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FORDOO
虎都

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2399)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021 AND DELAY IN PUBLICATION OF AUDITED ANNUAL RESULTS

For the reasons explained in the paragraph headed "Review of Unaudited Annual Results" below, the auditing process for the annual results for the year ended 31 December 2021 (the "**Year**") of China Fordoo Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") has not been completed. In the meantime, the Board of Directors (the "**Board**") of the Company presents herewith the unaudited consolidated results of the Group for the Year.

FINANCIAL HIGHLIGHTS

From continuing operations

- Revenue of the Group increased by 38.4% to RMB373.9 million (2020: RMB270.1 million).
- Gross profit of the Group increased by 43.3% to RMB110.2 million (2020: RMB76.9 million).
- Net loss of the Group was RMB166.9 million (2020: net loss of RMB552.2 million).
- Basic and diluted loss per share was RMB7.37 cents (2020: RMB28.71 cents).
- The Board has resolved not to recommend the payment of a final dividend for the year (2020: Nil).

	2021 (Unaudited)	2020 (Audited)	Change
Profitability ratios			
From continuing operations			
Gross profit margin	**29.5%**	28.5%	+1.0 ppt
Net loss margin	**–44.7%**	–204.5%	–159.8 ppt
From continuing and discontinued operations			
Return on equity[(1)]	**–37.6%**	–101.6%	–64.0 ppt
Liquidity ratios			
From continuing operations			
Inventory turnover (Days)[(2)]	**60**	81	–21
Trade and bills receivables turnover (Days)[(3)]	**186**	202	–16
Trade payables turnover (Days)[(4)]	**52**	26	+26
Capital ratios			
Interest coverage ratios[(5)]	**N/A**	N/A	
Net Debt to equity ratio (%)[(6)]	**71.8%**	57.2%	+14.6 ppt
Gearing ratio [(7)]	**100.8%**	93.9%	+6.9 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 and bills payable 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 2021
(Expressed in Renminbi)

	Notes	**2021** *RMB'000* **(Unaudited)**	2020 *RMB'000* (Audited)
Continuing operations			
Revenue	*4*	**373,861**	270,070
Cost of sales		**(263,694)**	(193,169)
Gross profit		**110,167**	76,901
Other income and other gains or losses	*5*	**14,619**	5,889
Impairment loss of intangible assets		**(2,111)**	(16,749)
Impairment loss of construction in progress		**–**	(376,700)
Impairment losses under expected credit losses model, net of reversal		**(86,960)**	(51,172)
Written-off of trade receivable		**–**	(560)
Selling and distribution expenses		**(50,390)**	(66,182)
Administrative and other operating expenses		**(103,674)**	(117,021)
Loss from operations		**(118,349)**	(545,594)
Finance costs	*6(a)*	**(28,710)**	(34,250)
Loss before taxation	*6*	**(147,059)**	(579,844)
Income tax	*7*	**(19,879)**	27,615
Loss for the year from continuing operations		**(166,938)**	(552,229)
Discontinued operations			
Loss for the year from discontinued operation		**(3,687)**	–
Loss for the year		**(170,625)**	(552,229)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2021
(Expressed in Renminbi)

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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	**3,688**	1,429
Exchange reserve realised on disposal of subsidiaries	**(83)**	–
Other comprehensive income for the year	**3,605**	1,429
Total comprehensive expenses for the year	**(167,020)**	(550,800)
Loss for the year attributable to equity owners of the Company		
— from continuing operations	**(174,391)**	(552,229)
— from discontinued operation	**(3,687)**	–
	(178,078)	(552,229)
Profit for the year attributable to non-controlling interest		
— from continuing operations	**7,453**	–
	(170,625)	(552,229)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)
For the year ended 31 December 2021
(Expressed in Renminbi)

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Total comprehensive income/(expense) attributable to:			
Equity owners of the Company		**(174,355)**	(550,800)
Non-controlling interest		**7,335**	–
		(167,020)	(550,800)
Loss per share (RMB cents)			
Basic and diluted			
— from continuing and discontinued operations	*8*	**(7.53)**	(28.71)
— from continuing operations	*8*	**(7.37)**	(28.71)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in Renminbi)

	Notes	**2021** ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
Non-current assets			
Property, plant and equipment		**42,149**	67,788
Investment properties		**338,937**	280,041
Right-of-use assets		**237,674**	239,236
Intangible assets		**9,428**	57,456
Deferred tax assets		**75,576**	85,723
		703,764	730,244
Current assets			
Inventories		**31,244**	56,702
Trade and other receivables	*9*	**249,616**	219,650
Pledged bank deposits		**–**	2,600
Cash and cash equivalents		**131,821**	196,651
		412,681	475,603
Current liabilities			
Trade, bills and other payables	*10*	**156,823**	120,944
Bank borrowings		**398,500**	419,800
Lease liabilities		**2,530**	331
Corporate bonds		**20,522**	51,502
Current taxation		**3,978**	–
		582,353	592,577

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2021
(Expressed in Renminbi)

	Notes	2021 RMB'000 (Unaudited)	2020 RMB'000 (Audited)
Net current liabilities		**(169,672)**	(116,974)
Total assets less current liabilities		**534,092**	613,270
Non-current liabilities			
Deferred tax liabilities		**37,740**	31,004
Lease liabilities		**3,651**	–
Corporate bonds		**38,689**	38,892
		80,080	69,896
Net assets		**454,012**	543,374
Capital and reserves			
Share capital	*11*	**4,163**	3,819
Reserves		**442,514**	539,555
Equity attributable to equity owners of the Company		**446,677**	543,374
Non-controlling interest		**7,335**	–
Total equity		**454,012**	543,374

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021
(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 sales of menswear apparel in the People's Republic of China (the "**PRC**") and sales of industrial products to customers located in Saudi Arabia.

At 31 December 2021, the Directors consider that the immediate parent of the Company is Everkept Limited, which was incorporated in the British Virgin Islands ("**BVI**") and the ultimate controlling party of the Company is Mr. Kwok Kin Sun.

In preparing these unaudited consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 December 2021, the Group has net current liabilities and loss for the year of approximately RMB169,672,000 and RMB170,625,000 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 unaudited 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 unaudited 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 RMB1,193,190,000 and as at 31 December 2021, the unutilised facilities amount in respect of bank borrowings was approximately RMB813,690,000.

(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 unaudited consolidated financial statements. Accordingly, the unaudited consolidated financial statements of the Group have been prepared on the going concern basis.

2 APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time in the current year, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the unaudited consolidated financial statement:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

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

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 unaudited consolidated financial statements are identified from the unaudited 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 sales of menswear apparel in the PRC. During the year ended 31 December 2021, the Group commenced a new operation for the sales of industrial products to customers located in Saudi Arabia.

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

Segment revenue and results

For the year ended 31 December 2021

	Continuing operations				Discontinued operation	
	Menswear Apparel *RMB'000* (Unaudited)	**Industrial Products** *RMB'000* (Unaudited)	**Unallocated** *RMB'000* (Unaudited)	**Sub-total** *RMB'000* (Unaudited)	**Advertising** *RMB'000* (Unaudited)	**Consolidated** *RMB'000* (Unaudited)
Revenue	275,026	98,835	–	373,861	3,577	377,438
Segment result	(151,654)	28,123	–	(123,531)	(3,720)	(127,251)
Other revenue and unallocated gains			1,957	1,957	–	1,957
Corporate and other unallocated expenses			(25,485)	(25,485)	–	(25,485)
Loss before tax				(147,059)	(3,720)	(150,779)
Tax expenses	(16,870)	(3,009)	–	(19,879)	33	(19,846)
				(166,938)	(3,687)	(170,625)

For the year ended 31 December 2020

	Menswear Apparel *RMB'000* (Audited)	Unallocated *RMB'000* (Audited)	Sub-total *RMB'000* (Audited)
Revenue	270,070	–	270,070
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

For the year ended 31 December 2021

	Continuing operations				Discontinued operation	
	Menswear Apparel *RMB'000* (Unaudited)	Industrial Products *RMB'000* (Unaudited)	Unallocated *RMB'000* (Unaudited)	Sub-total *RMB'000* (Unaudited)	Advertising *RMB'000* (Unaudited)	Consolidated *RMB'000* (Unaudited)
Segment assets	**695,475**	**80,920**	**340,050**	**1,116,445**	**–**	**1,116,445**
Segment liabilities	**491,070**	**63,474**	**107,889**	**662,433**	**–**	**662,433**

For the year ended 31 December 2020

	Menswear Apparel *RMB'000* (Audited)	Unallocated *RMB'000* (Audited)	Sub-total *RMB'000* (Audited)
Segment assets	927,498	278,349	1,205,847
Segment liabilities	523,626	138,847	662,473

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment loss represents the loss from each segment without allocation of central administration costs, directors' emoluments, share of results of associates and joint ventures, investment income and finance costs.

Geographical information

The following table presents the Group's geographical information in terms of revenue for the years ended 31 December 2021 and 2020:

	Continuing operations		Discontinued operations		Total	
	2021 ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)	**2021** ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)	**2021** ***RMB'000*** **(Unaudited)**	2020 *RMB'000* (Audited)
China	**275,026**	270,070	**3,577**	–	**278,603**	270,070
Saudi Arabia	**98,835**	–	**–**	–	**98,835**	–
	373,861	270,070	**3,577**	–	**377,438**	270,070

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 corresponding years contributing over 10% of the Group's total revenue are as follows:

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Customer A	**N/A***	48,333
Customer B	**N/A***	32,154
Customer C	**N/A***	28,622
Customer D	**59,319**	N/A*

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

Amounts included in measure of segment profit or loss and segment assets

For the year ended 31 December 2021

	Continuing operations				**Discontinued operation**	
	Menswear Apparel	**Industrial Products**	**Unallocated**	**Sub-total**	**Advertising**	**Consolidated**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Addition to non-current assets	**50,475**	**–**	**7,780**	**58,255**	**1,125**	**59,380**
Depreciation and amortisation	**(69,001)**	**–**	**(1,911)**	**(70,912)**	**(154)**	**(71,066)**
Loss on disposal of property, plant and equipment	**(858)**	**–**	**–**	**(858)**	**–**	**(858)**
Impairment of intangible assets recognised in profit or loss	**(2,111)**	**–**	**–**	**(2,111)**	**–**	**(2,111)**
Allowance for ECL, net recognised in profit or loss	**(86,960)**	**–**	**–**	**(86,960)**	**–**	**(86,960)**

For the year ended 31 December 2020

	Menswear Apparel	Unallocated	Sub-total
	RMB'000	*RMB'000*	*RMB'000*
	(Audited)	(Audited)	(Audited)
Addition to non-current assets	69,540	–	69,540
Depreciation and amortisation	(64,624)	–	(64,624)
Loss on disposal of property, plant and equipment	(2,479)	–	(2,479)
Impairment of intangible assets recognised in profit or loss	(16,749)	–	(16,749)
Allowance for ECL, net recognised in profit or loss	(51,172)	–	(51,172)
Impairment of construction in progress recognised in profit or loss	–	(376,700)	(376,700)

4 REVENUE

Revenue by product type is as follows:

	2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Audited)
Continuing operations		
Sales of Menswear Apparel:		
Men's trousers	**144,885**	141,940
Men's tops	**119,098**	125,058
Accessories	**288**	3,072
Brand licensing	**10,755**	–
Sales of Industrial Products	**98,835**	–
	373,861	270,070
Timing of revenue recognition		
Over time	**10,755**	–
At a point in time	**363,106**	270,070
	373,861	270,070

5 OTHER INCOME AND OTHER GAINS OR LOSSES

	2021 *RMB'000* (Unaudited)	2020 *RMB'000* (Audited)
Continuing operations		
Interest income	**1,016**	4,190
Rental income from investment properties less direct outgoings	**9,103**	2,542
Service income	**332**	855
Government grants	**1**	406
Net foreign exchange loss	**(41)**	(157)
Net loss on disposal of property, plant and equipment	**(858)**	(2,479)
Net gain on termination of lease liabilities	**–**	21
Net gain on disposal of subsidiaries	**3,689**	–
Gain/(loss) on modification of corporate bonds	**972**	(262)
Others	**405**	773
	14,619	5,889

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):

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Continuing operations		
(a) Finance costs:		
Interest on corporate bonds	**7,724**	11,335
Interest on bank borrowings	**20,814**	22,830
Interest on lease liabilities	**172**	85
	28,710	34,250
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	**718**	651
Salaries, wages and other benefits	**14,075**	31,390
	14,793	32,041
(c) Other items:		
Amortisation of intangible assets	**45,917**	45,917
Depreciation of property, plant and equipment	**3,767**	11,213
Depreciation of investment properties	**12,254**	5,343
Amortisation of right-of-use assets	**8,974**	8,935
Auditors' remuneration	**1,493**	1,602
Research and developments expenses *(note i)*	**1,747**	7,181
Cost of inventories	**263,694**	193,169
Allowance for ECL, net	**86,960**	51,172
Written-off of trade receivable	**–**	560
Expense related to short-term leases	**5**	41

Note:

(i) Research and developments expenses include staff costs working in the Group's design and product development department.

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Continuing operations		
Current tax		
Provision for PRC enterprises income tax for the year	**–**	197
Over provision for PRC enterprises income tax for prior year	**(13)**	–
Provision for Hong Kong Profit Tax for the year	**3,009**	–
Deferred tax expenses/(credit)	**16,883**	(27,812)
	19,879	(27,615)

8 LOSS PER SHARE

(a) Basic loss per share

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Loss		
Loss for the year for the purposes of computation of basic loss per share		
— from continuing operations	**(174,391)**	(552,229)
— from discontinued operation	**(3,687)**	–
	(178,078)	(552,229)
	Number of shares	
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue	**2,364,866**	1,923,600

(b) Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2021 and 2020 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.

9 TRADE AND OTHER RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables	**521,514**	422,380
Less: Loss allowance for expected credit loss	**(302,106)**	(216,014)
Written-off	**(1,615)**	(43,249)
Trade receivables	**217,793**	163,117
Prepayments to suppliers	**16,026**	6,729
Other deposits, prepayments and receivables	**15,797**	49,804
	249,616	219,650

Aging analysis

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 3 months	**160,066**	114,572
More than 3 months but within 6 months	**12,880**	24,297
More than 6 months but within 1 year	**44,847**	21,513
Over 1 year	**–**	2,735
	217,793	163,117

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

10 TRADE, BILLS AND OTHER PAYABLES

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables	**58,984**	16,248
Bills payable	**–**	6,500
Other payables	**45,807**	45,412
Accruals	**52,032**	52,784
	156,823	120,944

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

	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 1 month or on demand	**29,532**	7,289
Over 1 month but within 3 months	**23,793**	15,250
Over 3 months but within 6 months	**–**	129
Over 6 months but within 1 year	**5,659**	80
	58,984	22,748

11 SHARE CAPITAL

	Number of ordinary shares of HK$0.0025	Amount
		HK$'000
Authorised:		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	**4,000,000,000**	**10,000**

	Number of ordinary shares of HK$0.0025	Amount	Amount
		HK$'000	*RMB'000*
Issued and fully paid:			
As at 1 January 2020, 31 December 2020 and 1 January 2021 (Audited)	1,923,600,000	4,809	3,819
Issurance of share under subscription *(note)*	168,418,000	421	344
As at 31 December 2021 (Unaudited)	**2,092,018,000**	**5,230**	**4,163**

Note: On 18 October 2021, the Company entered into the subscription agreement with an independent third party, pursuant to which the subscriber had conditionally agreed to subscribe for 37,087,000 new shares at the subscription price of HK$0.614 per subscription share. The subscription was completed and 37,087,000 of new shares were issued and allotted on 26 October 2021.

On 24 December 2021, the Company entered into the subscription agreement with independent third parties, pursuant to which the subscribers had conditionally agreed to subscribe for 131,331,000 new shares at the subscription price of HK$0.550 per subscription share. The subscription was completed and 131,331,000 of new shares were issued and allotted on 31 December 2021.

12 BUSINESS COMBINATION

(a) 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, being the former executive director of the Company (resigned on 12 October 2021) and the ultimate beneficial owner of vendor ("**Mr. Tong**"), respectively, for the acquisition of 100% 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) ("**Acquisition consideration**"). Good Productive Limited is an investment holding company and its subsidiaries were principally engaged in the sales and marketing of automobiles through an e-commerce platform. 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:

	RMB'000 **(Unaudited)**
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)**
Net identifiable assets at fair value	**4,645**
Cash consideration payable	**8,199**
Less: fair value of net identifiable assets acquired	**(4,645)**
Goodwill	**3,554**

	RMB'000
Net cash inflow arising on acquisition:	
Cash consideration *(Note c)*	**–**
Add: cash and cash equivalents acquired	**4,597**
	4,597

(b) Disposal of subsidiaries

On 30 November 2021, the Company and Mr. Tong entered into an equity transfer agreement for the disposal of 100% issued share capital of Good Productive Group (the "**Disposal**") at a cash consideration of HK$9,700,000 (equivalent to RMB8,071,000) ("**Disposal consideration**"). Accordingly, the Company agreed to dispose and Mr. Tong agreed to acquire the entire issued share capital of Good Productive Group.

The reason for the Disposal was mainly due to the uncertainties brought by the recent change in regulatory environment in the PRC that affected the operation of Good Productive Group in the PRC, including the introduction of (i) Measures for the Supervision and Administration of Combating Money Laundering and Financing of Terrorism by Financial Institutes; and (ii) Personal Information Protection Law. The Disposal was completed on 30 November 2021.

The net assets of Good Productive Group as at the date of disposal were as follow:

	RMB'000 **(Unaudited)**
Property, plant and equipment	**77**
Intangible assets	**894**
Goodwill	**3,554**
Other receivables	**9,244**
Cash and bank equivalents	**63**
Other payables	**(8,979)**
Deferred tax	**(237)**
Exchange reserve	**83**
Net assets disposal of Good Productive Group	**4,699**
Consideration	**8,071**
Gain on disposal	**3,372**
Cash consideration *(Note c)*	**–**
Cash and cash equivalents disposed	**63**
Net cash outflow from the disposal	**63**

(c) Non-cash transaction

Under the circumstances that (i) the Acquisition consideration due to Mr. Tong was not yet paid; and (ii) the Disposal consideration due from Mr. Tong was not yet received, the Company and Mr. Tong agreed in writing that the Acquisition consideration and the Disposal consideration to be set-off.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is one of the leading menswear enterprises in the PRC focusing on the sales of its branded menswear apparel. During the year, the Group has gradually completed the transformation from labour intensive manufacturing industry to outsourcing its branded menswear apparel by leveraging its own design talent.

In the Year, the Group's revenue from continuing operations increased from RMB270.1 million to RMB373.9 million, representing an approximately 38.4% increase comparing with the financial year of 2020.

Revenue from sales of menswear apparel slightly increased from RMB270.1 million to RMB275.1 million, representing an approximately 1.9% increase comparing with the financial year of 2020.

The business environment of the menswear apparel industry was still very difficult. Although comparing with 2020, the economy in China has 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 buy more affordable and fast fashion products. 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 will persistently enhance its design and product development capabilities to increase its brand building strategies and flexibility in the outsourcing and sales of its branded menswear apparel.

The Group further expanded to the business of sale of automotive, motorcycle and other industrial products through its indirectly owned subsidiary in Hong Kong to Saudi Arabia in the second half of 2021. This new business segment had brought in additional revenue of approximately RMB98.8 million for this financial year.

On 10 January 2022, as part of the Group's strategy to diversify its business and to enhance the long-term growth and shareholder value, Jiangsu HengAn Energy Technology Co., Ltd. * (江蘇恒安儲能科技有限公司) ("**Jiangsu HengAn**"), an indirectly wholly-owned subsidiary of the Company, entered into the Intellectual Property Rights Transfer Agreement and the Fixed Assets Transfer Agreement with Beijing Baineng Huitong Technology Co., Ltd.* (北京百能匯通科技有限責任公司), Baoding Baineng Huitong New Energy Technology Co., Ltd.* (保定百能匯通新能源科技有限公司) and Qinghai Baineng Huitong New Energy Technology Co., Ltd.* (青海百能匯通新能源科技有限公司) (collectively, the "**Transferors**"), pursuant to which Jiangsu HengAn will acquire and the Transferors will transfer the intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery (鋅溴液流電池) at a total consideration of RMB53.6 million, which comprises of (i) consideration for the intellectual properties rights, RMB48.7 million; and (ii) consideration for the fixed assets, RMB4.9 million (the "**2022 Acquisitions**"). The 2022 Acquisitions are in line with the business development strategies and planning of the Group and offers good opportunities for the Group to expand into the power storage industry business segment, which the Group believes is of huge potential as the PRC government has made significant effort in promoting the development of clean energy.

During the Year, the Group 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 ("**GPL**") at a cash consideration of HK$9.7 million (approximately RMB8.2 million) on 30 March 2021. Tianjin Honggao is principally engaged in the business of sales and marketing of automobiles through an e-commerce platform. However, due to the uncertainties brought by the change in the regulatory environment in the PRC that affected the operation of Tianjin Honggao, the Group subsequently disposed GPL on 30 November 2021 at a cash consideration of HK$9.7 million (approximately RMB8.1 million) with a gain of approximately RMB3.4 million.

During this Year, the Group had issued a total of 168,418,000 new shares under general mandate for a total of HK$95,003,468 (approximately RMB77,657,573) which will be used for future business development, repayment of debt and general working capital.

FINANCIAL REVIEW

The Group's revenue from continuing operations for the Year was approximately RMB373.9 million, representing an increase of approximately RMB103.8 million or approximately 38.4% from approximately RMB270.1 million in the previous financial year. The increase in revenue was the combined effect of the slightly increase of approximately RMB5.0 million in the revenue from the menswear apparel segment and the new revenue contribution of approximately RMB98.8 Million from the industrial products segment.

During the Year, the Group reported a gross profit from continuing operations of RMB110.2 million, representing an increase of approximately 43.3% or approximately RMB33.3 million over the corresponding period of the previous financial year. The gross profit margin for the Year and the previous financial year was 29.5% and 28.5%, respectively. The slightly increase in gross profit margin was mainly due to the higher gross profit margin of approximately 34.3% in the sales of industrial products segment compared to approximately 27.7% in the menswear apparel segment. The decrease in profit margin in the menswear apparel segment from approximately 28.5% in previous financial year to approximately 27.7% in the Year was due to the decrease in selling prices of menswear apparel to attract customers.

The Group recorded continuous loss for the Year despite the net profit contribution of approximately RMB15.2 million from the industrial products segment. The management of the Group concluded there was impairment indication and conducted a review of the recoverable amount of certain intangible assets and trade receivables. Based on the result of the assessment, management of the Group determined that the recoverable amounts of these assets were lower than their carrying amounts. An impairment loss on certain intangible assets of approximately RMB2.1 million (2020: 16.7 million) and an allowance for expected credit losses on trade receivables under IFRS 9 "Financial Instruments" of approximately RMB87.0 million (2020: 51.2 million) had been recognized.

As a result of the above factors, loss for the Year from continuing operations was approximately RMB166.9 million (2020: RMB552.2 million), representing a decrease of approximately RMB385.3 million or 69.8% comparing with 2020. Loss from sales of menswear apparel was approximately RMB182.1 million (2020: RMB552.2 million), representing a decrease of approximately RMB370.1 million or 67.0% comparing with 2020.

As at 31 December 2021, the Group's menswear apparel segment had 263 retail outlets (including 2 self-operated retail stores located in Quanzhou and 13 self-operated retail outlets in Beijing), representing a net decrease of 73 retail outlets from 336 retail outlets as at 31 December 2020.

REVENUE

The increase in revenue from the menswear apparel segment was primarily due to the increase in brand licensing income, offset by: (i) the persistent COVID-19 pandemic and slowdown in China's economic growth in the second half of 2021; (ii) the reduction of selling prices to attract consumers; (iii) the Group's continued consolidation strategy on its retail outlet network; and (iv) 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				
	2021		2020		**Change**
	RMB million	***% of revenue***	*RMB million*	*% of revenue*	**%**
Continuing operations					
Menswear Apparel					
Men's trousers	**144.9**	**38.8%**	141.9	52.6%	2.1%
Men's tops	**119.1**	**31.9%**	125.1	46.3%	–4.8%
Accessories	**0.3**	**0.0%**	3.1	1.1%	–90.3%
Brand licensing	**10.8**	**2.9%**	–	–	100%
Total of Menswear Apparel	**275.1**	**73.6%**	270.1	100.0%	1.9%
Industrial Products	**98.8**	**26.4%**	–	–	100%
Total	**373.9**	**100.0%**	270.1	100.0%	38.4%

Men's trousers remained the major revenue contributor and accounted for approximately 38.8% of the total revenue during the Year (2020: 52.6%).

Revenue by Product Style

	For the year ended 31 December				
	2021		2020		**Change**
	RMB million	***% of revenue***	*RMB million*	*% of revenue*	**%**
Continuing operations					
Menswear Apparel					
Business Casual	**180.1**	**48.2%**	180.1	66.7%	–
Business Formal	**62.6**	**16.8%**	54.0	20.0%	15.9%
Casual [(1)]	**21.3**	**5.7%**	32.9	12.2%	–35.3%
Accessories	**0.3**	**0.0%**	3.1	1.1%	–90.3%
Brand licensing	**10.8**	**2.9%**	–	–	100%
Total of Menswear Apparel	**275.1**	**73.6%**	270.1	100.0%	1.9%
Industrial Products	**98.8**	**26.4%**	–	–	100%
Total	**373.9**	**100.0%**	270.1	100.0%	38.4%

Business casual series remained our largest revenue contributor and accounted for approximately 48.2% of the total revenue during the Year (2020: 66.7% 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				
	2021		2020		**Change**
Region	*RMB million*	*% of Revenue*	*RMB million*	*% of Revenue*	**%**
Continuing operations					
Menswear Apparel					
Northern China (1)	**41.4**	**11.1%**	43.1	16.0%	–3.9%
Northeastern China (2)	**–**	**–**	0.6	0.2%	–100.0%
Eastern China (3)	**99.1**	**26.5%**	156.6	58.0%	–36.7%
Central Southern China (4)	**32.0**	**8.6%**	12.5	4.6%	156.0%
Southwestern China (5)	**7.7**	**2.0%**	5.0	1.9%	54.0%
Northwestern China (6)	**4.8**	**1.3%**	10.1	3.7%	–52.5%
Subtotal	**185.0**	**49.5%**	227.9	84.4%	–18.8%
Online distributor	**79.3**	**21.2%**	42.2	15.6%	87.9%
Brand licensing	**10.8**	**2.9%**	–	–	100%
Total of Menswear Apparel	**275.1**	**73.6%**	270.1	100.0%	1.9%
Industrial Products					
Saudi Arabia	**98.8**	**26.4%**	–	–	100%
Total	**373.9**	**100.0%**	270.1	100.0%	38.4%

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's menswear apparel segment during the year and together accounted for approximately 37.6% (2020: 74.0%) of the total revenue. Revenue from online distributor increased from 15.6% to 21.2% of the total revenue and it reflected that we have placed more efforts on the internet marketing and expanded our distribution channel.

Saudi Arabia region became one of the major revenue contributors to the Group accounting for approximately 26.4% of the total revenue.

Cost of Sales

Cost of sales from continuing operations increased by approximately 36.5% to approximately RMB263.7 million for the Year from approximately RMB193.2 million for the previous year.

Cost of sales from menswear apparel segment increased by approximately 2.9% to approximately RMB198.8 million for the Year from approximately RMB193.2 million for the previous year. The increased was primarily due to the increased in raw materials costs.

The Group had changed its menswear apparel 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, which meant that 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.

Cost of sales from industrial products segment was approximately RMB64.9 million for the Year.

Other Incomes and Other Gains or Losses

For the Year, other incomes and other gains or losses from continuing operations increased by approximately RMB8.7 million to approximately RMB14.6 million from approximately RMB5.9 million for the previous year. The net increase was mainly due to an increase in rental income of approximately RMB6.6 million, increase in net gain on disposal of subsidiaries of approximately RMB3.7 million and increase in gain on modification of corporate bonds of approximately RMB1.2 million, offset by a net decrease in interest income of approximately RMB3.2 million.

Selling and Distribution Expenses

For the Year, selling and distribution expenses from continuing operations decreased by approximately RMB15.8 million year-on-year to approximately RMB50.4 million, accounted for approximately 13.5% of total revenue, which represented a year-on-year decrease of approximately 11.0 percentage points.

For the menswear apparel segment, selling and distribution expenses decreased by approximately RMB21.5 million to approximately RMB44.6 million, accounted for approximately 16.2% of the revenue from sales of menswear apparel, which represented a decrease of approximately 8.3 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; and (iii) the decrease in store management and promotion expenses, which was in line with the consolidation strategy on the under-performing shops.

For the industrial products segment, the selling and distribution expenses was approximately RMB5.8 million, accounted for approximately 5.8% of the revenue from sales of industrial products.

Administrative and Other Operating Expenses

For the Year, the Group's administrative and other operating expenses from continuing operations decreased by approximately RMB13.2 million year-on-year to RMB103.7 million, accounting for approximately 27.8% of total revenue, which represented a year-on-year decrease of 11.4 percentage points.

The administrative and other operating expenses from menswear apparel segment decreased by approximately RMB23.2 million to RMB93.8 million, accounting for approximately 34.1% of revenue from sales of menswear apparel, which represented an decrease of 19.9 percentage points. The decrease was mainly due to the decrease in staff salaries expenses because of the one-off staff dismissal compensation expense of approximately RMB6.3 million related to department restructuring and cost saving in the previous years; decrease in legal and professional fee of approximately RMB3.8 million; decrease in depreciation expenses of approximately RMB3.6 million, and decrease in research and development expenses by appropriately RMB5.3 million.

The administrative and other operating expenses from industrial products segment was RMB9.9 million, accounting for approximately 10.0% of revenue from industrial products segment.

Finance Costs

For the Year, finance cost from continuing operations decreased by approximately 16.2% year-on-year to approximately RMB28.7 million (2020: RMB34.3 million), which was mainly due to a decrease in bank borrowing and corporate bonds.

Income Tax

For the Year, income tax expenses increased by approximately RMB47.5 million year-on-year from income tax credit of approximately RMB27.6 million in 2020 to income tax expenses of approximately RMB19.9 million. The increase in income tax expenses was mainly arising from the movements in deferred tax assets and deferred tax liabilities due to the net increase in written off of trade receivables and impairment of intangible assets for the Year.

Dividends

The Board has resolved not to recommend the payment of a final dividend for the Year (2020: Nil).

BUSINESS REVIEW

A. Menswear Apparel Segment

Distribution Network for the Sales of Menswear Apparel

The following table shows the changes in the number of stores in different regions during the year ended 31 December 2021:

	Number of stores			
Region	**As of 1 January 2021**	**Stores opened during the period**	**Stores closed during the period**	**As of 31 December 2021**
Northern China	43	6	18	**31**
Northeastern China	17	0	12	**5**
Eastern China	133	10	30	**113**
Central Southern China	35	7	16	**26**
Southwestern China	38	8	12	**34**
Northwestern China	49	3	13	**39**
Subtotal	315	34	101	**248**
Self-operated retail outlets	21	0	6	**15**
Total	336	34	107	**263**

As of 31 December 2021, our distribution network comprised 57 distributors (including one online distributor) and 28 sub- distributors who operated 248 retail outlets, spanning over 200 cities and 23 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 13 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 2021. 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 13 self-operated retail outlets in Beijing since we acquired Beijing Haoyin Clothing Co., Ltd* (北京浩垠服飾有限公司), which engages in menswear apparel retail business in the PRC, during the year of 2017.

As of 31 December 2021, the Group had 263 retail outlets (including the 2 self-operated retail stores in Quanzhou and self- operated 13 retail outlets in Beijing), representing a net decrease of 73 retail outlets from 336 retail outlets as at 31 December 2020. The Group continued the consolidation strategy on the retail outlet network during the Year and closed down inefficient retail stores.

As of 31 December 2021, 79.8% of the retail outlets were located in department stores or shopping malls whereas 14.4% of the retail outlets were standalone stores.

As of 31 December 2021, approximately 40.3% of our retail outlets were located in first-tier cities and second-tier cities and the remaining retail outlets were located in lower tier cities including third-tier and fourth-tier cities. We believe our footprint has provided us with a strong foundation to capture future growth opportunities arising from different regions in the PRC.

* *For identification purpose only*

The following table shows the number of retail outlets (including 2 self-operated retail outlets in Quanzhou and 13 self-operated retail outlets in Beijing) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2021 and 31 December 2020:

	Number of stores			
Region	**As of 31 December 2021**		As of 31 December 2020	
First-tier cities [1]	**22**	**8.4%**	33	9.8%
Second-tier cities [2]	**84**	**31.9%**	108	32.1%
Third-tier cities [3]	**115**	**43.7%**	137	40.8%
Fourth-tier cities [4]	**42**	**16.0%**	58	17.3%
	263	**100.0%**	336	100.0%

Notes:

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

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

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

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

Besides, the Group started to place more efforts on online distributor 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 2021, the Group's distribution network included 57 distributors (2020: 45) and 28 sub-distributors (2020: 39). Among the 57 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 regions.

The Group will continue to 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 20 new stores and renovated 31 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 2021, our product design and development team consisted of 14 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 2021 autumn/winter collections was held in March 2021, and the sales fair for 2022 spring/summer collections were held in August 2021.

B. Industrial Products Segment

The Group expanded to the business of the sale of automotive, motorcycle and other industrial products through its indirectly owned subsidiary in Hong Kong to Saudi Arabia in the second half of 2021. As at 31 December 2021, the Group had four main customers for the industrial products segment. They are located in Saudi Arabia and engaged in the businesses of wholesale and retail sale of automotive, motorcycle and other industrial products.

The Group purchased those industrial products from suppliers in PRC. The purchase amounts of the five largest suppliers during the Year for industrial products segment accounted for approximately 83.2% of the total purchase amount of the industrial products segment.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2021, the total cash and bank balances of the Group were approximately RMB131.8 million (2020: RMB199.3 million), comprising cash and cash equivalents of approximately RMB131.8 million (2020: RMB196.7 million) and no pledged bank deposits (2020: RMB2.6 million).

As at 31 December 2021, the Group had a total of interest bearing borrowings of approximately RMB457.7 million (2020: RMB510.2 million) comprising bank and other borrowings of approximately RMB398.5 million (2020: RMB419.8 million) and corporate bonds of approximately RMB59.2 million (2020: RMB90.4 million). The Group's borrowings were primarily denominated in RMB and HK$ (2020: in both RMB and HK$) and bear interest at fixed rate (2020: fixed rate) ranging from 5.0% to 15.0% (2020: 5.0% to 15.0%) per annum.

The maturity profile of the borrowings as at 31 December 2021 was as follows:

	2021		2020	
	RMB million	***%***	*RMB million*	*%*
— Within 1 year or on demand	**419.0**	**91.5%**	471.4	92.4%
— Over 1 but within 2 years	**20.5**	**4.5%**	11.4	2.2%
— Over 2 but within 5 years	**18.2**	**4.0%**	21.5	4.2%
— Over 5 years	**–**	**–**	5.9	1.2%
Total	**457.7**	**100%**	510.2	100.0%

As at 31 December 2021, the gearing ratio was approximately 100.8% (2020: 93.9%). The increase was mainly due to the decrease in 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 2021, the Group's total equity decreased by approximately RMB89.4 million to approximately RMB454.0 million (2020: RMB543.4 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 60 days for the Year, as compared to 81 days for the previous year. The decrease was mainly due to distributors not postponing the collection of the inventories as the previous year.

The Group's average trade receivables turnover days was 186 days for the Year, representing a decrease of 16 days from 202 days for the previous year.

Such decrease is the combined effect of the higher turnover days in menswear apparel segment (216 days) and the lower turnover days in industrial products segment (103 days). Although the Group's trade receivables of menswear apparel segment slightly decreased by approximately 0.7% year-on-year to RMB162.0 million (31 December 2020: RMB163.1 million), the average trade receivables turnover days of menswear apparel segment was 216 days for the Year, representing an increase of 14 days from 202 days for the previous year. 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, if possible. 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 52 days for the Year, representing an increase of 26 days from 26 days for the previous year. The increase was mainly due to the higher average trade payables turnover days of industrial products segment of 137 days for the Year, offset by the decrease in the average trade payables turnover days of menswear apparel segment of 2 days from 26 days for the previous year to 24 days for the Year. For menswear apparel segment, we normally have 7 to 60 days credit period from our suppliers, while for industrial products segment, we normally have 90 days credit period from our suppliers.

The Group recorded a net debt to equity ratio of approximately 71.8% as at 31 December 2021 (31 December 2020: 57.2%).

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 2021, secured bank borrowings RMB398.5 million (2020: RMB419.8 million) were secured by certain buildings, investment properties and land use rights with carrying value of approximately RMB31.4 million (2020: RMB63.4 million), approximately RMB338.9 million (2020: RMB280.0 million) and approximately RMB231.8 million (2020: RMB238.9 million), respectively.

As at 31 December 2020, the secured bank borrowings were also secured by bank deposits of approximately RMB2.6 million.

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

Acquisition of GPL

On 30 March 2021, the Company acquired the entire issued share capital of Good Productive Limited ("**GPL**") (the "**Acquisition**") at a consideration of HK$9.7 million from Mr. Tong Xin ("**Mr. Tong**"), a former executive Director of the Company (resigned on 12 October 2021). GPL 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.

Disposal of GPL

On 30 November 2021, the Company and Mr. Tong, entered into the Equity Transfer Agreement pursuant to which, the Company agreed to sell, and Mr. Tong agreed to purchase the entire issued share capital of GPL (the "**Disposal**") at a consideration of HK$9.7 million. Upon completion, GPL will cease to be a subsidiary of the Company and under the prevailing accounting principles of the Company, the Company will no longer consolidate the financial results of GPL and OPCO in its consolidated accounts as if it were a subsidiary of GPL. According to the relevant Listing Rules, the Disposal of the entire issued share capital of GPL constitutes a discloseable transaction.

The Disposal was completed on 30 November 2021.The Group had recognised a gain of approximately RMB3.4 million. For further details of the Disposal, please refer to the announcement of the Company dated 30 November 2021.

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

Factory Restructuring

Since 2020, the Group has 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.

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 in 2022.

Capital Commitments and Contingencies

As at 31 December 2021, the Group had a total capital commitment of approximately RMB238.8 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 31 December 2021, 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 and United States Dollar, 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 138 employees as at 31 December 2021 (2020: 171). Total staff costs for the year amounted to approximately RMB14.8 million (2020: RMB32.0 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.

Use of Proceeds

The shares of the Company 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 2021, the Group had utilised HK$390.7 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$64.0 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	**0.1**
Repay a portion of our bank borrowings	**–**
Expand distribution network and provide storefront decoration	**–**
Install ERP system	**–**
Working capital and other general corporate purposes	**–**
	0.1

As at 31 December 2021, the accumulated use of the Net Proceeds is set out below:	**Available for use** *HK$million*	**Utilized (as at 31 December 2021)** *HK$million*	**Unutilized (as at 31 December 2021)** *HK$million*
Brand promotion and marketing	**122.8**	**122.8**	**–**
Research, design and product development	**90.9**	**52.4**	**38.5**
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	**390.7**	**64.0**

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 2022.

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.

Upon specific enquiries, all Directors and the 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 as at the date of this announcement, the Company has maintained the prescribed public float under the Listing Rules up to the date of this announcement.

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

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

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE (THE "CG CODE")

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.

With effect from 27 December 2021, Ms. Huang Yumin (黃宇敏) ("**Ms. Huang**") resigned as an independent non-executive Director ("**INED**"), the member of the audit committee (the "**Audit Committee**"), the member of the remuneration committee (the "**Remuneration Committee**") and the member of the nomination committee (the "**Nomination Committee**") of the Company. Following the resignation of Ms. Huang, the Board comprises only two INEDs. On 27 December 2021, Mr. Peng Zuncheng (彭遵丞), an executive Director, was appointed as a member of the Remuneration Committee; and Mr. Cheung Chiu Tung (張照東), an INED, was appointed as a member of the

Nomination Committee. In light of the above, the Company failed to comply with (i) rule 3.10(1) of the Listing Rules requires that the Company must have at least three INEDs and (ii) rule 3.21 of the Listing Rules requires that the audit committee must comprise a minimum of three members. With effect from 16 March 2022, Mr. Ma Yu-heng (馬有恒) ("**Mr. Ma**") was appointed as an INED and a member of Audit Committee. Following the appointment of Mr. Ma as an INED and a member of the Audit Committee, the Company then re-complies with the requirements of rule 3.10(1) and rule 3.21 of the Listing Rules.

The Board currently comprises three 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.

SHARES ISSUED IN THE YEAR

On 18 October 2021, the Company entered into the subscription agreement with an independent third party, pursuant to which the subscriber had conditionally agreed to subscribe for 37,087,000 new shares at the subscription price of HK$0.614 per subscription share. The subscription was completed and 37,087,000 of new shares were issued and allotted on 26 October 2021. Net proceeds from the subscription amounted to approximately HK$22.5 million, which were intended for future business development and general working capital. The amounts of HK$4.3 million and HK$18.2 million were fully utilised for the respective usage mentioned above.

On 24 December 2021, the Company entered into the subscription agreement with independent third parties, pursuant to which the subscribers had conditionally agreed to subscribe for 131,331,000 new shares at the subscription price of HK$0.550 per subscription share. The subscription was completed and 131,331,000 of new shares were issued and allotted on 31 December 2021. Net proceeds from the subscription amounted to approximately HK$72.0 million, which were intended for future business development and repayment of debt. The amounts of HK$24.6 million and HK$14.4 million were utilised for the respective usage mentioned above. It is expected that the remaining proceeds will be fully utilised by 2022.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On 10 January 2022, Jiangsu HengAn Energy Technology Co., Ltd. * (江蘇恒安儲能科技有限公司) ("**Jiangsu HengAn**"), an indirectly wholly-owned subsidiary of the Company, entered into the Intellectual Property Rights Transfer Agreement and the Fixed Assets Transfer Agreement with Beijing Baineng Huitong Technology Co., Ltd.* (北京百能匯通科技有限責任公司), Baoding Baineng Huitong New Energy Technology Co., Ltd.* (保定百能匯通新能源科技有限公司) and Qinghai Baineng Huitong New Energy Technology Co., Ltd.* (青海百能匯通新能源科技有限公司) (collectively, the "**Transferors**"), pursuant to which Jiangsu HengAn will acquire and the Transferors will transfer the intellectual property rights and fixed assets in respect of the production facilities of zinc-bromine flow battery (鋅溴液流電池) at a total consideration of RMB53.6 million, which comprises of (i) consideration for the intellectual properties Rights, RMB48.7 million; and (ii) consideration for the fixed assets, RMB4.9 million (the "**2022 Acquisitions**"). According to the relevant Listing Rules, the 2022 Acquisitions constitute a discloseable transaction of the Company.

For further details of the 2022 Acquisitions, please refer to the announcement of the Company dated 10 January 2022.

REVIEW OF UNAUDITED 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 Mr. Ma Yu-heng. 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 annual financial results for the year ended 31 December 2021.

The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the disruption caused by the recent resurgence of the COVID-19 outbreaks and restrictions to combat the COVID-19 outbreak imposed by the local governments in various parts of the PRC, including Quanzhou City, where our headquarters are located, and Hong Kong. As a result, the audit process of the Company is affected and more time is needed to obtain the necessary information to complete the audit work for the year ended 31 December 2021 by the Company's auditor. The unaudited results contained herein have not been agreed by the Company's auditors.

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

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT AND DELAY IN PUBLICATION OF FINAL RESULTS AND DESPATCH OF THE ANNUAL REPORT

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

For the reason explained in the paragraph headed "Review of Unaudited Annual Results" above, the Company currently expects that more time will be required to complete the audit work in the PRC and Hong Kong, hence there will be a delay in the publication of audited results of the Group for the year ended 31 December 2021 and the despatch of the Company's annual report for the year ended 31 December 2021. The Company expects that the operations in Quanzhou City will resume in April 2022 and thus the audit process will be continued. On this basis, the audit of the final results for the year ended 31 December 2021 will be completed on or before 30 April 2022. The Company expects that the annual report of the Company for the year ended 31 December 2021 will be published on or before 13 May 2022.

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results of the Group for the year ended 31 December 2021 (the "**2021 Audited Annual Results**") as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process.

The financial information of the Group for the year ended 31 December 2021 contained herein in respect of the annual results of the Group for the year ended 31 December 2021 have not been audited and have not been agreed by the auditors. Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 30 March 2022

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

* *for identification only*

Website: www.fordoo.cn