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CHINA FORDOO HOLDINGS LIMITED

中國虎都控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2399)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2020**

The board (the “**Board**”) of directors (the “**Directors**”) of China Fordoo Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2020.

FINANCIAL HIGHLIGHTS

- Revenue of the Group decreased by 32.5% to RMB94.9 million (2019: RMB140.5 million (re-presented)).
- Gross profit of the Group decreased by 40.0% to RMB32.2 million (2019: RMB53.6 million (re-presented)).
- Net loss of the Group was RMB67.1 million (2019: net loss of RMB46.1 million (re-presented)).
- Basic and diluted loss per share was RMB3.5 cents (2019: basic and diluted loss per share of RMB2.4 cents (re-stated and re-presented)).

	For the six months ended		
	30 June 2020	30 June 2019 (Re-presented)	Change
Profitability ratios			
Gross profit margin	33.9%	38.2%	-4.3ppt
Net loss to revenue	-70.8%	-32.8%	-38.0ppt
From continuing and discontinued operations			
Return on equity ⁽¹⁾	-6.5%	-4.1%	-2.4ppt
	As at	As at	
	30 June 2020	30 June 2019 (Re-presented)	
Liquidity ratios			
From continuing operations			
Inventory turnover (Days) ⁽²⁾	63	71	
Trade receivables turnover (Days) ⁽³⁾	218	197	
Trade payables turnover (Days) ⁽⁴⁾	33	25	
	As at	As at	
	30 June 2020	31 December 2019	
Capital ratios			
Interest coverage ratios ⁽⁵⁾	N/A	N/A	
Net debt to equity ratio ⁽⁶⁾	7.1%	1.4%	
Gearing ratio ⁽⁷⁾	50.5%	46.0%	4.5%
<i>Notes:</i>			
(1) Net loss for the period divided by total equity.			
(2) Average of the inventory at the beginning and at the end of the period divided by cost of sales times number of days during the period.			
(3) Average of the trade receivables at the beginning and at the end of the period divided by revenue times number of days during the period.			
(4) Average of the trade payables at the beginning and at the end of the period divided by costs of sales times number of days during the period.			
(5) Profit before interest and tax for the period divided by interest expenses of the same period.			
(6) Net debt divided by total equity as at the end of the period. Net debt includes bank borrowings net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank. As at 30 June 2020 and 31 December 2019, the Group recorded a net cash position.			
(7) Total debts divided by the total equity as at the end of the period.			

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 — unaudited (Expressed in Renminbi)

		Six months ended 30 June	
		2020	2019
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
			(Re-presented)
Continuing operations			
Revenue	4	94,857	140,463
Cost of sales		<u>(62,689)</u>	<u>(86,827)</u>
Gross profit		32,168	53,636
Other income and other gains or losses	5	3,645	3,619
Selling and distribution expenses		(13,075)	(19,738)
Administrative and other operating expenses		<u>(86,122)</u>	<u>(78,744)</u>
Loss from operations		(63,384)	(41,227)
Finance costs	6(a)	<u>(17,464)</u>	<u>(13,860)</u>
Loss before taxation	6	(80,848)	(55,087)
Income tax	7	<u>13,733</u>	<u>9,014</u>
Loss for the period from continuing operations		(67,115)	(46,073)
Discontinued operations			
Loss for the period from discontinued operations		<u>—</u>	<u>(9,881)</u>
Loss for the period		(67,115)	(55,954)
Other comprehensive expense for the period			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC")		<u>(1,379)</u>	<u>(317)</u>
Total comprehensive expense for the period		<u>(68,494)</u>	<u>(56,271)</u>

	Six months ended 30 June	
	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i> (Re-presented)
Loss attributable to equity holders of the company:		
— from continuing operations	(67,115)	(46,073)
— from discontinued operations	<u>—</u>	<u>(9,810)</u>
	<u>(67,115)</u>	<u>(55,883)</u>
Loss attributable to non-controlling interest:		
— from continuing operations	—	—
— from discontinued operations	<u>—</u>	<u>(71)</u>
	<u>—</u>	<u>(71)</u>
	<u>(67,115)</u>	<u>(55,954)</u>
Total comprehensive expense attributable to:		
Equity holders of the Company	(68,494)	(56,200)
Non-controlling interest	<u>—</u>	<u>(71)</u>
	<u>(68,494)</u>	<u>(56,271)</u>
Loss per share (RMB cents)		
Basic and diluted	9	(Restated)
— from continuing and discontinued operations	(3.5)	(2.9)
— from continuing operations	<u>(3.5)</u>	<u>(2.4)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020 — unaudited (Expressed in Renminbi)

		At 30 June 2020 <i>RMB'000</i> Unaudited	At 31 December 2019 <i>RMB'000</i> Audited
Non-current assets			
Property, plant and equipment		246,348	245,277
Construction in progress		377,014	376,700
Goodwill		—	—
Deposits placed for life insurance		—	7,050
Investment properties		20,775	21,368
Lease prepayments		—	—
Right-of-use assets		244,747	249,000
Intangible assets		97,922	120,122
Investment in an associate		—	—
Deferred tax assets		81,814	72,948
		1,068,620	1,092,465
Current assets			
Inventories		14,308	28,785
Trade, bills and other receivables	10	172,444	185,040
Pledged bank deposits		5,561	12,708
Fixed deposits held at bank with original maturity over three months		5,532	4,000
Cash and cash equivalents		434,796	471,354
		632,641	701,887
Current liabilities			
Trade, bills and other payables	11	108,881	141,307
Bank and other borrowings	12	419,800	409,800
Corporate bonds	13	42,499	28,604
Lease liabilities		1,795	2,043
Current taxation		5,586	6,711
		578,561	588,465
Net current assets		54,080	113,422
Total assets less current liabilities		1,122,700	1,205,887

	<i>Notes</i>	At 30 June 2020 RMB'000 Unaudited	At 31 December 2019 RMB'000 Audited
Non-current liabilities			
Corporate bonds	<i>13</i>	55,962	64,729
Lease liabilities		130	943
Deferred tax liabilities		40,928	46,041
		<u>97,020</u>	<u>111,713</u>
Net assets		<u>1,025,680</u>	<u>1,094,174</u>
Capital and reserves			
Share capital		3,819	3,819
Reserves		1,021,861	1,090,355
Total equity		<u>1,025,680</u>	<u>1,094,174</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

(Expressed in Renminbi unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2019.

The interim financial information has been prepared in accordance with the same accounting policies adopted in 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

This interim financial information contains condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of China Fordoo Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) since the 2019 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of consolidated financial statements prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

The interim financial information is unaudited, but has been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted and methods of computation used in the condensed consolidated interim financial statements are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2019, except for the adoption of new standards as set out below.

In the current interim period, the Group has adopted all the new standards, amendments and interpretations (the “**new and amended IFRSs**”) issued by the IASB that are relevant to its operations and effective for its accounting period beginning on 1 January 2020. The adoption of these new and amended IFRSs did not result in significant changes to the Group’s accounting policies and amounts reported for the current and prior accounting period.

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

3 SEGMENT INFORMATION

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

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

The main operation of the Group is manufacturing and wholesaling of menswear in the PRC.

The discontinued operations for the six months ended 30 June 2019 were related to the subsidiaries which were principally engaged in the goose retail and by products and online platform and retails shops in the PRC, and were disposed on 31 October 2019.

(a) Segment revenue and results

For the six months ended 30 June 2020

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

For the six months ended 30 June 2019

	Continuing operations			Discontinued operations			Consolidated RMB'000 (Unaudited)
	Menswear RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	Other RMB'000 (Unaudited)	Unallocated RMB'000 (Unaudited)	Sub-total RMB'000 (Unaudited)	
Revenue	140,463	–	140,463	11,785	–	11,785	152,248
Segment result before the following items	(12,938)	–	(12,938)	(9,838)	–	(9,838)	(22,776)
Allowance for ECL, net	(29,808)	–	(29,808)	–	–	–	(29,808)
Segment result	(42,746)	–	(42,746)	(9,838)	–	(9,838)	(52,584)
Other revenue and unallocated gains		813	813		–	–	813
Corporate and other unallocated expenses		(13,154)	(13,154)		(4)	(4)	(13,158)
Loss before tax			(55,087)			(9,842)	(64,929)
Tax credit/(expense)	9,014	–	9,014	(39)	–	(39)	8,975
Loss for the period			(46,073)			(9,881)	(55,954)

(b) Segment assets and liabilities

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

	Menswear		Unallocated		Consolidated	
	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000	At 30 June 2020 (Unaudited) RMB'000	At 31 December 2019 (Audited) RMB'000
Segment assets	<u>1,064,701</u>	1,148,580	<u>636,560</u>	645,772	<u>1,701,261</u>	1,794,352
Segment liabilities	<u>534,179</u>	562,384	<u>141,402</u>	137,794	<u>675,581</u>	700,178

Note: Unallocated assets and liabilities mainly represent those relating to a commercial center project located in Hui'an, the PRC, which is under the construction stage as at 30 June 2020 and 31 December 2019.

(c) Geographical information

The following tables present the Group's geographical information in terms of revenue for the six months ended 30 June 2020 and 2019, and non-current assets as at 30 June 2020 and 31 December 2019.

Revenue from external customers

	Continuing operations		Discontinued operations		Total	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Re-presented)		(Re-presented)		(Re-presented)
PRC	94,857	130,963	-	11,785	94,857	142,748
Hong Kong	-	9,500	-	-	-	9,500
	<u>94,857</u>	<u>140,463</u>	<u>-</u>	<u>11,785</u>	<u>94,857</u>	<u>152,248</u>

The revenue information above is based on the locations of the customers.

Non-current assets

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

4 REVENUE

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

Revenue by product type is as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Continuing operations		
Men's trousers	52,056	105,185
Men's tops	42,580	34,703
Accessories	221	575
	<u>94,857</u>	<u>140,463</u>
Timing of revenue recognition		
At a point of time	<u>94,857</u>	<u>140,463</u>

5 OTHER INCOME AND OTHER GAINS OR LOSSES

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited) (Re-presented)
Continuing operations		
Interest income	2,423	2,866
Rental income from investment properties less direct outgoings	738	738
Government grants	118	313
Net foreign exchange loss	(134)	(975)
Loss on disposal of property, plant and equipment	–	(303)
Consultancy service income	437	939
Others	63	41
	3,645	3,619
	3,645	3,619

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

6 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2020 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i> (Unaudited) (Re-presented)
Continuing operations		
(a) Finance costs:		
Corporate bonds	6,174	3,271
Interest on bank and other borrowings	11,229	10,559
Interest on lease liabilities	61	30
	17,464	13,860
	17,464	13,860
(b) Staff costs:		
Contributions to defined contribution retirement plans	228	538
Salaries, wages and other benefits	15,073	22,182
	15,301	22,720
	15,301	22,720

Six months ended 30 June	
2020	2019
RMB'000	RMB'000
(Unaudited)	(Unaudited)
	(Re-presented)

(c) Other items:

Amortisation of intangible assets	22,200	21,892
Depreciation of property, plant and equipment	7,943	9,140
Depreciation of investment properties	594	594
Depreciation of right-of-use assets	4,305	3,974
Research and developments expenses (<i>note (i)</i>)	2,645	4,129
Cost of inventories (<i>note (ii)</i>)	62,570	112,851
Allowance for ECL, net	35,725	29,808
Operating lease payment	–	508
Written-off of trade receivables	1,441	–
	<u><u>1,441</u></u>	<u><u>–</u></u>

Notes:

- (i) Research and development costs include staff costs of employees in the design and product development department of RMB1,639,000 (six months ended 30 June 2019: RMB2,207,000) which are included in the staff costs as disclosed in note 6(b).
- (ii) Cost of inventories includes RMB4,840,000 (six months ended 30 June 2019: RMB13,970,000) relating to staff cost, depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

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

Six months ended 30 June	
2020	2019
RMB'000	RMB'000
(Unaudited)	(Unaudited)
	(Re-presented)

Continuing operations

Current tax

Provision for PRC corporate income tax for the period	246	3,288
	<u><u>246</u></u>	<u><u>3,288</u></u>

Deferred tax

Origination and reversal of temporary differences	(13,979)	(12,302)
	<u><u>(13,979)</u></u>	<u><u>(12,302)</u></u>
	(13,733)	(9,014)
	<u><u>(13,733)</u></u>	<u><u>(9,014)</u></u>

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2020 and 2019.

- (iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory rate of 25% of the assessable profits of the subsidiaries incorporated in the PRC.
- (iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

8 DIVIDEND

The directors do not recommend the payment of dividend for the six months ended 30 June 2020 (2019: Nil).

9 LOSS PER SHARE

(a) Basic loss per share

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Re-presented)
Loss		
Loss for the year for the purposes of computation of basic loss per share		
— from continuing operations	(67,115)	(46,073)
— from discontinued operations	—	(9,810)
	<u>(67,115)</u>	<u>(55,883)</u>
	Number of shares	
	'000	'000
		(Re-stated)
Number of shares		
Weighted average number of ordinary shares in issue (<i>Note</i>)	<u>1,923,600</u>	<u>1,923,600</u>

Note: The weighted average number of ordinary shares in issue during the period ended 30 June 2019 had been adjusted for share subdivision on 17 October 2019.

(b) Diluted loss per share

The computation of diluted loss per share for the six months ended 30 June 2019 and 2020 did not assumed the exercise of outstanding share options of the Company since their assumed conversion would result in a decrease in loss per share.

10 TRADE, BILLS AND OTHER RECEIVABLES

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Trade and bills receivables	332,174	343,712
Less: Allowance for ECL	<u>(241,556)</u>	<u>(207,532)</u>
Trade and bills receivables net of allowance	90,618	136,180
Prepayments to suppliers	28,899	1,731
Other deposits, prepayments and receivables	<u>52,927</u>	<u>47,129</u>
	<u>172,444</u>	<u>185,040</u>

Aging analysis

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

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Within 3 months	27,380	122,952
More than 3 months but within 6 months	55,822	11,419
More than 6 months but within 1 year	6,859	1,589
Over 1 year	<u>557</u>	<u>220</u>
	<u>90,618</u>	<u>136,180</u>

Trade receivables are normally due for settlement within 90–180 days (31 December 2019: 90–180 days) from the invoice date.

Impairment of trade receivables

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

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

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Balance as at 1 January	207,532	234,115
Reversal of ECL recognised in prior years	(554)	(18,551)
Reversal due to written-off of trade receivables	(882)	(89,328)
ECL recognised	<u>35,460</u>	<u>81,296</u>
Balance as at 30 June/31 December	<u><u>241,556</u></u>	<u><u>207,532</u></u>

11 TRADE, BILLS AND OTHER PAYABLES

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Trade payables	11,111	11,282
Bills payables	13,630	36,500
Accruals	54,117	56,661
Other payables	<u>30,023</u>	<u>36,864</u>
	<u><u>108,881</u></u>	<u><u>141,307</u></u>

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

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Within 1 month	5,878	4,216
After than 1 month but within 3 months	5,979	7,066
Over 3 months but within 6 months	8,804	36,500
Over 6 months but within 1 year	<u>4,080</u>	<u>–</u>
	<u><u>24,741</u></u>	<u><u>47,782</u></u>

12 BANK AND OTHER BORROWINGS

(a) The bank and other borrowings were repayable as follow:

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year or on demand	<u>419,800</u>	<u>409,800</u>

(b) The bank and other borrowings were secured as follows:

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Bank and other borrowings		
— Secured	359,800	349,800
— Unsecured	<u>60,000</u>	<u>60,000</u>
	<u>419,800</u>	<u>409,800</u>

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

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Property, plant and equipment	231,867	237,931
Investment properties	20,775	21,368
Right-of-use assets	242,228	246,020
Pledged bank deposits	<u>5,561</u>	<u>12,708</u>
	<u>500,431</u>	<u>518,027</u>

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

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Facility amount	<u>917,690</u>	<u>917,690</u>
Utilised facilities amount in respect of bank borrowings	<u>359,800</u>	<u>349,800</u>

13 CORPORATE BONDS

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Unsecured corporate bonds	<u>98,461</u>	<u>93,333</u>

The Group's corporate bonds are repayable as follows:

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
Within 1 year	42,499	28,604
After 1 year but within 2 years	16,645	36,500
After 2 years but within 5 years	23,399	13,245
After 5 years	<u>15,918</u>	<u>14,984</u>
	<u>98,461</u>	<u>93,333</u>

The movement of corporate bonds is as follows:

	At 30 June 2020 <i>RMB'000</i> (Unaudited)	At 31 December 2019 <i>RMB'000</i> (Audited)
As at 1 January	93,333	44,494
Proceeds from issuance of bonds	9,213	42,521
Repayment of bond	(9,097)	–
Imputed interests	3,158	4,481
Exchange realignment	1,854	1,837
	<hr/> 98,461 <hr/>	<hr/> 93,333 <hr/>
As at 30 June/31 December	98,461	93,333

As at 30 June 2020, the Group issued bonds with a principle amount in a total of RMB124,548,000 (31 December 2019: RMB111,390,000) carried interest at 0.1%–7.5% (31 December 2019: 0.1%–7.5%) per annum. Total transaction cost attributable to the issuance of the bonds amounted to RMB11,139,000 (31 December 2019: RMB9,436,000). The bonds are unsecured with maturity date falling on 2–8 years (31 December 2019: 2–8 years) of the issue date.

The effective interest rate of the bonds is ranging from 6.73% to 13.63% (31 December 2019: 6.73% to 13.63%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

In the first half of 2020, due to the combined effect of COVID-19 pandemic and decline in the domestic demand, the Group's revenue decreased from RMB140.5 million to RMB94.9 million, representing an approximately 32.5% decrease comparing with the first half of 2019. With the continuous rise and prevalence of e-commerce, which had completely changed the consumption patterns and consumer preferences, the revenue attributable to online distributors significantly increased from RMB0.4 million to RMB12.8 million.

As a result of the drastic drop in revenue and the increase in allowance for expected credit losses on trade receivables under IFRS 9 "Financial Instruments", the Group recorded a net loss of RMB67.1 million, (2019 (re-presented): RMB46.1 million).

The business environment of the menswear industry was very difficult. Due to the COVID-19 pandemic and the slowdown in China's economic growth, consumers' interest in well-known branded products has been reduced, they are more inclined to buying more affordable products, such as fast fashion, which has made the business environment more complicated. Apart from this, the quarantine order in some cities across China in the first half of 2020 had led to the suspension of social and economic activities and it worsened the performance of the Group's business in these cities. In addition, the increase in operating costs has also made the operation even harder, especially in some first-tier cities in China.

To cope with the intense competition in the retail market and weak consumer sentiment, the Group continued to rationalize its distribution network by closing some of the underperforming retail outlets and to strengthen the corporation with its distributors and sub-distributors in order to improve operating efficiency. Furthermore, the Group persistently enhances its design and product development capabilities and is committed to increase its brand building strategies in order to substantially meet the needs of customers and raise their brand loyalty.

FINANCIAL REVIEW

For the six months ended 30 June 2020, the Group recorded a net loss of approximately RMB67.1 million (2019 (Re-presented): RMB46.1 million). The significant decline was mainly attributable to the significant decline in Group's revenue and gross profit due to the combining effect of COVID-19 pandemic and decline in the domestic demand for the Group's products, as well as an increase in allowance for expected credit losses on trade receivables under IFRS 9 "Financial Instruments". As at 30 June 2020, the Group had 397 retail outlets (including 24 self-operated retail outlets in Beijing), representing a net decrease of 101 retail outlets from 498 retail outlets as at 31 December 2019.

Revenue

Revenue from continuing operations decreased by approximately 32.5% from RMB140.5 million in the first half of 2019 to RMB94.9 million in the first half of 2020. The decrease was due to: (i) due to the outbreak of the COVID-19 pandemic, the consumers' desire for the Group's products was low; (ii) the Group's continued consolidation strategy on its retail outlet network; and (iii) the decrease in wholesale orders as a result of the termination of distribution relationships with some of the Group's distributors who had slow repayment history.

Revenue by Product Type

	For the six months ended				Change %
	30 June 2020		30 June 2019		
	<i>RMB million</i> (Unaudited)	<i>% of revenue</i>	<i>RMB million</i> (Unaudited) (Re-presented)	<i>% of revenue</i>	
Continuing operations					
Apparel					
Men's trousers	52.1	54.9%	105.2	74.9%	-50.5%
Men's tops	42.6	44.9%	34.7	24.7%	22.8%
Accessories	0.2	0.2%	0.6	0.4%	-66.7%
Total	94.9	100%	140.5	100%	-32.5%

Trousers remained the major turnover contributor of the Group in terms of product type and accounted for 54.9% of the total revenue during the first half of 2020 (the first half of 2019 (Re-presented): 74.9%).

Revenue by Product Style

	For the six months ended				Change %
	30 June 2020		30 June 2019		
	<i>RMB million</i> (Unaudited)	<i>% of revenue</i>	<i>RMB million</i> (Unaudited) (Re-presented)	<i>% of revenue</i>	
Continuing operations					
Apparel					
Business Casual	63.9	67.3%	78.3	55.8%	-18.4%
Business Formal	19.7	20.8%	33.3	23.7%	-40.8%
Casual	11.1	11.7%	28.3	20.1%	-60.8%
Accessories	0.2	0.2%	0.6	0.4%	-66.7%
Total	94.9	100%	140.5	100%	-32.5%

Business casual series remained our largest revenue contributor in terms of product type and accounted for 63.9% of the total revenue for the first half of 2020 (the first half of 2019 (Re-presented): 55.8%).

Revenue by Region

Region	For the six months ended				Change %
	30 June 2020		30 June 2019		
	RMB million (Unaudited)	% of revenue	RMB million (Unaudited)	% of revenue	
Northern China ⁽¹⁾	5.8	6.1%	14.8	10.5%	-60.8%
Northeastern China ⁽²⁾	0.6	0.6%	0.8	0.6%	-25.0%
Eastern China ⁽³⁾	43.8	46.2%	51.5	36.7%	-15.0%
Central Southern China ⁽⁴⁾	4.2	4.4%	4.0	2.8%	5.0%
Southwestern China ⁽⁵⁾	3.2	3.4%	8.4	6.0%	-61.9%
Northwestern China ⁽⁶⁾	4.6	4.8%	5.4	3.8%	-14.8%
Hong Kong	-	-	9.5	6.8%	-100%
Subtotal	62.2	65.5%	94.4	67.2%	-34.0%
Online distributor	12.8	13.5%	0.4	0.3%	3100.0%
Self-operated retail outlets	19.9	21.0%	45.7	32.5%	-56.5%
Total	94.7	100.0%	140.5	100.0%	-32.4%

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 self-operated retail outlets remained the major revenue contributors (the first half of 2019: Eastern China and self-operated retail outlets), and together accounted for 67.2% (the first half of 2019: 69.2%) of the total revenue during the first half of 2020. Revenue from online distributor increased from approximately 0.3% to 13.5% of the total revenue and it reflected that we have placed more efforts on the internet marketing and accordingly expanded our online distribution channel. However, revenue from Hong Kong decreased from approximately 6.8% to zero of the total revenue in the first half of 2020 due to our Group's policy to terminate export trading with low margin.

Cost of Sales

Cost of sales from continuing operations decreased by approximately 27.8% from RMB86.8 million in the first half of 2019 to RMB62.7 million in the first half of 2020. The decrease was primarily due to the drop in the product demand and hence was in line with the decrease in revenue during the first half of 2020.

The Group continued to source its products either by self-production or OEM purchase. We use our in-house manufacturing facilities to produce most of our core products and outsource production of accessories and certain apparel products as we continue to expand and diversify our product offering. Our flexible manufacturing process has enabled us to maintain our product quality and protect our intellectual property.

In the first half of 2020, self-production accounted for approximately 44.2% (the first half of 2019: 50.0%) of the total cost of sales, decreased by 5.8 percentage points. The decrease was mainly due to the decreased sales orders from customers and we purchased more higher-value products from OEMs manufacturers.

Gross Profit and Gross Profit Margin

Gross profit from continuing operations decreased by approximately 40.0% from RMB53.6 million in the first half of 2019 to RMB32.2 million in the first half of 2020, which was primarily attributable to a drop in product demand. Gross profit margin decreased by approximately 4.3 percentage points from 38.2% in the first half of 2020 to 33.9% in the first half of 2020 which was primarily attributable to a decrease in revenue from self-operated shops with higher profit margin.

Other Income and Other Gains or Losses

Other income and other gains or losses from continuing operations increased by approximately 0.7% from approximately RMB3,619,000 in the first half of 2019 to approximately RMB3,645,000 in the first half of 2020. The increase was mainly due to the decrease in net foreign exchange loss and loss on disposal of property, plant and equipment, offset by the decrease in interest income, government grants and consultancy service income.

Selling and Distribution Expenses

Selling and distribution expenses from continuing operations decreased by approximately RMB6.6 million from RMB19.7 million in the first half of 2019 to RMB13.1 million in the first half of 2020, accounting for approximately 13.8% of total revenue, representing a year-on-year decrease of 33.8 percentage points. The decrease in selling and distribution expenses was primarily due to the combined effect of: (i) the decrease in salesmen salaries and insurance resulting from the decrease in the Group's headcount coupled with a decrease in number of stores during the first half of 2020; (ii) the decrease in advertising and promotional expenses; and (iii) the decrease in packaging expenses which was in line with the decrease in revenue.

Administrative and Other Operating Expenses

Administrative and other operating expenses from continuing operations increased by approximately RMB7.4 million from RMB78.7 million in the first half of 2019 to RMB86.1 million in the first half of 2020, accounting for approximately 90.8% of total revenue, representing a year-on-year increase of 9.4 percentage points. The increase mainly due to the increase in allowance for expected credit losses on trade receivables under IFRS 9 “Financial Instruments” and staff dismissal compensation due to department restructuring and cost saving, partially offset by the decrease in staff salaries, research and development expenses and store decoration fee.

Finance Costs

Finance costs from continuing operations increased by approximately 26.0% from approximately RMB13.9 million in the first half of 2019 to approximately RMB17.5 million in the first half of 2020, mainly due to increase in bank borrowings and corporate bonds.

Income Tax

Income tax credit from continuing operations increased by approximately 52.4% from approximately RMB9.0 million in the first half of 2019 to approximately RMB13.7 million in the first half of 2020. The increase in income tax credit was mainly due to the increase of loss before taxation and the increase in deferred tax assets generated from the increase in allowance for expected credit losses on trade receivables.

Loss Attributable to Shareholders of the Company

For the first half of 2020, loss attributable to the shareholders of the Company (the “**Shareholders**”) was approximately RMB67.1 million (the first half of 2019 (Re-presented): RMB46.1 million).

Interim Dividend

The board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved not to declare the payment of any interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the six months ended 30 June 2020:

Region	Number of stores			As at 30 June 2020
	As at 1 January 2020	Stores opened during the period	Stores closed during the period	
Northern China	58	0	14	44
Northeastern China	26	2	7	21
Eastern China	202	2	30	174
Central Southern China	53	1	16	38
Southwestern China	40	1	1	40
Northwestern China	89	–	33	56
Subtotal	<u>468</u>	<u>6</u>	<u>101</u>	<u>373</u>
Self-operated retail outlets	<u>30</u>	<u>0</u>	<u>6</u>	<u>24</u>
Total	<u>498</u>	<u>6</u>	<u>107</u>	<u>397</u>

As at 30 June 2020, we had a nationwide retail network of 397 retail outlets (including 24 self-operated retail outlets in Beijing) across over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. There was a net decrease of 101 retail stores from 498 as at 31 December 2019, as we continued our consolidation strategy on the retail outlet network during the first half of 2020 and closed down inefficient retail stores.

As at 30 June 2020, 84.1% of the retail outlets were located in department stores or shopping malls whereas 9.8% of the retail outlets were standalone stores.

Distribution Channel Management

As at 30 June 2020, the Group's distribution network comprised 47 distributors (31 December 2019: 50 distributors) and 61 sub-distributors (31 December 2019: 82). Among the 47 distributors mentioned above, 11 had business relationships with us for more than nine years. We believe that these strong, stable and long-standing relationships with our distributors are essential to our brand building efforts and continued business development. At the same time, in order to strengthen our distribution channel, we are inviting distributors with extensive industry experience, stable working capital and managerial expertise to join our distribution network.

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

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

Marketing and Promotion

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

The Group continued to upgrade its existing retail stores to enhance and reinforce its brand image. The Group opened 6 new stores and renovated 9 existing stores during the first half of 2020. We also endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

Design and Product Development

The Group always put great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. Our product development initiatives include, among others, launching of our new men's casual fashion series and developing our own quality fabrics. As at 30 June 2020, our product design and development team consisted of 40 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 sub-distributors. We review our distributors' orders placed at our sales fair to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2020 autumn/winter collections was held in March 2020, and the sales fairs for 2021 spring/summer collections will be held in August 2020.

PROSPECTS

With the decreasing number of patients diagnosed with COVID-19 across China, the negative effect of COVID-19 pandemic is expected to continue in the second half of 2020 but not that serious as the first half of 2020. The Group's management remains optimistic that the domestic demand in China will grow in the second half of 2020 with the epidemic easing in China. The Group will continue to monitor the business operations, to control and reduce unnecessary expenses and save costs and to take initiatives to anticipate the fashion trends, consumer needs and preferences in the market and develop new products series with new and high-quality elements that appeal to the target customers and align with our marketing strategy and customer perception.

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

Liquidity and Financial Resources and Capital Structure

As at 30 June 2020, the total cash and bank balances of the Group were approximately RMB445.9 million (31 December 2019: RMB488.1 million), comprising cash and cash equivalent of approximately RMB434.8 million (31 December 2019: RMB471.4 million), pledged bank deposits of approximately RMB5.6 million (31 December 2019: RMB12.7 million), and fixed deposits of approximately RMB5.5 million held at bank with original maturity over three months (31 December 2019: RMB4.0 million).

The Group had a total of interest bearing borrowings of approximately RMB518.3 million (31 December 2019: RMB503.1 million) comprising bank and other borrowings of approximately RMB419.8 million (31 December 2019: RMB409.8 million) and corporate bonds of approximately RMB98.5 million (31 December 2019: RMB93.3 million). The Group's borrowings were primarily denominated in RMB and HK\$ (31 December 2019: in both RMB and HK\$) and bear interest at fixed rate (31 December 2019: fixed rate) ranging from 0.1% to 7.5% (31 December 2019: 0.1% to 7.5%).

The maturity profile of the total borrowings as at 30 June 2020 is as follows (with comparative figures as at 31 December 2019):

	As at 30 June 2020		As at 31 December 2019	
	RMB million	%	RMB million	%
	(unaudited)			
Bank and other borrowings and corporate bonds				
— Within 1 year or on demand	462.3	89.2%	438.4	87.2%
— Over 1 but within 2 years	16.7	3.2%	44.4	8.8%
— Over 2 but within 5 years	23.4	4.5%	3.2	0.6%
— Over 5 years	15.9	3.1%	17.1	3.4%
Total	518.3	100.0%	503.1	100%

As at 30 June 2020, the gearing ratio was approximately 50.5% (31 December 2019: 46.0%). The increase was mainly due to the decrease of total equity. The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%.

As at 30 June 2020, the Group's total equity decreased by approximately RMB68.5 million to approximately RMB1,025.7 million (31 December 2019: RMB1,094.2 million). The decrease was mainly due to the incur of loss for the first half of 2020.

Trade Working Capital Ratios

The Group's average inventory turnover days was 63 days for the first half of 2020, as compared to 71 days for the same period last year. It was relatively stable. Due to the outbreak of COVID-19 pandemic which led to the lower demand of the Group's products and hence less order received by the Group, the inventories were controlled at a lower level to cope with actual operation usage. As at 30 June 2020, the Group's total inventories decreased by approximately 50.3% from approximately RMB28.9 million as at 31 December 2019 to approximately RMB14.3 million as at 30 June 2020.

The Group's average trade receivables turnover days for the first half of 2020 was 218 days, representing an increase of 21 days from 197 days for the same period last year. As at 30 June 2020, the Group's total trade receivables decreased by approximately 20.9% year-on-year to RMB90.6 million (30 June 2019 (Re-presented): RMB114.6 million). Due to the effect of the outbreak of COVID-19 pandemic, the consumers' desire for the Group's products was low and hence the distributors' performances were not satisfactory and had liquidity issues. The trade receivables amounts recovered from those distributors were slow and led to a higher trade receivables turnover days. Besides, the ability to recover the overdue receivables from the customers which have ceased trading with the Group is low and hence increased allowance for expected credit losses on trade receivables had been made under IFRS 9 "Financial Instruments".

The Group's average trade payables turnover days was 33 days for the first half of 2020, representing an increase of 8 days as compared to 25 days for the same period last year. We normally have 30 to 90 days credit period from our suppliers. The trade payables turnover days remained stable.

The Group recorded a net debt to equity ratio of approximately 7.1% as at 30 June 2020 (30 June 2019: Net Cash).

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

Charges on Group Assets

As at 30 June 2020, secured bank borrowings were secured by bank deposit, certain buildings, investment properties and land use rights with carrying value of RMB5.5 million (31 December 2019: RMB12.7 million), RMB239.6 million (31 December 2019: RMB237.9 million), RMB20.8 million (31 December 2019: RMB21.4 million) and RMB242.5 million (31 December 2019: RMB246.0 million), respectively.

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

During the first half of 2020, the Group had no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures.

Future Plans for Material Investments and Capital Assets

Fordoo commercial center

Our Fordoo commercial center project in Hui'an is under construction. The whole project is principally funded by cash generated from our operations and bank borrowings. To cooperate with the facilitates of the government, we expect the whole constructions will be completed by 2022.

Save as disclosed above, the Group did not have other plans for material investment or capital assets as at 30 June 2020.

Capital Commitments and Contingencies

As at 30 June 2020, the Group had a total capital commitment of RMB261.8 million (31 December 2019: RMB169.5 million). The capital commitments were mainly related to the construction of Fordoo commercial center in Hui'an, Fujian Province and leasehold improvements of our factory main building.

All the capital commitments are expected to be financed by cash generated from our operations and bank borrowings.

Foreign Currency Exposure

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

Employees, Training, and Development

The Group had a total of 223 employees as at 30 June 2020 (31 December 2019: 518). The reasons of the decrease were due to cost saving during the period of the outbreak of COVID-19 pandemic with less orders from customers. The Group invested in regular training and other development courses for employees to enhance their technical and product knowledge as well as management skills. The Group offered competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission or bonuses and entitlement to participate in the Group's share option scheme.

Use of Proceeds

The shares of the Company (the "Shares") were listed on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2014 with net proceeds (the "Net Proceeds") from the global offering of approximately HK\$454.7 million (after deducting underwriting commissions and related expenses). Parts of the Net Proceeds were applied during the reporting period in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014 (the "Prospectus"). As at 30 June 2020, the Group had utilized HK\$386.8 million of the Net Proceeds and unutilized Net Proceeds amounts to HK\$67.9 million.

The following table sets forth a breakdown of the use of the Net Proceeds as at 30 June 2020:

	Available for use HK\$ million	Utilized (as at 30 June 2020) HK\$ million	Unutilized (as at 30 June 2020) HK\$ million
Use of net proceeds			
Brand promotion and marketing	122.8	(122.8)	–
Research, design and product development	90.9	(48.5)	42.4
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>(386.8)</u>	<u>67.9</u>

The unutilized Net Proceeds were deposited into interest bearing bank accounts with licensed commercial banks in China. The Directors intended to continue to apply the unused Net Proceeds in the manner as set out in the Prospectus.

OTHER INFORMATION

Sufficiency of Public Float

Based on the publicly available information and to the best of the Directors' knowledge, information and belief at the date of this announcement, the Company has maintained sufficient public float as required under the Listing Rules during the six months ended 30 June 2020.

Review of Interim Results

The Company has an audit committee (the "**Audit Committee**") which comprises three independent non-executive Directors, namely Mr. Poon Yick Pang Philip (Chairman of the Audit Committee), Mr. Cheung Chiu Tung and Ms. Huang Yumin. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed auditing, financial reporting, internal control and risk management systems, and has reviewed the unaudited interim financial report for the six months ended 30 June 2020.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

Compliance with the Corporate Governance Code

The Company has complied with all applicable code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**") during the six months ended 30 June 2020, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balance understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Steve Andrew Chen, an independent non-executive Director, was not able to attend the 2020 Annual General Meeting held on 18 June 2020 and he retired as an independent non-executive Director on the same date.

In addition, the Board currently comprises three executive Directors and three independent non-executive Directors, with independent non-executive Directors representing 50% of the Board, which is higher than the requirement of the Listing Rules. Such a high percentage of independent non-executive Directors on the Board can ensure their views would carry significant weight and enhance independence of the Board. On the above basis, the Board considers that the current structure will not impair the balance of power and the authority of the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) as the Company’s code of conduct regarding Directors’ securities transactions.

Senior management who, because of their office in the Company, are likely to be in possession of inside information, have also been requested to comply with the provisions of the Model Code.

According to code provision A.3(a) of the Model Code, a Director must not deal in any securities of the Company on any day on which its financial results are published and during the period of 60 days immediately preceding the publication date of the annual results, as well as any period of delay in the publication of the annual results announcement (the “**Black-out Period**”). The Black-out Period in relation to the publication of annual results of the Group for the year ended 31 December 2019 commenced on 27 January 2020 and ended on 8 May 2020 (both dates inclusive). According to code provision B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement.

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

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

Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

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

EVENTS AFTER REPORTING PERIOD

As at the date of this announcement, there are no significant event relevant to the business or financial performance of the Group that comes to the attention of the Directors after the balance sheet date.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2020 Interim Report will be dispatched to the shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company's website at www.fordoo.cn in due course. This announcement can also be accessed on the above websites.

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

Hong Kong, 28 August 2020

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