%**	359.0	100.0%	–24.8%

Business casual series remained our largest revenue contributor and accounted for approximately 66.7% of the total revenue during the Year (2019: 63.6% 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				
	2020		2019		**Change**
Region	***RMB million***	***% of Revenue***	*RMB million*	*% of Revenue*	**%**
Continuing operations					
Apparel and accessories					
Northern China [1]	**43.1**	**16.0%**	117.3	32.7%	–63.3%
Northeastern China [2]	**0.6**	**0.2%**	1.8	0.5%	–66.7%
Eastern China [3]	**156.6**	**58.0%**	145.6	40.6%	7.6%
Central Southern China [4]	**12.5**	**4.6%**	13.9	3.9%	–10.1%
Southwestern China [5]	**5.0**	**1.9%**	14.2	4.0%	–64.8%
Northwestern China [6]	**10.1**	**3.7%**	9.7	2.7%	4.1%
Hong Kong	**–**	**–**	9.5	2.6%	–100.0%
Subtotal	**227.9**	**84.4%**	312.0	87.0%	–27.0%
Online distributor	**42.2**	**15.6%**	47.0	13.0%	–10.2%
Total	**270.1**	**100.0%**	359.0	100.0%	–24.8%

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 74.0% (2019: 73.3%) of the total revenue. Revenue from online distributor increased from 13.0% to 15.6% of the total revenue and it reflected that we have placed more efforts on the internet marketing and expanded out distribution channel.

Cost of Sales

Cost of sales decreased by approximately 13.7% to approximately RMB193.2 million for the Year from approximately RMB223.8 million for the previous year. The decrease was primarily due to the drop in the product demand and partially offset by the increased in raw materials costs.

The Group continued to manufacture its products by self-production and OEM purchase. We used our in-house manufacturing facilities to manufacture part of our products and also outsourced part of the production process. This flexible manufacturing process allowed us to achieve the best product quality, cost efficiency and flexibility in production arrangement.

During the year ended 31 December 2020, self-production accounted for approximately 16.4% (2019: 41.7%) of the total cost of sales for apparel business, decreased by approximately 25.3 percentage points compared with the year 2019. After experiencing the suspension and economic activities in the first half of 2020 due to the COVID-19 pandemic, the Group outsourced more production process to avoid factory sunk cost, such as idle labor costs and the fringe benefits.

Gross Profit and Gross Profit Margin

Gross profit for the Year decreased by approximately 43.1% year-on-year to approximately RMB76.9 million (2019: RMB135.2 million). Gross profit margin decreased approximately 9.2 percentage points year-on-year to approximately 28.5%, which was primarily attributable to the decrease in revenue from these self-operated shops with higher profit margin.

Other Incomes and Other Gains or Losses

For the Year, other incomes and other gains or losses increased by approximately RMB3.2 million to approximately RMB5.9 million from approximately RMB2.7 million for the previous year. The net increase was mainly due to an increase in rental income of approximately RMB1.1 million and a net decrease in net loss on disposal of property, plant and equipment of approximately RMB2.0 million, decrease in foreign exchange loss of approximately RMB790,000, offset by a net decrease in interest income of approximately RMB568,000 and a net decrease in financial consultant service of RMB525,000.

Selling and Distribution Expenses

For the Year, selling and distribution expenses decreased by approximately RMB12.6 million year-on-year to approximately RMB66.2 million, accounted for approximately 24.5% of total revenue, which represented a year-on-year increase of approximately 2.6 percentage points. The decrease in selling and distribution expenses was primarily due to (i) the decrease in salesman salaries and insurance resulting from the decrease in the Group's headcount coupled with a decrease in number of stores during the year; (ii) the decrease in advertising and promotional expenses; (iii) the decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops; and (iv) the decrease in packaging expenses which was in line with the decrease in revenue.

Administrative and Other Operating Expenses

For the Year, the Group's administrative and other operating expenses increased by approximately RMB2.3 million year-on-year to RMB168.8 million, accounting for approximately 62.5% of total revenue, which represented a year-on-year increase of 1.4 percentage points. The increase was mainly due to the staff dismissal compensation of approximately RMB6.3 million due to department restructuring and cost saving, partially offset by the decrease in allowance for expected credit losses on trade receivables under IFRS 9 "Financial Instruments" from RMB62.7 million in 2019 to RMB51.2 million, the decrease in research and development expenses by appropriately RMB1.3 million and repair and maintenance fee by approximately RMB3.3 million.

Finance Costs

For the Year, finance cost increased by approximately 18.9% year-on-year to approximately RMB34.3 million (2019: RMB28.8 million), which was mainly due to an increase in corporate bonds and higher average interest rate.

Income Tax

For the Year, income tax credit decreased by approximately RMB5.4 million year-on-year to RMB27.6 million (2019: RMB33.1 million). The decrease in income tax credit was mainly due to the net decrease in deferred tax assets due to the net decrease in allowance for expected credit losses on trade receivables and impairment of goodwill for the Year.

Loss Attributable to Shareholders of the Company

Loss attributable to the Shareholders for the Year was approximately RMB552.2 million (2019: loss of RMB303.7 million).

The Board has resolved not to recommend the payment of a final dividend for the Year (2019: Nil).

BUSINESS REVIEW

Distribution Network

As of 31 December 2020, our distribution network comprised 45 distributors (including one online distributor) and 39 sub- distributors who operated 315 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 19 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 2020. 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 19 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 of 2017.

As of 31 December 2020, the Group had 336 retail outlets (including the 2 self-operated retail stores in Quanzhou and self- operated 19 retail outlets in Beijing), representing a net decrease of 162 retail outlets from 498 retail outlets as at 31 December 2019. The Group continued the consolidation strategy on the retail outlet network during the Year and closed down inefficient retail stores.

As of 31 December 2020, 84.2% of the retail outlets were located in department stores or shopping malls whereas 9.5% of the retail outlets were standalone stores.

As of 31 December 2020, approximately 41.9% 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.

The following table shows the number of retail outlets (including 2 self-operated retail outlets in Quanzhou and 19 self-operated retail outlets in Beijing) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2020 and 31 December 2019:

	Number of stores			
Region	**As of 31 December 2020**		As of 31 December 2019	
First-tier cities (1)	**33**	**9.8%**	43	8.6%
Second-tier cities (2)	**108**	**32.1%**	136	27.3%
Third-tier cities (3)	**137**	**40.8%**	231	46.4%
Fourth-tier cities (4)	**58**	**17.3%**	88	17.7%
	336	**100.0%**	498	100.0%

* *For identification purposes only*

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 in light of the unsatisfactory retail performance. The Group sells its products to online distributors which then resell 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 2020, the Group's distribution network included 45 distributors (2019: 50) and 39 sub-distributors (2019: 82). Among the 45 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 of our distributors and retail outlets, we divide our distribution network into regions in the PRC. We have assigned management teams for each 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 will continue provide training for its distributors and their management teams, with an aim to improve 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. 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 brand name.

The Group continued to upgrade its existing retail outlets to enhance and reinforce its brand image. The Group decorated 14 new stores and renovated 18 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 2020, our product design and development team consisted of 20 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 2020 autumn/winter collections was held in March 2020, and the sales fair for 2021 spring/summer collections were held in August 2020.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2020, the total cash and bank balances of the Group were approximately RMB199.3 million (2019: RMB488.1 million), comprising cash and cash equivalents of approximately RMB196.7 million (2019: RMB471.4 million), pledged bank deposits of approximately RMB2.6 million (2019: RMB12.7 million), and no fixed deposits held at bank with original maturity over three months (2019: RMB4 million).

As at 31 December 2020, the Group had a total of interest bearing borrowings of approximately RMB510.2 million (2019: RMB503.1 million) comprising bank and other borrowings of approximately RMB419.8 million (2019: RMB409.8 million) and corporate bonds of approximately RMB90.4 million (2019: RMB93.3 million). The Group's borrowings were primarily denominated in RMB and HK$ (2019: in both RMB and HK$) and bear interest at fixed rate (2019: fixed rate) ranging from 5.0% to 15.0% (2019: 5.0% to 7.5%) per annum.

The maturity profile of the borrowings as at 31 December 2020 was as follows:

	2020		2019	
	RMB million	*%*	*RMB million*	*%*
— Within 1 year or on demand	**471.4**	**92.4%**	438.4	87.2%
— Over 1 but within 2 years	**11.4**	**2.2%**	44.4	8.8%
— Over 2 but within 5 years	**21.5**	**4.2%**	3.2	0.6%
— Over 5 years	**5.9**	**1.2%**	17.1	3.4%
Total	**510.2**	**100.0%**	503.1	100.0%

As at 31 December 2020, the gearing ratio was approximately 93.9% (2019: 46.0%). 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 2020, the Group's total equity decreased by approximately RMB550.8 million to approximately RMB543.4 million (2019: RMB1,094.2 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 81 days for the Year, as compared to 55 days for the previous year. The increase was mainly due to distributors postponing the collection of the inventories leading to increased closing stock level because they worried their sales will be affected by the COVID-19 pandemic rebounding in early 2021.

The Group's average trade receivables turnover days was 202 days for the Year, representing an increase of 37 days from 165 days for the previous year. As at 31 December 2020, the Group's total trade receivables increased by approximately 19.8% year-on-year to RMB163.1 million (31 December 2019: RMB136.2 million). The increase in trade receivables turnover days was mainly due to the long outstanding trade receivables of some customers.

The Group's average trade payables turnover days was 26 days for the Year, representing an increase of 7 days from 19 days for the previous year. We normally have 7 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 57.2% as at 31 December 2020 (31 December 2019: 1.4%).

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 2020, secured bank borrowings RMB419.8 million (2019: RMB409.8 million) were secured by bank deposits, certain buildings, investment properties and land use rights with carrying value of approximately RMB2.6 million (2019: RMB12.7 million), approximately RMB63.4 million (2019: RMB237.9 million), approximately RMB188.8 million (2019: RMB21.4 million) and approximately RMB238.9 million (2019: RMB246.0 million), respectively.

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

Written off of the remaining balance of Fordoo commercial centre

The Fordoo commercial centre project (the "**Centre**") was started in 2014. The Centre is originally planned for commercial usage, such as the provision of venues and hotel accommodations for business conference meetings, fair exhibitions or tourists.

Throughout all the past years, the Company had put in great efforts on completing the Centre. Unfortunately, the Centre had been under construction stage for more than 6 years mainly due to the lack of supporting facilities in place, such as waterpipes and electricity connection networks, provided by the local government authorities. The relevant officials who made or approved or otherwise endorsed the construction decisions had departed and their successors would require further time to revisit the situation before proceeding with the construction. As up to now, the officials are still not able to provide a timetable of providing such facilities and thus, the Company has difficulty in foreseeing a date of completion of the Centre.

Due to the negative impact of COVID-19 pandemic, the slowdown of worldwide economic growth and the uncertainty as to when the infrastructure of the facilities is available, the Company believes that the costs of construction from building the Centre may not be recovered in a foreseeable future and also, it might not be benefit to the Company and the Shareholders if further resources were invested into the Centre.

After serious consideration, the Board made the decision to write off the remaining carry value of the construction in progress cost in the Centre which amounted to RMB376.7 million. Further details are set out in note 9 to the consolidated statements.

Except for the above write off, there was no other significant investment, material acquisition or disposal of subsidiaries and associated companies by the Company.

Factory Restructuring

The Group started to restructure some redundant factory area (the "**Restructuring**") in Quanzhou to alternate the usage of those area to develop a one-stop home and commercial furnishing chain business platform (the "**Platform**") to increase the income streams in the Year.

The Platform will facilitate the matching of suppliers and customers of the furnishing industry. The Restructuring will be separated into different areas such as furnishing materials store, furnishing design centre and supporting facilities such as business centre. We expect to receive rental incomes, promotion and advertisement fees from the Platform.

The Restructuring is under the construction stage and is principally funded by cash generated from our operations and bank borrowings. According to the planned timetable, we expect that the Restructuring will be completed by early 2022.

Capital Commitments and Contingencies

As at 31 December 2020, the Group had a total capital commitment of approximately RMB112.8 million. The capital commitment for factory restructuring is RMB98.5 million and that for leasehold improvement is RMB14.3 million. All the capital commitments are expected to be financed by our operations and bank borrowings.

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

Foreign Currency Exposure

The functional currency of the Group is Renminbi 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 Hong Kong dollar corporate bonds, 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 171 employees as at 31 December 2020 (2019: 518). Total staff costs for the year amounted to approximately RMB32.0 million (2019: RMB43.5 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 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 2020, the Group had utilised HK$390.6 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$64.1 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	**1.7**
Repay a portion of our bank borrowings	**–**
Expand distribution network and provide storefront decoration	**–**
Install ERP system	**–**
Working capital and other general corporate purposes	**–**
	1.7

As at 31 December 2020, the accumulated use of the Net Proceeds is set out below:	**Available for use**	**Utilized (as at 31 December 2020)**	**Unutilized (as at 31 December 2020)**
	HK$million	***HK$million***	***HK$million***
Brand promotion and marketing	**122.8**	**(122.8)**	**–**
Research, design and product development	**90.9**	**(52.3)**	**38.6**
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	**(390.6)**	**64.1**

The proceeds not utilised were deposited into interest bearing bank accounts with licensed commercial banks in China. The unused proceeds are planned to be utilised by 2021.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code (the "**Model Code**") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**") as the Company's code of conduct regarding Directors' securities transactions.

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.

According to code provision A.3(a) of the Model Code, a Director must not deal in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results, as well as any period of delay in the publication of the 2019 annual results announcement (the "**2019 Black-out Period**"). The 2019 Black-out Period commenced on 27 January 2020 and ended on 8 May 2020 (both dates inclusive). According to code provision B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (other than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement.

An executive Director, Mr. Kwok Hon Fung, through Equal Plus Limited, a company wholly-owned by him, disposed of 433,000 shares of the Company during the 2019 Black-out Period in the open market without prior notice to the chairman of the Board. For further details, please refer to the Company's announcement dated 28 April 2020.

Save as disclosed above, and upon specific enquiries, all Directors and senior management of the Company confirmed that they have complied with the relevant provisions of the Model Code throughout the Year.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules, as at 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")

After reviewing the Company's corporate governance practices and the CG Code contained in Appendix 14 to the Listing Rules, the Board is satisfied that the Company has complied with the CG Code provisions for the Year, 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. Steve Andrew Chen, an independent non-executive Director, was not able to attend the annual general meeting of the Company held on 18 June 2020 (the "**2020 AGM**") and he retired as an independent non-executive Director on the same date.

The Board currently comprises four executive Directors and three independent non-executive Directors, with independent non-executive Directors representing over one-third of the Board, which is higher than the requirement of the Listing Rules. Such percentage of independent non-executive Directors on the Board can ensure their views would carry sufficient weight and enhance the 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.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 14 December 2020 (after trading hours), the Company and Mr. Tong Xin ("**Mr. Tong**"), an executive director of the Company, entered into a Sale and Purchase Agreement ("**SPA**"), pursuant to which the Company has conditionally agreed to acquire and Mr. Tong has conditionally agreed to sell the entire issued share capital of Good Productive Limited ("**GPL**") (the "**Acquisition**") for a consideration to be satisfied by way of allotment and issue of consideration shares to Mr. Tong (or its nominee) credited as fully paid (the "**Previous Consideration**").

On 5 March 2021, the Company and Mr. Tong entered into a Supplemental Agreement ("**SA**") to amend and supplement the SPA, pursuant to which, among other things, the consideration is changed from the Previous Consideration to HK$9.7million ("**Amended Consideration**"), which shall be satisfied in cash by the Company to Mr. Tong within 10 days upon Completion. Upon Completion, the Company will hold the entire issued share capital of GPL which indirectly holds the entire issued capital of Tianjin Jinshen International Trade Co., Ltd. * (天津金聖國際貿易有限責任公司) (the "**WOFE**") and through the variable interest entity agreement ("**VIE Agreement**"), has effective control over the financing and operations of Tianjin Honggao Technology Co., Ltd.* (天津洪高科技有限公司) (the "**OPCO**"), and enjoy the economic interest and benefits of the OPCO. According to the relevant Listing Rules, the acquisition of the entire issued share capital of GPL constituted a disclosable and connected transaction and the entry of the VIE Agreements constituted a continuing connected transaction.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the SPA (as amended and supplemented by the SA) exceeds 0.1% but all of them are below 25% and the Amended Consideration is below HK$10 million, the transactions contemplated under the SPA (as amended and supplemented by the SA) were subject to the reporting, announcement and annual review requirements but exempted from the circular and Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The circular was published on 24 March 2021 (the "**Circular**").

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the VIE Agreements exceeded 5%, the transactions contemplated under the VIE Agreements were subject to the reporting, announcement, annual review, circular and Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Pursuant to Rule 14A.37 of the Listing Rules, the Stock Exchange granted a waiver to the Company from the requirement to convene a Shareholders' meeting for approving the VIE Agreements, such that the written approval would be accepted in lieu of convening a general meeting.

For further details of the Acquisition, please refer to the Circular.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed with the Company's auditor, Elite Partners CPA Limited, which is consistent with the figures set out in the Group's consolidated financial statements for the year ended 31 December 2020.

REVIEW OF ANNUAL RESULT

The audit committee (the "**Audit Committee**") consists of the three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and Ms. Huang Yumin. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, internal control and risk management systems, and has reviewed the audited annual financial results for the year ended 31 December 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 30 March 2021

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