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CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2399)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “**Board**”) of directors (the “**Directors**”) of China Fordoo Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2021.

FINANCIAL HIGHLIGHTS

- Revenue of the Group increased by 11.4% to RMB105.7 million (2020: RMB94.9 million).
- Gross profit of the Group decreased by 36.3% to RMB20.5 million (2020: RMB32.2 million).
- Net loss of the Group was RMB64.8 million (2020: net loss of RMB67.1 million).
- Basic and diluted loss per share was RMB3.4 cents (2020: basic and diluted loss per share of RMB3.5 cents).

	For the six months ended		
	30 June 2021	30 June 2020	Change
Profitability ratios			
Gross profit margin	19.4%	33.9%	–14.5ppt
Net loss to revenue	–61.4%	–70.8%	–9.4ppt
Return on equity ⁽¹⁾	–13.5%	–6.5%	–7.0ppt
	As at	As at	
	30 June 2021	30 June 2020	
Liquidity ratios			
Inventory turnover (Days) ⁽²⁾	109	63	+46
Trade receivables turnover (Days) ⁽³⁾	295	218	+77
Trade payables turnover (Days) ⁽⁴⁾	37	33	+4
	As at	As at	
	30 June 2021	31 December 2020	
Capital ratios			
Interest coverage ratios ⁽⁵⁾	N/A	N/A	
Net debt to equity ratio ⁽⁶⁾	73.5%	57.2%	+16.3ppt
Gearing ratio ⁽⁷⁾	96.8%	93.9%	+2.9ppt
<i>Notes:</i>			
(1) Net loss for the period divided by total equity.			
(2) Average of the inventory at the beginning and at the end of the period divided by cost of sales times the number of days during the period.			
(3) Average of the trade receivables at the beginning and at the end of the period divided by revenue times the number of days during the period.			
(4) Average of the trade payables at the beginning and at the end of the period divided by costs of sales times the number of days during the period.			
(5) Profit before interest and tax for the period divided by interest expenses of the same period.			
(6) Net debt divided by total equity as at the end of the period. Net debt includes bank borrowings net of cash and cash equivalents and pledged bank deposits.			
(7) Total debts divided by the total equity as at the end of the period.			

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021 — unaudited (Expressed in Renminbi)

		Six months ended 30 June	
		2021	2020
	Notes	RMB'000	RMB'000
Revenue	4	105,677	94,857
Cost of sales		<u>(85,194)</u>	<u>(62,689)</u>
Gross profit		20,483	32,168
Other income and other gains or losses	5	10,147	3,645
Selling and distribution expenses		(28,816)	(13,075)
Administrative and other operating expenses		<u>(59,770)</u>	<u>(86,122)</u>
Loss from operations		(57,956)	(63,384)
Finance costs	6(a)	<u>(14,961)</u>	<u>(17,464)</u>
Loss before taxation	6	(72,917)	(80,848)
Income tax	7	<u>8,072</u>	<u>13,733</u>
Loss for the period		(64,845)	(67,115)
Other comprehensive income/(expense) for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		<u>1,534</u>	<u>(1,379)</u>
Total comprehensive expense for the period		<u>(63,311)</u>	<u>(68,494)</u>
Loss per share (RMB cents)			
Basic and diluted	9	<u>(3.4)</u>	<u>(3.5)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021 — unaudited (Expressed in Renminbi)

		At 30 June 2021 <i>RMB'000</i> Unaudited	At 31 December 2020 <i>RMB'000</i> Audited
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		39,562	67,788
Goodwill		3,903	—
Investment properties		324,971	280,041
Right-of-use assets		240,972	239,236
Intangible assets		35,477	57,456
Deferred tax assets		88,357	85,723
		<u>733,242</u>	<u>730,244</u>
Current assets			
Inventories		44,831	56,702
Trade and other receivables	10	231,213	219,650
Pledged bank deposits		2,284	2,600
Cash and cash equivalents		109,311	196,651
		<u>387,639</u>	<u>475,603</u>
Current liabilities			
Trade, bills and other payables	11	142,593	120,944
Bank borrowings	12	399,800	419,800
Corporate bonds	13	25,867	51,502
Lease liabilities		2,162	331
Current taxation		1,789	—
		<u>572,211</u>	<u>592,577</u>
Net current liabilities		<u>(184,572)</u>	<u>(116,974)</u>
Total assets less current liabilities		<u>548,670</u>	<u>613,270</u>

		At 30 June 2021 <i>RMB'000</i> Unaudited	At 31 December 2020 <i>RMB'000</i> Audited
	<i>Notes</i>		
Non-current liabilities			
Corporate bonds	13	38,904	38,892
Lease liabilities		3,879	–
Deferred tax liabilities		25,824	31,004
		<hr/>	<hr/>
		68,607	69,896
		<hr/>	<hr/>
Net assets		480,063	543,374
		<hr/>	<hr/>
Capital and reserves			
Share capital		3,819	3,819
Reserves		476,244	539,555
		<hr/>	<hr/>
Total equity		480,063	543,374
		<hr/>	<hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 30 August 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of China Fordoo Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) since the 2020 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”). The interim financial information is unaudited, but has been reviewed by the Company’s audit committee.

In preparing these condensed consolidated interim financial statements, the Directors have considered the future liquidity of the Group. As at 30 June 2021, the Group has net current liabilities and loss for the year of approximately RMB184,572,000 and RMB64,845,000 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 condensed consolidated interim 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 condensed consolidated interim 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 RMB1,292,690,000 and as at 30 June 2021, the unutilized facilities amount in respect of bank borrowings is approximately RMB892,890,000.
- (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 condensed consolidated interim financial statements. Accordingly, the condensed consolidated interim financial statements of the Group have been prepared on the going concern basis.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020, except for the adoption of new standards as set out below.

In the current interim period, the Group has adopted all the amendments (the “**amended IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2021. The adoption of these amended IFRSs did not result in significant changes to the Group's accounting policies and amounts reported for the current and prior accounting period.

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

3 SEGMENT INFORMATION

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

Operating segments which are individually material 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 meet a majority of these criteria.

The main operation of the Group is manufacturing, wholesaling and retail sales of menswear and advertising revenue in the PRC.

(a) Segment revenue and results

For the six months ended 30 June 2021

	Menswear Six months ended 30 June 2021 RMB'000 (Unaudited)	Advertising Six months ended 30 June 2021 RMB'000 (Unaudited)	Unallocated Six months ended 30 June 2021 RMB'000 (Unaudited)	Consolidated Six months ended 30 June 2021 RMB'000 (Unaudited)
Revenue	<u>103,257</u>	<u>2,420</u>	<u>–</u>	<u>105,677</u>
Segment result before the following items	(47,644)	(1,319)	–	(48,963)
Allowance for expected credit losses (“ECL”) of trade receivables, net	<u>(10,538)</u>	<u>–</u>	<u>–</u>	<u>(10,538)</u>
Segment result	<u>(58,182)</u>	<u>(1,319)</u>	<u>–</u>	<u>(59,501)</u>
Other revenue and unallocated gains			2,199	2,199
Corporate and other unallocated expenses			(15,615)	<u>(15,615)</u>
Loss before taxation				(72,917)
Income tax	8,060	12	–	<u>8,072</u>
Loss for the period				<u><u>(64,845)</u></u>

For the six months ended 30 June 2020

	Menswear Six months ended 30 June 2020 <i>RMB'000</i> (Unaudited)	Unallocated Six months ended 30 June 2020 <i>RMB'000</i> (Unaudited)	Consolidated Six months ended 30 June 2020 <i>RMB'000</i> (Unaudited)
Revenue	94,857	–	94,857
Segment result before the following items	(30,226)	–	(30,226)
Allowance for ECL of trade receivables, net	(35,725)	–	(35,725)
Segment result	(65,951)	–	(65,951)
Other revenue and unallocated gains		1,025	1,025
Corporate and other unallocated expenses		(15,922)	(15,922)
Loss before taxation			(80,848)
Income tax	13,733	–	13,733
Loss for the period			(67,115)

(b) Segment assets and liabilities

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

	Menswear		Advertising		Unallocated		Consolidated	
	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Segment assets	833,138	927,498	25,478	–	262,265	278,349	1,120,881	1,205,847
Segment liabilities	493,654	523,626	17,325	–	129,839	138,847	640,818	662,473

(c) Geographical Information

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

4 REVENUE

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

Revenue by product type is as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Men's trousers	58,338	52,056
Men's tops	44,774	42,580
Accessories	145	221
Advertising	2,420	–
	<u>105,677</u>	<u>94,857</u>
Timing of revenue recognition		
At a point of time	103,257	94,857
Over time	2,420	–
	<u>105,677</u>	<u>94,857</u>

5 OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income	846	2,423
Rental income from investment properties less direct outgoings	2,724	738
Government grants (<i>note (i)</i>)	–	118
Net foreign exchange gain/(loss)	13	(134)
Consultancy service income	333	437
Franchise income	4,491	–
Gain on modification of corporate bonds	713	–
Others	1,027	63
	<u>10,147</u>	<u>3,645</u>

Note:

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

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(a) Finance costs:		
Interest on corporate bonds	4,225	6,174
Interest on bank borrowings	10,674	11,229
Interest on lease liabilities	62	61
	<u>14,961</u>	<u>17,464</u>
(b) Staff costs:		
Contributions to defined contribution retirement plans	476	228
Salaries, wages and other benefits	8,605	15,073
	<u>9,081</u>	<u>15,301</u>
(c) Other items:		
Amortisation of intangible assets	23,010	22,200
Depreciation of property, plant and equipment	1,999	7,943
Depreciation of investment properties	5,724	594
Depreciation of right-of-use assets	4,213	4,305
Research and developments expenses (<i>note (i)</i>)	984	2,645
Cost of inventories	84,536	62,570
Allowance for ECL, net	9,788	35,725
Written-off of trade receivables	–	1,441
	<u>–</u>	<u>1,441</u>

Note:

- (i) Research and development costs include staff costs of employees in the design and product development department of RMB903,000 (six months ended 30 June 2020: RMB1,639,000), which are included in the staff costs as disclosed in note 6(b).

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Provision for PRC corporate income tax for the period	<u>–</u>	<u>246</u>
Deferred tax		
Origination and reversal of temporary differences	<u>(8,072)</u>	<u>(13,979)</u>
	<u>(8,072)</u>	<u>(13,733)</u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2021 and 2020.
- (iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory rate of 25% of the assessable profits of the subsidiaries incorporated in the PRC.
- (iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

8 DIVIDEND

The Board does not recommend the payment of dividend for the six months ended 30 June 2021 (2020: Nil).

9 LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period for the purposes of computation of basic loss per share	<u>(64,845)</u>	<u>(67,115)</u>
	Number of shares	
	'000	'000
Number of shares		
Weighted average number of ordinary shares in issue	<u>1,923,600</u>	<u>1,923,600</u>

(b) Diluted loss per share

The computation of diluted loss per share for the six months ended 30 June 2020 and 2021 did not assume the exercise of outstanding share options of the Company since their assumed conversion would result in a decrease in loss per share.

10 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade receivables	405,547	379,131
Less: Loss allowance for ECL	<u>(226,552)</u>	<u>(216,014)</u>
Trade receivables	178,995	163,117
Prepayments to suppliers	35,822	6,729
Other deposits, prepayments and receivables	<u>16,396</u>	<u>49,804</u>
	<u>231,213</u>	<u>219,650</u>

Aging analysis

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 3 months	60,922	114,572
More than 3 months but within 6 months	15,501	24,297
More than 6 months but within 1 year	98,674	21,513
Over 1 year	3,898	2,735
	<u>178,995</u>	<u>163,117</u>

Trade receivables are normally due for settlement within 90–180 days (31 December 2020: 90–180 days) from the invoice date.

Impairment of trade receivables

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

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Balance as at 1 January	216,014	207,532
Reversal of ECL recognised in prior years	(32,875)	(27,104)
Reversal due to written-off of trade receivables	–	(42,690)
ECL recognised	43,413	78,276
	<u>226,552</u>	<u>216,014</u>
Balance as at 30 June/31 December		

11 TRADE, BILLS AND OTHER PAYABLES

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Trade payables	18,694	16,248
Bills payables	5,000	6,500
Accruals	52,206	52,784
Other payables	66,693	45,412
	<u>142,593</u>	<u>120,944</u>

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

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 month	5,781	7,289
After than 1 month but within 3 months	7,719	15,250
Over 3 months but within 6 months	5,023	129
Over 6 months but within 1 year	5,171	80
	<u>23,694</u>	<u>22,748</u>

12 BANK BORROWINGS

(a) The bank borrowings were repayable as follow:

	As at 30 June 2021 RMB'000 (Unaudited)	As at 31 December 2020 RMB'000 (Audited)
Within 1 year or on demand	<u>399,800</u>	<u>419,800</u>

- (b) The bank borrowings were secured as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Bank borrowings		
— Secured	349,800	349,800
— Unsecured	50,000	70,000
	399,800	419,800

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Property, plant and equipment	39,562	63,394
Investment properties	324,971	280,041
Right-of-use assets	235,356	238,911
Pledged bank deposits	2,284	2,600
	602,173	584,946

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

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Facility amount	1,292,690	1,307,690
Utilised facilities amount in respect of bank borrowings	399,800	419,800

13 CORPORATE BONDS

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Unsecured corporate bonds	<u>64,771</u>	<u>90,394</u>

The Group's corporate bonds are repayable as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Within 1 year	25,867	51,502
After 1 year but within 2 years	20,790	11,417
After 2 years but within 5 years	18,114	21,532
After 5 years	–	5,943
	<u>64,771</u>	<u>90,394</u>

The movement of corporate bonds is as follows:

	As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
As at 1 January	90,394	93,333
Proceeds from issuance of corporate bonds	–	9,017
Modification of corporate bonds	(713)	262
Repayment of corporate bonds	(23,583)	(15,580)
Imputed interests	2,433	5,125
Exchange realignment	(3,760)	(1,763)
As at 30 June/31 December	<u>64,771</u>	<u>90,394</u>

As at 30 June 2021, the Group issued bonds with a principle amount in a total of RMB76,533,000 (31 December 2020: RMB117,617,000) carried interest at 0.1%–6.5% (31 December 2020: 0.1%–15%) per annum. Total transaction cost attributable to the issuance of the bonds amounted to RMB13,229,000 (31 December 2020: RMB15,519,000). The bonds are unsecured with maturity date falling on 2–8 years (31 December 2020: 2–8 years) of the issue date.

The effective interest rate of the bonds ranges from 6.73% to 13.63% (31 December 2020: 6.73% to 13.63%) per annum.

14. ACQUISITION OF SUBSIDIARIES

On 14 December 2020 and 5 March 2021, the Company entered into the sale and purchase agreement and the supplemental agreement with Mr. Tong Xin, the Director of the Company and the ultimate beneficial owner of vendor, respectively, for the acquisition of 100% the issued share capital of Good Productive Limited and its subsidiaries (“**Good Productive Group**”) at a cash consideration of HK\$9,700,000 (equivalent to RMB8,199,000). Good Productive Group is principally engaged in the advertising in the PRC. The acquisition of Good Productive Group was completed on 30 March 2021.

The fair value of identifiable assets acquired and liabilities assumed of the acquiree as at the date of acquisition were as follows:

	<i>RMB’000</i>
Net assets acquired:	
Intangible assets	1,031
Cash and cash equivalents	4,597
Trade and other receivables	12,956
Other payables	(11,534)
Deferred tax	(258)
Tax payables	(2,147)
	<u>4,645</u>
Total identifiable net assets at fair value	<u>4,645</u>
Cash consideration payable	8,199
Less: Fair value of net assets acquired	(4,645)
	<u>3,554</u>
Goodwill	<u>3,554</u>
	<i>RMB’000</i>
Net cash inflow arising on acquisition:	
Cash consideration paid	–
Add: cash and cash equivalents acquired	4,597
	<u>4,597</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

In the first half of 2021, due to the economic recovery from the COVID-19 pandemic leading to an increase in the domestic demand, the Group's revenue increased from RMB94.9 million to RMB105.7 million, representing an approximate 11.4% increase comparing with the first half of 2020.

The business environment of the menswear industry was very difficult. Although comparing with the first half of 2020, the economy in China was slightly recovered, the occurrence of recurrent waves and outbreaks of COVID-19 are still affecting the consumers' demand for well-known branded products, they are more inclined to buying more affordable products. In addition, the increase in operating costs has also made the operation even harder, especially in some first-tier cities in China.

To cope up 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.

As part of the Group's strategy to diversify its business and to enhance the long-term growth and shareholder value, during the first half of 2021, it acquired the economic interest and benefits of Tianjin Honggao Technology Co., Ltd.*(天津洪高科技有限公司) (“**Tianjin Honggao**”) through the acquisition of Good Productive Limited. Tianjin Honggao is principally engaged in the business of sales and marketing of automobiles through an e-commerce platform. During the first half of 2021, the Group derived revenue from advertising activities conducted through Tianjin Honggao in the sum of approximately RMB2.4 million.

FINANCIAL REVIEW

For the six months ended 30 June 2021, the Group recorded a net loss of approximately RMB64.8 million (2020: RMB67.1 million). The decline was mainly attributable to the decline in Group's gross profit due to the combining effect of the selling price reduction strategy to retain the market share and the increase in operating costs, an increase in allowance for expected credit losses on trade receivables under IFRS 9 “Financial Instruments” as well as the reduction in finance costs. As at 30 June 2021, the Group had 296 retail outlets (including 17 self-operated retail outlets in Beijing), representing a net decrease of 40 retail outlets from 336 retail outlets as at 31 December 2020.

Revenue

Comparing with the relatively low revenue amount in the first half of 2020 due to the outbreak of COVID-19, the revenue in the first of 2021 increased by approximately 11.4% from RMB94.9 million to RMB105.7 million. The revenue gradually recovered due to the economic recovery from the COVID-19 pandemic.

Revenue by Product Type

	For the six months ended				Change %
	30 June 2021		30 June 2020		
	<i>RMB million</i>	<i>% of revenue</i>	<i>RMB million</i>	<i>% of revenue</i>	
	(Unaudited)		(Unaudited)		
Appeal					
Men's trousers	58.4	55.3%	52.1	54.9%	12.1%
Men's tops	44.8	42.4%	42.6	44.9%	5.2%
Accessories	–	–	0.2	0.2%	–100.0%
Total of Appeal	103.2	97.7%	94.9	100.0%	8.7%
Advertising	2.4	2.3%	–	–	100.0%
Total	105.6	100.0%	94.9	100.0%	11.3%

Trousers remained the major turnover contributor of the Group in terms of product type and accounted for 55.3% of the total revenue during the first half of 2021 (the first half of 2020: 54.9%).

Revenue by Product Style

	For the six months ended				Change %
	30 June 2021		30 June 2020		
	<i>RMB million</i>	<i>% of revenue</i>	<i>RMB million</i>	<i>% of revenue</i>	
	(Unaudited)		(Unaudited)		
Appeal					
Business Casual	72.4	68.5%	63.9	67.3%	13.3%
Business Formal	19.3	18.3%	19.7	20.8%	–2.0%
Casual	11.5	10.9%	11.1	11.7%	3.6%
Accessories	–	–	0.2	0.2%	–100.0%
Total of Appeal	103.2	97.7%	94.9	100.0%	8.7%
Advertising	2.4	2.3%	–	–	100.0%
Total	105.6	100.0%	94.9	100.0%	11.3%

Business casual series remained our largest revenue contributor in terms of product type and accounted for 68.5% of the total revenue for the first half of 2021 (the first half of 2020: 67.3%).

Revenue by Region

Region	For the six months ended				Change %
	30 June 2021		30 June 2020		
	<i>RMB million</i> (Unaudited)	<i>% of revenue</i>	<i>RMB million</i> (Unaudited)	<i>% of revenue</i>	
Northern China ⁽¹⁾	3.6	3.4%	5.8	6.1%	−37.9%
Northeastern China ⁽²⁾	–	–	0.6	0.6%	−100.0%
Eastern China ⁽³⁾	42.2	40.0%	43.8	46.2%	−3.7%
Central Southern China ⁽⁴⁾	6.8	6.4%	4.2	4.4%	61.9%
Southwestern China ⁽⁵⁾	2.9	2.7%	3.2	3.4%	−9.4%
Northwestern China ⁽⁶⁾	2.4	2.3%	4.6	4.8%	−47.8%
Subtotal	57.9	54.8%	62.2	65.5%	−6.9%
Online distributor	32.8	31.1%	12.8	13.5%	156.3%
Self-operated retail outlets	12.5	11.8%	19.9	21.0%	−37.2%
Total of Appeal	103.2	97.7%	94.9	100.0%	8.7%
Advertising	2.4	2.3%	–	–	100.0%
Total	105.6	100.0%	94.9	100.0%	11.3%

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.

The Eastern China region and online distributors were the major revenue contributors, and together accounted for 71.1% (the first half of 2020: 59.7%) of the total revenue during the first half of 2021. Revenue from online distributor increased from approximately 13.5% to 31.1% of the total revenue and it reflected the result that we have placed more efforts on internet marketing and accordingly expanded our online distribution channel.

Cost of Sales

Cost of sales increased by approximately 35.9% from RMB62.7 million in the first half of 2020 to RMB85.2 million in the first half of 2021. The increase was primarily due to the increase in the cost of raw materials.

The Group had changed its operational strategy to source its products on OEM purchase only which was more flexible in meeting the current customer demand. Under the current weak retail situation, distributors placed small quantity orders of different product mix, economies of scale in production could not be achieved. In addition, after experiencing the suspension of social and economic activities in the previous year due to the COVID-19 pandemic, outsourcing production process can avoid the sunk cost of production, such as idle labor costs and the fringe benefits.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 36.3% from RMB32.2 million in the first half of 2020 to RMB20.5 million in the first half of 2021 and gross profit margin decreased by approximately 14.5 percentage points from 33.9% in the first half of 2020 to 19.4% in the first half of 2021. The decreases in gross profit and gross profit margin were primarily attributable to the combining effect of the selling price reduction strategy, i.e. reduction in profit margin, to retain market share and the increase in cost of materials.

Other Income and Other Gains or Losses

Other income and other gains or losses increased by approximately 178.4% from approximately RMB3.6 million in the first half of 2020 to approximately RMB10.1 million in the first half of 2021. The increase was mainly due to the increase in franchise income, rental income and gain on modification of corporate bonds, partially offset by the decrease in interest income and government grants.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately RMB15.7 million from RMB13.1 million in the first half of 2020 to RMB28.8 million in the first half of 2021, accounting for approximately 27.3% of total revenue, representing a year-on-year increase of 120.4 percentage points. To cope up with the economic recovery from COVID-19 in early 2021, the Company rescheduled some advertising activities which were normally held in the second half of the year to the first half of 2021 to attract customers and retain the market share. It led to the increase in advertising and promotional expenses and hence the selling and distribution expenses. The increase in selling and distribution expenses was partially offset by: (i) the decrease in salesmen salaries and insurance resulting from the decrease in the Group's headcount coupled with a decrease in number of stores during the first half of 2021 and (ii) the decrease in decoration expenses, which was in line with the consolidation strategy on the underperforming shops.

Administrative and Other Operating Expenses

Administrative and other operating expenses decreased by approximately RMB26.4 million from RMB86.1 million in the first half of 2020 to RMB59.8 million in the first half of 2021, accounting for approximately 56.6% of total revenue, representing a year-on-year decrease of 30.6 percentage points. The decrease was mainly due to the decrease in allowance for expected credit losses on trade receivables under IFRS 9 “Financial Instruments” and staff salaries due to department restructuring and cost saving.

Finance Costs

Finance costs decreased by approximately 14.3% from approximately RMB17.5 million in the first half of 2020 to approximately RMB15.0 million in the first half of 2021, mainly due to decrease in bank borrowings and corporate bonds.

Income Tax

Income tax credit decreased by approximately 41.2% from approximately RMB13.7 million in the first half of 2020 to approximately RMB8.1 million in the first half of 2021. The decrease in income tax credit was mainly due to the increase of loss before taxation and the increase in deferred tax assets generated from the decrease in allowance for expected credit losses on trade receivables.

Loss Attributable to Shareholders of the Company

For the first half of 2021, loss attributable to the shareholders of the Company (the “**Shareholders**”) was approximately RMB64.8 million (the first half of 2020: RMB67.1 million).

Interim Dividend

The Board has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the six months ended 30 June 2021:

Region	As at 1 January 2021	Number of stores		As at 30 June 2021
		Stores opened during the period	Stores closed during the period	
Northern China	43	4	9	38
Northeastern China	17	0	3	14
Eastern China	133	7	19	121
Central Southern China	35	1	13	23
Southwestern China	38	6	5	39
Northwestern China	49	0	5	44
Subtotal	315	18	54	279
Self-operated retail outlets	21	0	4	17
Total	336	18	58	296

As at 30 June 2021, we had a nationwide retail network of 296 retail outlets (including 17 self-operated retail outlets in Beijing) across over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. There was a net decrease of 40 retail stores from 336 as at 31 December 2020, as we continued our consolidation strategy on the retail outlet network during the first half of 2021 and closed down inefficient retail stores.

As at 30 June 2021, 81.1% of the retail outlets were located in department stores or shopping malls whereas 13.2% of the retail outlets were standalone stores.

Distribution Channel Management

As at 30 June 2021, the Group's distribution network comprised 56 distributors (31 December 2020: 45 distributors) and 33 sub-distributors (31 December 2020: 39). Among the 56 distributors mentioned above, 11 had business relationships with us for more than ten years. We believe that these strong, stable and long-standing relationships with our distributors are essential to our brand building efforts and continued business development. At the same time, in order to strengthen our distribution channel, we are inviting distributors with extensive industry experience, stable working capital and managerial expertise to join our distribution network.

To facilitate the management of our distributors and retail outlets, we divide our distribution network by regions in the PRC. We have assigned a management team for each region. Each team is responsible for soliciting and selecting potential distributor candidates, supervising and communicating with our distributors and monitoring and conducting on-site inspections of retail outlets within their respective region.

The Group will continue to provide training for its distributors and the management teams, with an aim to their retail management skills, sales technique as well as brand and product knowledge.

Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. In the first half of 2021, the Group invested approximately RMB19.4 million (the first half of 2020: RMB4.1 million) in advertising and promotion to heighten its brand awareness, including engaging in online advertisement through the internet, e.g. www.163.com, and software value-added services to promote our brand name.

The Group continued to upgrade its existing retail stores to enhance and reinforce its brand image. The Group opened 18 new stores and renovated 6 existing stores during the first half of 2021. We also endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

Design and Product Development

The Group always put great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. Our product development initiatives include, among others, launching of our new men's casual fashion series and developing our own quality fabrics. As at 30 June 2021, our product design and development team consisted of 16 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 11 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and sub-distributors. We review our distributors' orders placed at our sales fair to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2021 autumn/winter collections was held in April 2021, and the sales fairs for 2022 spring/summer collections will be held in September 2021.

PROSPECTS

With the decreasing number of patients diagnosed with COVID-19 pandemic across China and the increase in vaccinated population, the economy in China was slightly recovered from the impact of the pandemic. However, with the recurring waves of the pandemic occurred and the Group will remain cautious and continue to monitor the impact of the pandemic on the business operations. The Group's management remains optimistic that the domestic demand in China will grow in the second half of 2021 with the epidemic easing in China. The Group will continue to monitor the business operations, to control and reduce unnecessary expenses and save costs and to take initiatives to anticipate the fashion trends, consumer needs and preferences in the market and develop new products series with new and high-quality elements that appeal to the target customers and align with our marketing strategy and customer perception.

Looking forward, apart from continuing our operations as a garment manufacturer for menswear brand, the Company is studying the feasibility of developing a platform for alliance service in the name of Fordoo, and considering to lease out some factories to increase the revenue. The Group will also implement strict cost control and continue to explore opportunities for business development and diversification, so as to maximize the returns to the Company and Shareholders in the long run and enhance its shareholder value accordingly.

Liquidity and Financial Resources and Capital Structure

As at 30 June 2021, the total cash and bank balances of the Group were approximately RMB111.6 million (31 December 2020: RMB199.3 million), comprising cash and cash equivalent of approximately RMB109.3 million (31 December 2020: RMB196.7 million) and pledged bank deposits of approximately RMB2.3 million (31 December 2020: RMB2.6 million).

The Group had a total of interest bearing borrowings of approximately RMB464.6 million (31 December 2020: RMB510.2 million) comprising bank borrowings of approximately RMB399.8 million (31 December 2020: RMB419.8 million) and corporate bonds of approximately RMB64.8 million (31 December 2020: RMB90.4 million). The Group's borrowings were primarily denominated in RMB and HK\$ (31 December 2020: in both RMB and HK\$) and bear interest at fixed rate (31 December 2020: fixed rate) ranging from 0.1% to 6.5% (31 December 2020: 0.1% to 7.5%).

The maturity profile of the total borrowings as at 30 June 2021 is as follows (with comparative figures as at 31 December 2020):

	As at 30 June 2021		As at 31 December 2020	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
	(Unaudited)		(Audited)	
Bank and other borrowings and corporate bonds				
— Within 1 year or on demand	425.7	91.6%	471.4	92.4%
— Over 1 but within 2 years	20.8	4.5%	11.4	2.2%
— Over 2 but within 5 years	18.1	3.9%	21.5	4.2%
— Over 5 years	—	—	5.9	1.2%
Total	464.6	100.0%	510.2	100.0%

As at 30 June 2021, the gearing ratio was approximately 96.8% (31 December 2020: 93.9%). 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 30 June 2021, the Group's total equity decreased by approximately RMB63.3 million to approximately RMB480.1 million (31 December 2020: RMB543.4 million). The decrease was mainly due to the incur of loss for the first half of 2021.

Trade Working Capital Ratios

The Group's average inventory turnover days was 109 days for the first half of 2021, as compared to 63 days for the same period last year. The Group forecasted that the domestic demand for the products in 2021 would be higher and the distributors would place more orders. However, the occurrence of recurring waves of the COVID-19 led to distributors slowing down on placing order and higher inventory turnover days. As at 30 June 2021, the Group's total inventories increased by approximately 213.3% from approximately RMB14.3 million as at 30 June 2020 to approximately RMB44.8 million.

The Group's average trade receivables turnover days for the first half of 2021 was 295 days, representing an increase of 77 days from 218 days for the same period last year. As at 30 June 2021, the Group's total trade receivables increased by approximately 9.7% from approximately RMB163.1 million as at 30 June 2020 to approximately RMB179.0 million. The increase in trade receivables turnover days was mainly due to the long outstanding trade receivables of some customers. The management in charge has been closely following up with the distributors for settlement arrangement with monthly statements and collection letters issued, regular telephone calls and site visits, where applicable. The Group will consider taking legal actions to collect the overdue trade receivables and enforce the collaterals if no further repayment is made in near future.

The Group's average trade payables turnover days was 37 days for the first half of 2021, representing an increase of 4 days as compared to 33 days for the same period last year. We normally have a credit period of 7 to 60 days from our suppliers. The Group had been continuously negotiating with suppliers to obtain a longer credit period to improve the liquidity. As at 30 June 2021, the Group's total trade payables increased by approximately 68.2% from approximately RMB11.1 million to approximately RMB18.7 million.

The Group recorded a net debt to equity ratio of approximately 73.5% as at 30 June 2021 (30 June 2020: 7.1%).

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

Charges on Group Assets

As at 30 June 2021, secured bank borrowings RMB349.8 million (31 December 2020: RMB349.8 million) were secured by bank deposit, certain buildings, investment properties and land use rights with carrying value of approximately RMB2.3 million (31 December 2020: RMB2.6 million), approximately RMB39.6 million (31 December 2020: RMB63.4 million), approximately RMB325.0 million (31 December 2020: RMB280.0 million) and approximately RMB235.4 million (31 December 2020: RMB238.9 million), respectively.

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

On 14 December 2020 and 5 March 2021, the Company and Mr. Tong Xin (“**Mr. Tong**”), an executive Director, entered into the Sale and Purchase Agreement and Supplemental Agreement, respectively, pursuant to which the Company had conditionally agreed to acquire and Mr. Tong had conditionally agreed to sell the entire issued share capital of Good Productive Limited (“**GPL**”) (the “**Acquisition**”) for a consideration of HK\$9.7 million.

Upon completion, the Company held 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 agreements (“**VIE Agreements**”), 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 enjoys 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.

The Acquisition was completed on 30 March 2021. For further details of the Acquisition, please refer to the circular of the Company dated 24 March 2021.

Save as disclosed above, the Group had no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during the first half of 2021.

Future Plans for Material Investments and Capital Assets

Factory Restructuring

The Group had started to restructure some redundant factory areas (the “**Restructuring**”) in Quanzhou to alternate the usage of those areas to develop a one-stop home and commercial furnishing chain business platform (the “**Platform**”) to increase the income streams since late 2020.

The Platform will facilitate the matching of suppliers and customers of the furnishing industry. The Restructuring will be separated into different areas such as the furnishing materials store, the furnishing design centre and supporting facilities such as the 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 30 June 2021, the Group had a total capital commitment of approximately RMB271.2 million (31 December 2020: RMB281.9 million). It was primarily related to the construction in progress. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 30 June 2021, the Group had no material contingent liabilities.

Foreign Currency Exposure

The functional currency of the Company is the Hong Kong dollar and the figures in the Group’s financial statements are translated into Renminbi for reporting and consolidation purposes. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts business transaction principally in Renminbi, the exchange rate risk at the Group’s operational level is not significant. The Group does not employ any financial instruments for hedging purpose.

Employees, Training, and Development

The Group had a total of 158 employees as at 30 June 2021 (31 December 2020: 171). The reasons of the decrease were due to cost saving scheme. The Group invested in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission or bonuses and entitlement to participate in the Group's share option scheme.

Use of Proceeds

The shares of the Company (the “**Shares**”) were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 July 2014 with net proceeds (the “**Net Proceeds**”) from the global offering of approximately HK\$454.7 million (after deducting underwriting commissions and related expenses). Parts of the Net Proceeds were applied during the reporting period in accordance with the proposed applications set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 30 June 2014 (the “**Prospectus**”). As at 30 June 2021, the Group had utilized HK\$390.6 million of the Net Proceeds and unutilized Net Proceeds amounts to HK\$64.1 million.

The following table sets forth a breakdown of the use of the Net Proceeds as at 30 June 2021:

	Available for use <i>HK\$ million</i>	Utilized (as at 30 June 2021) <i>HK\$ million</i>	Unutilized (as at 30 June 2021) <i>HK\$ million</i>
Use of net proceeds			
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)	–
	<u>454.7</u>	<u>(390.6)</u>	<u>64.1</u>

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.

OTHER INFORMATION

Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of this announcement, the Company has maintained sufficient public float as required under the Listing Rules during the six months ended 30 June 2021.

Review of Interim Results

The Company has an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and Ms. Huang Yumin. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, internal control and risk management systems, and has reviewed the unaudited interim financial report for the six months ended 30 June 2021.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") during the six months ended 30 June 2021.

In addition, the Board currently comprises four executive Directors and three independent non-executive Directors, with independent non-executive Directors representing 43% 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 significant weight and enhance independence of the Board. On the above basis, the Board considers that the current structure will not impair the balance of power and the authority of the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code

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.

The senior management personnel 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.

Upon specific enquiries, all Directors and the senior management personnel of Company confirmed that they have complied with the relevant requirements under the Model Code throughout the reporting period.

Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

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

EVENTS AFTER REPORTING PERIOD

As at the date of this announcement, there are no significant events relevant to the business or financial performance of the Group that come to the attention of the Directors after 30 June 2021.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2021 Interim Report will be dispatched to the shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.fordoo.cn in due course. This announcement can also be accessed on the above websites.

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

Hong Kong, 30 August 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.