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CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2399)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the “**Board**”) of directors (the “**Directors**”) of China Fordoo Holdings Limited (the “**Company**”) is pleased to announce the audited annual results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 (the “**Year**”).

Reference is also made to the announcement of the Company dated 30 March 2022 (the “**Preliminary Results Announcement**”) in relation to the unaudited annual results of the Group for the Year. As certain changes have been made to the unaudited financial information of the Group for the Year as contained in the Preliminary Results Announcement, the differences between the unaudited financial information and the audited financial information contained in this announcement are set out in the section headed “Material differences between the Unaudited and Audited Annual Results for the Year” in this announcement. Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Preliminary Results Announcement.

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	2020	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⁾	57	26	+31
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
<i>Notes:</i>			
(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)

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Continuing operations			
Revenue	4	373,861	270,070
Cost of sales		<u>(263,694)</u>	<u>(193,169)</u>
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		<u>(103,674)</u>	<u>(117,021)</u>
Loss from operations		(118,349)	(545,594)
Finance costs	6(a)	<u>(28,710)</u>	<u>(34,250)</u>
Loss before taxation	6	(147,059)	(579,844)
Income tax	7	<u>(19,879)</u>	<u>27,615</u>
Loss for the year from continuing operations		<u>(166,938)</u>	<u>(552,229)</u>
Discontinued operation			
Loss for the year from discontinued operation		<u>(3,687)</u>	–
Loss for the year		<u><u>(170,625)</u></u>	<u><u>(552,229)</u></u>

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

For the year ended 31 December 2021

(Expressed in Renminbi)

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive income/(expense) 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	3,689	1,429
Exchange reserve realised on disposal of subsidiaries	(83)	—
	<u>3,606</u>	<u>1,429</u>
Other comprehensive income for the year		
	<u>(167,019)</u>	<u>(550,800)</u>
Total comprehensive expenses for the year		
Loss for the year attributable to equity owners of the Company		
— from continuing operations	(174,391)	(552,229)
— from discontinued operation	(3,687)	—
	<u>(178,078)</u>	<u>(552,229)</u>
Profit for the year attributable to non-controlling interest		
— from continuing operations	7,453	—
	<u>(170,625)</u>	<u>(552,229)</u>

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

For the year ended 31 December 2021

(Expressed in Renminbi)

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Total comprehensive income/(expense)			
attributable to:			
Equity owners of the Company		(174,354)	(550,800)
Non-controlling interest		7,335	—
		<u>(167,019)</u>	<u>(550,800)</u>
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)
		<u>(7.37)</u>	<u>(28.71)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

(Expressed in Renminbi)

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
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		31,820	51,502
Current taxation		3,978	–
		593,651	592,577
Net current liabilities		(180,970)	(116,974)
Total assets less current liabilities		522,794	613,270

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)*At 31 December 2021*

(Expressed in Renminbi)

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current liabilities			
Deferred tax liabilities		37,740	31,004
Lease liabilities		3,651	–
Corporate bonds		27,391	38,892
		68,782	69,896
Net assets			
		454,012	543,374
Capital and reserves			
Share capital	<i>11</i>	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 and brand licensing in the PRC and sales of industrial products to customers located in Saudi Arabia.

In preparing these consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 December 2021, the Group has net current liabilities of approximately RMB180,970,000 and loss for the year was approximately RMB170,625,000.

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

- (i) The Group have guarantee contracts with certain banks to obtain maximum credit amounts of RMB1,193,190,000 and as at 31 December 2021, the unutilised facilities amount in respect of bank borrowings was approximately RMB794,690,000.
- (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 of attaining profitable and positive cash flow operations.

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

2 APPLICATION OF NEW AND AMENDMENTS 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 consolidated financial statements:

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 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 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 consolidated financial statements are identified from the consolidated financial statements provided regularly to the Group’s most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group’s various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The main operation of the Group is sales of menswear apparel and brand licensing in the PRC. During the Year, the Group commenced a new operation for the sales of industrial products to customers located in Saudi Arabia.

During the Year, the Group commenced the business engaging in provision of advertising services along with the acquisition of Good Productive Limited and its subsidiaries (“**Good Productive Group**”) (as detailed in note 12), and it is considered as a new operating and reportable segment by the most senior executive management. As the uncertainties brought by the recent change in regulatory environment in the PRC that affected the operation of Good Productive Group in the PRC, the Group disposed the Good Productive Group on 30 November 2021. This new operating segment was treated as discontinued operation.

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			Sub-total RMB'000	Discontinued operation	Consolidated RMB'000
	Menswear Apparel RMB'000	Industrial Products RMB'000	Unallocated RMB'000		Advertising RMB'000	
Revenue	275,026	98,835	-	373,861	3,577	377,438
Segment result before the following items	6,418	28,123	-	34,541	(3,566)	30,975
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)
Depreciation and amortisation	(69,001)	-	-	(69,001)	(154)	(69,155)
Segment result	<u>(151,654)</u>	<u>28,123</u>	<u>-</u>	<u>(123,531)</u>	<u>(3,720)</u>	<u>(127,251)</u>
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)
				<u>(166,938)</u>	<u>(3,687)</u>	<u>(170,625)</u>

For the year ended 31 December 2020

	Menswear Apparel RMB'000	Unallocated RMB'000	Sub-total RMB'000
Revenue	270,070	-	270,070
Segment result before the following items	(32,117)	-	(32,117)
Impairment of intangible assets, recognised into profit or loss	(16,749)	-	(16,749)
Allowance for ECL, net recognised in profit or loss	(51,172)	-	(51,172)
Depreciation and amortisation	(64,624)	-	(64,624)
Segment result	<u>(164,662)</u>	<u>-</u>	<u>(164,662)</u>
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
			<u>(552,229)</u>

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, investment income and finance costs.

Segment assets and liabilities

For the year ended 31 December 2021

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

For the year ended 31 December 2020

	Menswear Apparel RMB'000	Unallocated RMB'000	Sub-total RMB'000
Segment assets	<u>927,498</u>	<u>278,349</u>	<u>1,205,847</u>
Segment liabilities	<u>523,626</u>	<u>138,847</u>	<u>662,473</u>

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

For the year ended 31 December 2021

	Continuing operation				Discontinued operation	Consolidated RMB'000
	Menswear Apparel RMB'000	Industrial Products RMB'000	Unallocated RMB'000	Sub-total RMB'000	Advertising RMB'000	
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	<u>(86,960)</u>	<u>-</u>	<u>-</u>	<u>(86,960)</u>	<u>-</u>	<u>(86,960)</u>

For the year ended 31 December 2020

	Menswear Apparel RMB'000	Unallocated RMB'000	Sub-total RMB'000
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)

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 operation		Total	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
China	275,026	270,070	3,577	–	278,603	270,070
Saudi Arabia	98,835	–	–	–	98,835	–
	<u>373,861</u>	<u>270,070</u>	<u>3,577</u>	<u>–</u>	<u>377,438</u>	<u>270,070</u>

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 RMB'000	2020 RMB'000
Customer A (sale of menswear apparels)	N/A*	48,333
Customer B (sale of menswear apparels)	N/A*	32,154
Customer C (sale of menswear apparels)	N/A*	28,622
Customer D (sale of industrial products)	<u>59,319</u>	<u>N/A*</u>

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

4 REVENUE

Revenue by product type is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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	–
	<u>373,861</u>	<u>270,070</u>
Timing of revenue recognition		
Over time	10,755	–
At a point in time	363,106	270,070
	<u>373,861</u>	<u>270,070</u>

5 OTHER INCOME AND OTHER GAINS OR LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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	3,687	–
Gain/(loss) on modification of corporate bonds	972	(262)
Others	407	773
	<u>14,619</u>	<u>5,889</u>

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:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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
	<u>28,710</u>	<u>34,250</u>
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	718	651
Salaries, wages and other benefits	14,075	31,390
	<u>14,793</u>	<u>32,041</u>
(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 (<i>note i</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
	<u>5</u>	<u>41</u>

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 <i>RMB'000</i>	2020 <i>RMB'000</i>
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)	<u>16,883</u>	<u>(27,812)</u>
	<u>19,879</u>	<u>(27,615)</u>

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 <i>RMB'000</i>	2020 <i>RMB'000</i>
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	<u>(3,687)</u>	<u>–</u>
	<u>(178,078)</u>	<u>(552,229)</u>
	Number of shares	
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares in issue	<u>2,364,866</u>	<u>1,923,600</u>

(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 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	521,514	422,380
Less: Loss allowance for expected credit loss	(302,106)	(216,014)
Written-off	(1,615)	(43,249)
	<u>217,793</u>	<u>163,117</u>
Trade receivables	217,793	163,117
Prepayments to suppliers	11,706	6,729
Other deposits, prepayments and receivables	20,117	49,804
	<u>249,616</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 credit losses, based on invoice date, is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
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
	<u>217,793</u>	<u>163,117</u>

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

10 TRADE, BILLS AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade payables	58,984	16,248
Bills payable	–	6,500
Other payables	45,807	45,412
Accruals	52,032	52,784
	<u>156,823</u>	<u>120,944</u>

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 <i>RMB'000</i>	2020 <i>RMB'000</i>
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
	<u>58,984</u>	<u>22,748</u>

11 SHARE CAPITAL

	Number of ordinary shares of HK\$0.0025	Amount <i>HK\$'000</i>	
Authorised:			
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>4,000,000,000</u>	<u>10,000</u>	
	Number of ordinary shares of HK\$0.0025	Amount <i>HK\$'000</i>	Amount <i>RMB'000</i>
Issued and fully paid:			
As at 1 January 2020, 31 December 2020 and 1 January 2021	1,923,600,000	4,809	3,819
Issuance of share under subscription (<i>note</i>)	<u>168,418,000</u>	<u>421</u>	<u>344</u>
As at 31 December 2021	<u>2,092,018,000</u>	<u>5,230</u>	<u>4,163</u>

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:

	<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)
	<hr/>
Net identifiable assets at fair value	4,645
	<hr/> <hr/>
Cash consideration payable	8,199
Less: fair value of net identifiable assets acquired	(4,645)
	<hr/>
Goodwill	3,554
	<hr/> <hr/>
	<i>RMB'000</i>
Net cash inflow arising on acquisition:	
Cash consideration (c)	–
Add: cash and cash equivalents acquired	4,597
	<hr/>
	4,597
	<hr/> <hr/>

(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:

	<i>RMB'000</i>
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
	<hr/>
Net assets disposal of Good Productive Group	4,699
Consideration	(8,071)
	<hr/>
Gain on disposal	3,372
	<hr/> <hr/>
Cash consideration (c)	–
Cash and cash equivalents disposed	(63)
	<hr/>
Net cash outflow from the disposal	(63)
	<hr/> <hr/>

(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.

MATERIAL DIFFERENCES BETWEEN THE UNAUDITED AND AUDITED ANNUAL RESULTS FOR THE YEAR

Set forth below are the material differences between the financial information of the Group for the Year contained in the Preliminary Results Announcement and the audited financial information contained in this announcement. The reasons giving rise to such differences are also set out in the note below.

	<i>Notes</i>	Disclosure in this announcement <i>RMB'000</i> (Audited)	Disclosure in the Preliminary Announcement <i>RMB'000</i> (Unaudited)	Difference <i>RMB'000</i>
Consolidated Statement of Financial				
Position as at 31 December 2021				
		A	B	A-B
Under current liabilities				
— Corporate bonds	(a)	31,820	20,522	11,298
Aggregate of current liabilities	(a)	593,651	582,353	11,298
Net current liabilities	(a)	(180,970)	(169,672)	(11,298)
Total assets less current liabilities	(a)	522,794	534,092	(11,298)
Under non-current liabilities				
— Corporate bonds	(a)	27,391	38,689	(11,298)
Aggregate of non-current liabilities	(a)	68,782	80,080	(11,298)
Net assets	(a)	454,012	454,012	—

Notes:

(a) It represents the reclassification of current and non-current portions of corporate bonds.

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 and brand licensing. 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 and 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 Group 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 Good Productive Group 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 sum of approximately HK\$95,003,468 (approximately RMB77,657,573) which is expected to 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 in order 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 the financial year ended 31 December 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 the financial year ended 31 December 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				Change %
	2021		2020		
	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				Change %
	2021		2020		
	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

Region	For the year ended 31 December				Change %
	2021		2020		
	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 distributors 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 increase was primarily due to the increase 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 accounted for approximately 13.5% of total revenue, decreased by approximately RMB15.8 million year-on-year to approximately RMB50.4 million, which represented a year-on-year decrease of approximately 23.9 percentage points.

For the menswear apparel segment, selling and distribution expenses accounted for approximately 16.2% of the revenue from sales of menswear apparel, decreased by approximately RMB21.5 million to approximately RMB44.6 million, 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 underperforming shops.

For the industrial products segment, the selling and distribution expenses were 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 accounted for approximately 27.8% of total revenue, decreased by approximately RMB13.3 million year-on-year to RMB103.7 million, which represented a year-on-year decrease of 11.4 percentage points.

The administrative and other operating expenses from menswear apparel segment accounted for approximately 34.1% of revenue from sales of menswear apparel, decreased by approximately RMB23.2 million to RMB93.8 million, which represented an decrease of 9.2 percentage points. The decrease was mainly due to the decrease in staff salaries expenses because of the one-off staff dismissal compensation expenses of approximately RMB6.3 million related to department restructuring and cost saving in the previous years; decrease in legal and professional fees 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 16.3% year-on-year to approximately RMB28.7 million (2020: RMB34.3 million), which was mainly due to the 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:

Region	Number of stores			As of 31 December 2021
	As of 1 January 2021	Stores opened during the period	Stores closed during the period	
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:

Region	Number of stores			
	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 distributors 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 of improving 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 the 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 fair for 2021 autumn/winter collections was held in March 2021, and the sales fair for 2022 spring/summer collections was 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 customers in 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	
	<i>RMB million</i>	<i>%</i>	<i>RMB million</i>	<i>%</i>
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	<u>457.7</u>	<u>100%</u>	<u>510.2</u>	<u>100.0%</u>

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 from 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 57 days for the Year, representing an increase of 31 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, and the increase in the average trade payables turnover days of menswear apparel segment of 4 days from 26 days for the previous year to 30 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) 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 and connected 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 change the usage of those areas into developing 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	<i>HK\$ million</i>
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	–
	<u>0.1</u>

As at 31 December 2021, the accumulated use of the Net Proceeds is set out below:	Available for use	Utilized (as at 31 December 2021)	Unutilized (as at 31 December 2021)
	<i>HK\$million</i>	<i>HK\$million</i>	<i>HK\$million</i>
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	–
	<u>454.7</u>	<u>390.7</u>	<u>64.0</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 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 half of the Board, which is higher than the one-third 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 Mr. Jin Xiaolong (“**Mr. Jin**”), pursuant to which Mr. Jin 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 to Mr. Jin on 26 October 2021. The aggregate nominal value of the subscription shares was approximately HK\$92,700. 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 Mr. Lu Ke (“**Mr. Lu**”) and Ms. Wang Xiu Hua (“**Ms. Wang**”), pursuant to which (i) Mr. Lu had conditionally agreed to subscribe for 109,090,000 new shares at the subscription price of HK\$0.550 per subscription share and (ii) Ms. Wang had conditionally agreed to subscribe for 22,241,000 new shares at the subscription price of HK\$0.550 per subscription share. The subscription was completed and a total of 131,331,000 of new shares were issued and allotted to Mr. Lu (as to 109,090,000 shares) and Ms. Wang (as to 22,241,000) on 31 December 2021. The aggregate nominal value of the subscription shares was approximately HK\$328,328. 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, an indirectly wholly-owned subsidiary of the Company, entered into the Intellectual Property Rights Transfer Agreement and the Fixed Assets Transfer Agreement with 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.

SCOPE OF WORK OF ELITE PARTNERS CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed with the Company’s auditor, Elite Partners CPA Limited, which is consistent with the figures set out in the Group’s consolidated financial statements for the year ended 31 December 2021.

EXTRACT FROM THE INDEPENDENT AUDITOR’S REPORT

The following is an extract from the independent auditor’s report on the consolidated financial statements of the Group for the Year:

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material uncertainty in relation to going concern

We draw attention in note 1 to the consolidated financial statements which indicated that as at 31 December 2021, the Group has net current liabilities of approximately RMB180,970,000 and loss for the year then ended was RMB170,625,000. These conditions, along with other matters as set out in note 1 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of on this matter.

REVIEW OF ANNUAL RESULT

The audit committee (the “**Audit Committee**”) consists of the three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and 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 audited annual financial results for the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 3 May 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.

Website: www.fordoo.cn