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

2019 ANNUAL REPORT

About Fordoo

Fordoo is one of the leading menswear enterprises in the PRC. We focus on the design, sourcing, manufacture and sales of our own branded menswear products.

Contents

CORPORATE INFORMATION

BOARD OF DIRECTORS AND COMMITTEES

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung
Ms. Mo Wei

Independent Non-executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Ms. Huang Yumin
Mr. Steve Andrew Chen (appointed on 31 January 2020)

Audit Committee

Mr. Poon Yick Pang Philip *(Chairman)*
Mr. Cheung Chiu Tung
Ms. Huang Yumin

Remuneration Committee

Mr. Cheung Chiu Tung *(Chairman)*
Mr. Poon Yick Pang Philip
Ms. Huang Yumin

Nomination Committee

Mr. Kwok Kin Sun *(Chairman)*
Mr. Poon Yick Pang Philip
Ms. Huang Yumin

COMPANY SECRETARY

Mr. Lai Tsz Yin

AUTHORIZED REPRESENTATIVES

Mr. Lai Tsz Yin
Mr. Kwok Hon Fung

AUDITOR

Elite Partners CPA Limited, *Certified Public Accountants*

LEGAL ADVISER AS TO HONG KONG LAW

Chungs Lawyers in association with
DeHeng Law Offices

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

Fordoo Industrial Zone E12
Xunmei Industrial Zone, Fengze District
Quanzhou City, Fujian Province, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Office 812, Unit 1908, 19/F,
9 Queen's Road Central,
Central, Hong Kong

CAYMAN ISLANDS SHARE REGISTRAR

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor,
24 Shedden Road, P.O. Box 1586,
Grand Cayman KY1-1110, Cayman Islands

HONG KONG SHARE REGISTRAR

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road,
North Point, Hong Kong

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited
China Construction Bank Corporation

IR CONTACT

Investor relations department,
China Fordoo Holdings Limited
Office 812, Unit 1908, 19/F,
9 Queen's Road Central,
Central, Hong Kong
Tel: (852) 3892 5980
Fax: (852) 3892 5981
E-mail: ir@fordoo.cn

COMPANY WEBSITE

www.fordoo.cn

FINANCIAL HIGHLIGHTS

FROM CONTINUING OPERATIONS

- Revenue of the Group decreased by 38.2% to RMB359.0 million (2018 (Re-presented): RMB580.6 million).
- Gross profit of the Group decreased by 30.5% to RMB135.2 million (2018 (Re-presented): RMB194.5 million).
- Net loss of the Group was RMB303.7 million (2018 (Re-presented): net loss of RMB45.2 million).
- Basic and diluted loss per share was RMB15.79 cents (2018 (Re-presented): basic and diluted loss per share of RMB2.35 cents).
- The Board has resolved not to recommend the payment of a final dividend for the year (2018: Nil).

	2019	2018 (Re-presented)	**Change**
Profitability ratios			
From continuing operations			
Gross profit margin	**37.7%**	33.5%	+4.2 ppt
Net loss margin	**–84.6%**	–7.8%	–77.4 ppt
From continuing and discontinued operations			
Return on equity[1]	**–28.4%**	–3.1%	–25.3 ppt
Liquidity ratios			
From continuing operations			
Inventory turnover (Days)[2]	**55**	43	
Trade and bills receivables turnover (Days)[3]	**165**	140	
Trade payables turnover (Days)[4]	**19**	20	
Capital ratios			
Interest coverage ratios[5]	**N/A**	N/A	
Net Debt to equity ratio (%)[6]	**1.4%**	Net Cash	
Gearing ratio[7]	**46.0%**	37.5%	+8.4 ppt

Notes:

(1) Net loss for the Year divided by total equity.

(2) Average of the inventory at the beginning and at the end of the Year divided by cost of sales times number of days during the Year.

(3) Average of the trade and bills receivables at the beginning and at the end of the Year divided by revenue times number of days during the Year.

(4) Average of the trade payables at the beginning and at the end of the Year divided by costs of sales times number of days during the Year.

(5) Profit before interest and tax for the Year divided by interest expenses of the Year.

(6) Net debt divided by total equity as of the end of the Year. Net debt includes bank and other borrowings and corporate bonds net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank.

(7) Total debts divided by the total equity as of the end of the Year.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Fordoo Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2019 (the "Year").

BUSINESS OVERVIEW

Year 2019 could be a tough year for the apparel industry of the PRC which experienced huge pressure. The international operating environment became increasingly complicated with insufficient growth momentum in the market. In particular, the spillover effect stemming from the negative impact of global trade tensions cast its long shadow over the development of international trade. Given such global sentiment, the macroeconomy of the PRC was also characterized by the increasing likelihood of a downturn, poor consumer confidence and a depressed market. Besides, the quicker pace of innovation for consumption demand also presented unprecedented challenges and difficulties for the development of the industry. Inevitably, results of the Group were adversely affected. In 2019, revenue of the Group from continuing operations decreased by 38.2% to RMB359.0 million as compared to last year while net loss of the Group for the Year increased by 605.2% to RMB311.3 million as compared to last year.

Facing the challenges ahead, the Group took a multi-pronged approach. We continued to improve operating efficiency by closing and integrating some of the underperforming retail outlets as well as strengthening the management towards our distributors. We managed to enhance the front-line and back-office operations as well as optimize the related work flow, thereby increasing efficiency and materializing reasonable cost control. In addition, we conducted in-depth analysis of the market and consumer behavior to ensure our product design, production and marketing strategies to be more prospective-oriented so as to enhance customer loyalty and consolidate our self-operated retail network. The Group has started exploring new opportunities in 2018 to expand and diversify its businesses and activities, with a view to broadening its source of income. In the second half of 2018, the Group also expanded its operation scope to the business of hatching, raising and butchering landes goose in Shandong, and established an online platform and physical stores in China to retail and distribute consumer goods such as high-end food stuff. However, financial performance of this new business line failed to live up to the expectation of the management regardless of the efforts we have made for over a year. In October 2019, the Group disposed of this business in order to avoid further resources commitment and to cut losses.

FUTURE PROSPECTS

The nationwide outbreak of novel coronavirus (COVID-19) has led to the suspension of social and economic activities in most cities across China and, in turn, imposed downward pressure on the prospect of economic growth in the short term. Industries including tourism, entertainment and retailing may be affected to a larger extent while halting the expansion of production facilities may have impact on industrial production and trading. However, we believe the impact is of a temporary nature and recovery will take place after the first quarter. Amid these uncertainties, the Group will brave all the difficulties to address the negative impact on the Group arising from adverse market environment by continuously monitoring business operations, controlling and reducing unnecessary expenses and saving costs, exploring markets or brands in other regions, developing a variety of products with different styles and specifications, expanding product portfolios and increasing choices of customer order to cater to market preferences and expand other sales channels, such as online distributors and third-party distributors. Above all, the Group will continue to explore other potential investment opportunities to achieve greater value for the shareholders of the Company (the "Shareholders").

CHAIRMAN'S STATEMENT

APPRECIATION

Last but not least, I would like to take this opportunity to extend my sincere gratitude to all Shareholders, fellow directors, senior management and staff for their dedication and contribution to the Group's development during the Year. I, on behalf of the Board, would like to thank all of our clients, suppliers and business partners for their continuous support and trust. Going forward, we shall remain unwavering in exploring further opportunities and overcoming challenges for attaining better results for the Group.

Kwok Kin Sun
Chairman

Hong Kong, 8 May 2020

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 2019, with the consumption patterns and consumer preferences being changed by the continuous rise of e-commerce and the emergence of fast fashion apparel, the business environment of the menswear industry remained tough and highly competitive. Apart from this, due to the ongoing Sino-US trade war and the slowdown in China's economic growth, consumers' interest in well-known branded products has been reduced, they are more prone to buying more affordable products, such as fast fashion, which has made the business environment more complicated. In addition, the increase in operating costs 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 develop new distribution channels, such as online distributors in order to improve operating efficiency. Furthermore, the Group persistently enhances its design and product development capabilities and is committed to diversify the product portfolios in order to meet the needs of customers and raise their brand loyalty. The Group had diversified its businesses and activities into landes goose business and online platform and retail stores business for sale and distribute consumer goods in China in the second half of 2018. However, these new businesses had not been meeting expectation of the management and therefore the management sold these businesses to realise the investment rather than devoting further resources. The Group shall continue to explore new opportunities of maximizing the return to the Group and the Shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the Year, the Group resulted a loss of approximately RMB311.3 million (2018: loss of RMB44.1 million). The incur of loss was mainly attributable to (i) the decline in Group's revenue and gross profit due to the cessation of the Group's export trading business which was loss making, the Group's consolidation strategy on its retail outlet network and the decrease in wholesale orders as a result of the Group's termination of distribution relationships with distributors which had unsatisfactory payment history; (ii) the recognition of an impairment loss on goodwill of approximately RMB46.9 million and intangible asset of approximately RMB6.5 million, which arose from our acquisition of the menswear retail business in the PRC in 2017; and (iii) the recognition of an impairment loss of construction in progress of approximately RMB147.3 million in relation to the construction of the Fordoo commercial centre. As at 31 December 2019, the Group had 498 retail outlets (including 2 self-operated retail stores located in Quanzhou and 28 self-operated retail outlets in Beijing), representing a net decrease of 174 retail outlets from 672 retail outlets as at 31 December 2018.

REVENUE

For the Year, revenue from continuing operations decreased by approximately 38.2% to approximately RMB359.0 million from approximately RMB580.6 million for the previous year. The decrease in revenue was primarily due to the cessation of the Group's export trading business which was loss making, the Group's consolidation strategy on its retail outlet network and 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				
	2019		2018		**Change**
	RMB million	**% of revenue**	RMB million (Re-presented)	% of revenue (Re-presented)	**%**
Continuing operations					
Apparel					
Men's trousers	**189.8**	**52.9%**	321.9	55.4%	–41.1%
Men's tops	**168.5**	**46.9%**	257.8	44.4%	–34.6%
Accessories	**0.7**	**0.2%**	0.9	0.2%	–22.2%
Total	**359.0**	**100.0%**	580.6	100.0%	–38.2%

Men's trousers remained the major revenue contributor and accounted for approximately 52.9% of the total revenue during the Year (2018 (Re-presented): 55.4%).

Revenue by Product Style

	For the year ended 31 December				
	2019		2018		Change
	RMB million	% of revenue	RMB million (Re-presented)	% of revenue (Re-presented)	%
Continuing operations					
Apparel					
Business Casual	**228.0**	**63.6%**	238.9	41.1%	–4.6%
Business Formal	**72.6**	**20.2%**	81.8	14.1%	–11.2%
Casual [(1)]	**57.6**	**16.0%**	259.0	44.6%	–77.8%
Accessories	**0.7**	**0.2%**	0.9	0.2%	–22.2%
Total	**359.0**	**100.0%**	580.6	100.0%	–38.2%

Business casual series became our largest revenue contributor and accounted for approximately 63.6% of the total revenue during the Year (2018 (Re-presented): casual series with 44.6% of the total revenue).

Note:

(1) Casual series include jeans and shorts targeting customers aged between 31 and 60 and men's casual fashion series products targeting customers aged between 18 and 30. Men's casual fashion series include T-shirts, casual shirts, jackets, sweaters, casual trousers, jeans and shorts.

Revenue by Region

	For the year ended 31 December				
	2019		2018		Change
Region	RMB million	% of Revenue	RMB million (Re-presented)	% of Revenue (Re-presented)	%
Continuing operations					
Apparel and accessories					
Northern China [(1)]	**117.3**	**32.7%**	162.2	27.9%	–27.7%
Northeastern China [(2)]	**1.8**	**0.5%**	2.8	0.5%	–34.2%
Eastern China [(3)]	**145.5**	**40.5%**	191.9	33.1%	–24.2%
Central Southern China [(4)]	**13.9**	**3.9%**	10.8	1.9%	28.2%
Southwestern China [(5)]	**14.2**	**4.0%**	17.1	2.9%	–17.1%
Northwestern China [(6)]	**9.7**	**2.7%**	14.7	2.5%	–34.2%
US	**–**	**–**	0.7	0.1%	–100.0%
Hong Kong	**9.5**	**2.6%**	179.4	30.9%	–94.7%
Subtotal	**311.9**	**86.9%**	579.6	99.8%	–46.2%
Online distributor	**47.0**	**13.1%**	0.9	0.2%	5,121.3%
Total	**358.9**	**100%**	580.5	100%	–38.2%

Notes:

(1) Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.

(2) Northeastern China includes Heilongjiang, Jilin and Liaoning.

(3) Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.

(4) Central Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.

(5) Southwestern China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.

(6) Northwestern China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

Eastern China and Northern China regions remained the major revenue contributors to the Group during the year and together accounted for approximately 73.2% (2018 (Re-presented): 61%) of the total revenue. Revenue from online distributor increased from 0.2% to 13.1% of the total revenue and it reflected that we have placed more efforts on the internet marketing and expanded out distribution channel. However, the revenue from Hong Kong decreased from approximately 30.9% to 2.6% of the total revenue in 2019 due to termination of export trading with low margin.

Cost of Sales

Cost of sales decreased by approximately 42.0% to approximately RMB223.8 million for the Year from approximately RMB386.0 million for the previous year. The decrease was in line with the decrease in revenue for the Year.

The Group continued to manufacture its products either by self-production or OEM purchase. We used our in-house manufacturing facilities to manufacture most of our core products and outsourced the production of accessories and certain apparel products as we continued to expand and diversify our product offering. This flexible manufacturing process allowed us to achieve the best product quality, cost efficiency and flexibility in production arrangement as well as to protect our intellectual property.

During the year ended 31 December 2019, self-production accounted for approximately 41.7% (2018: 60.4%) of the total cost of sales for apparel business, decreased by approximately 18.7 percentage points compared with the year 2018. The decrease was mainly due to the fact that we purchased more high-value products from OEMs and utilized some of our production facilities to fulfill certain lower-value overseas bulk purchase orders.

Gross Profit and Gross Profit Margin

Gross profit for the Year decreased by approximately 30.5% year-on-year to approximately RMB135.2 million (2018 (Re-presented): RMB194.5 million). Gross profit margin increased approximately 4.2 percentage points year-on-year to approximately 37.7%, which was primarily attributable to an increase in revenue from self-operated shops with higher profit margin.

Other Incomes and Other Gains or Losses

For the Year, other incomes and other gains or losses decreased by approximately RMB7.4 million to approximately RMB2.7 million from approximately RMB10.1 million for the previous year. The net decrease was mainly due to a net increase in interest income of approximately RMB3.2 million and a net increase in financial consultant service income of approximately RMB1.4 million, offset by a net increase in foreign exchange loss of approximately RMB7.6 million and a net increase in net loss on disposal of fixed assets of RMB4.2 million.

Selling and Distribution Expenses

For the Year, selling and distribution expenses increased by approximately RMB22.3 million year-on-year to approximately RMB78.8 million, accounted for approximately 21.9% of total revenue, which represented a year-on-year increase of approximately 12.2 percentage points. The increase in selling and distribution expenses was primarily due to an increase in advertising and promotional expenses for more usage of online distributor, which was partially offset by (i) a decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops; and (ii) a decrease in packaging material expenses as a result of decreased sales volume.

Included in the amount were advertising and promotional expenses of approximately RMB48.9 million in total, which accounted for approximately 13.6% of the total revenue, increased by 8.1 percentage points compared to the previous year. The increase in advertising and promotional expenses led to an increase in sales through online distributor. The Group continued to take initiatives to promote its corporate image through multi-channel marketing campaigns.

Administrative and Other Operating Expenses

For the Year, the Group's administrative and other operating expenses increased by approximately RMB17.1 million year-on-year to RMB166.5 million, accounting for approximately 46.4% of total revenue, which represented a year-on-year increase of 20.7 percentage points. The increase was mainly due to the net increase in provisions for bad and doubtful debt by RMB43.4 million to RMB62.7 million (2018 (Re-presented): RMB19.3 million), as a result of the prudent account receivable provision policy adopted before to terminate the distribution relationships with some distributors who had slow repayment history in the previous year, net off by reduction in the salaries by RMB3.5 million and in the cost of research and development by RMB7.3 million. Excluding the effect of the provision for bad and doubtful debts, the Group's administrative and other operating expenses for the Year had decreased by approximately 20.2% compared to the previous year. This was mainly attributable to the decrease in the one-off staff demission compensation in 2018 by RMB10.1 million and the decrease in other general operating expenses.

Finance Costs

For the Year, finance cost increased by approximately 20.2% year-on-year to approximately RMB28.8 million (2018 (Re-presented): RMB25.8 million), which was mainly due to an increase in corporate bonds and higher average interest rate.

Income Tax

For the Year, income tax credit increased by approximately RMB25.7 million year-on-year to RMB33.0 million (2018 (Re-presented): RMB7.3 million). The increase in income tax credit was mainly due to the decrease of profit before taxation and the increase in deferred tax assets due to the increase in amortization of intangible assets and impairment of goodwill.

Loss Attributable to Shareholders of the Company

Loss attributable to the Shareholders for the Year was approximately RMB303.7 million (2018 (Re-presented): loss of RMB45.2 million).

The Board has resolved not to recommend the payment of a final dividend for the Year (2018: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the year ended 31 December 2019:

	Number of stores			
Region	As of 1 January 2019	Stores opened during the period	Stores closed during the period	As of 31 December 2019
Northern China	103	5	50	**58**
Northeastern China	38	0	12	**26**
Eastern China	238	10	46	**202**
Central Southern China	72	5	24	**53**
Southwestern China	48	3	11	**40**
Northwestern China	137	5	53	**89**
Subtotal	636	28	196	**468**
Self-operated retail outlets	36	2	8	**30**
Total	672	30	204	**498**

As of 31 December 2019, our distribution network comprised 50 distributors (including one online distributor) and 82 sub-distributors who operated 468 retail outlets, spanning over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. We also sell our products directly to end customers through our 2 self-operated retail outlets in Quanzhou, Fujian Province and 28 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 2019. 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 28 self-operated retail outlets in Beijing since we acquired 北京浩垠服飾有限公司 (Beijing Haoyin Clothing Co., Ltd*), which engages in menswear retail business in the PRC, during the year 2017.

As of 31 December 2019, the Group had 498 retail outlets (including the 2 self-operated retail stores in Quanzhou and self-operated 28 retail outlets in Beijing), representing a net decrease of 174 retail outlets from 672 retail outlets as at 31 December 2018. The Group realigned its stores network and closed down certain under-performing retail outlets.

As of 31 December 2019, 82.3% of the retail outlets were located in department stores or shopping malls whereas 11.6% of the retail outlets were standalone stores.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

We continued the strategy to further penetrate the markets in the lower tier cities in the PRC, where we already had significant presence. We believe there is strong demand for quality branded products and higher potential for growth in the number of retail outlets in the lower tier cities in the PRC due to a higher growth rate of urbanization and faster rising disposable income in these regions as compared to the higher tier cities.

As of 31 December 2019, approximately 35.9% of our retail outlets were located in first-tier cities and second-tier cities and the remaining retail outlets were located in lower tier cities including third-tier and fourth-tier cities. We believe our footprint has provided us with a strong foundation to capture future growth opportunities arising from different regions in the PRC.

The following table shows the number of retail outlets (including 2 self-operated retail outlets in Quanzhou and 28 self-operated retail outlets in Beijing) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2019 and 31 December 2018:

	Number of stores			
Region	**As of 31 December 2019**		As of 31 December 2018	
First-tier cities [1]	**43**	**8.6%**	57	8.5%
Second-tier cities [2]	**136**	**27.3%**	177	26.3%
Third-tier cities [3]	**231**	**46.4%**	287	42.7%
Fourth-tier cities [4]	**88**	**17.7%**	151	22.5%
	498	**100.0%**	672	100.0%

Notes:

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

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

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

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

Besides, the Group started to place more efforts on online distributor to compensate the unsatisfactory retail performance. It sold more quantity of its products to online distributors who then sold 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 2019, the Group's distribution network included 50 distributors (2018: 50) and 82 sub-distributors (2018: 104). Among the 50 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.

MANAGEMENT DISCUSSION AND ANALYSIS

To facilitate our management over our distributors and retail outlets, we divide our distribution network into different regions in the PRC. We have assigned management teams dedicated to each of the regions. Each team is responsible for soliciting and selecting potential distributor candidates, supervising and communicating with our distributors and monitoring and conducting on-site inspections of retail outlets within their respective region. The Group has entered into a form of distribution agreements with its distributors, which contains additional terms, including, among other things, that the distributors are required to provide the Group with quarterly sales reports which contain information on their number of retail outlets, sales and inventory level of "FORDOO" products and the distributors are required to enter into sub-distribution agreements with their sub-distributors that are on substantially the same terms and conditions of the form of sub-distribution agreement provided by the Group.

The Group provides training for its distributors and their management teams. The training programs cover brand image, marketing strategies, operational best practice of other distributors as well as product knowledge. We also provide general training at our sales fairs to our distributors and their sub-distributors regarding market development, customer preferences, our design theme, production techniques and fabrics used and allow them to share operating knowledge and provide feedback from their retail outlets.

Marketing and Promotion

The Group believes that brand awareness is crucial to its long-term business development and a cornerstone of its future success. During the Year, the Group invested moderately in advertising and promotion to enhance its brand awareness, including organizing presentation events for new products and engaging in online advertisement through internet, e.g. www.163.com, and software value-added services to improve our brandname.

The Group continued to upgrade its existing retail outlets to enhance and reinforce its brand image. The Group decorated 28 new stores and renovated 24 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 2019, our product design and development team consisted of 37 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and their sub-distributors. We review our distributors' orders placed at our sales fairs to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2019 autumn/winter collections was held in March 2019, and the sales fair for 2020 spring/summer collections were held in August 2019.

Liquidity and Financial Resources and Capital Structure

As at 31 December 2019, the total cash and bank balances of the Group were approximately RMB488.1 million (2018: RMB624.5 million), comprising cash and cash equivalents of approximately RMB471.4 million (2018: RMB541.4 million), pledged bank deposits of approximately RMB12.7 million (2018: RMB70.6 million), and fixed deposits held at bank with original maturity over three months of approximately RMB4 million (2018: RMB12.5 million).

As at 31 December 2019, the Group had a total of interest bearing borrowings of approximately RMB503.1 million (2018: RMB529.3 million) comprising bank and other borrowings of approximately RMB409.8 million (2018: RMB484.8 million) and corporate bonds of approximately RMB93.3 million (2018: RMB44.5 million). The Group's borrowings were primarily denominated in RMB and HK$ (2018: in both RMB and HK$) and bear interest at fixed rate (2018: fixed rate) ranging from 5.0% to 7.5% (2018: 3.75% to 9.0%) per annum.

The maturity profile of the borrowings as at 31 December 2019 was as follows:

	2019		2018	
	RMB million	**%**	RMB million	%
— Within 1 year or on demand	**438.4**	**87.2%**	434.8	82.1%
— Over 1 but within 2 years	**44.4**	**8.8%**	26.5	5.0%
— Over 2 but within 5 years	**3.2**	**0.6%**	7.7	1.5%
— Over 5 years	**17.1**	**3.4%**	60.3	11.4%
Total	**503.1**	**100.0%**	529.3	100.0%

As at 31 December 2019, the gearing ratio was approximately 46.0% (2018: 37.5%). The increase was mainly due to the decrease of total equity. The Group's gearing ratio is measured by the total interest-bearing borrowings divided by total equity and multiplied by 100%.

As at 31 December 2019, the Group's total equity decreased by approximately RMB315.5 million to approximately RMB1,094.2 million (2018: RMB1,409.7 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 55 days for the Year, as compared to 43 days for the previous year. The increase was mainly due to the underperformed turnover level because of decreased orders from customers.

The Group's average trade receivables turnover days was 165 days for the Year, representing an increase of 25 days from 140 days for the previous year. As at 31 December 2019, the Group's total trade receivables decreased by approximately 28.1% year-on-year to RMB136.2 million (31 December 2018 (Re-presented): RMB189.3 million). The increase in trade receivables turnover days was mainly due to the long outstanding trade receivables of some customers which have ceased trading with the Group. The ability to recover such overdue receivables is low and hence provision for partial receivables had been made.

The Group's average trade payables turnover days was 20 days for the Year, representing an increase of 1 days from 19 days for the previous year. We normally have 30 to 60 days credit period from our suppliers. The Group had negotiated with suppliers to obtain longer credit period to improve the liquidity and hence it increased the trade payables balance and the trade payables turnover days.

The Group recorded a net debt to equity ratio of approximately 1.4% as at 31 December 2019 (31 December 2018: net cash position).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges of Assets

As at 31 December 2019, secured bank borrowings were secured by bank deposits, certain buildings, investment properties and land use rights with carrying value of approximately RMB12.7 million (2018: RMB70.6 million), approximately RMB237.9 million (2018: RMB218.9 million), approximately RMB21.4 million (2018: RMB22.6 million) and approximately RMB246.0 million (2018: RMB253.1 million), respectively.

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

Disposal of Subsidiaries

In October 2019, we completed a disposal transaction, which pursuant to the share transfer agreement to disposal 100% of the equity interests in Rich Smooth Investment International Limited and its subsidiaries (together, the "Disposed Group") for a total cash consideration of RMB17,000,000 ("the Disposal").

The main businesses of the Disposed Group are (i) online platform and retails shops and (ii) goose retail and by products in the PRC. The financial performance of the Disposed Group had not been meeting expectation of the management. The Company intended to realise the investment in the Disposed Group rather than devoting further resource to the Disposed Group which is loss making. The Disposal did not constitute a disclosable transaction according to the Rules Governing the Listing of securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

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

Future Plans for Material Investments and Capital Assets

Fordoo commercial centre

Our Fordoo commercial centre project in Hui'an is under the construction stage. The whole project is principally funded by cash generated from our operations and bank borrowings.

For the purpose of annual impairment review, the Company had engaged an independent valuer (the "Independent Valuer") to assess the value of the construction in progress and an independent quantity surveyor (the "Quantity Surveyor") to prepare a progress report to assess the progress of construction as at 31 December 2019.

The Independent Valuer and Quantity Surveyor issued a valuation report and a progress report of the construction in progress after conducting a physical on-site inspection in later April 2020. The progress report shows that the progress of construction is not as expected, which is also consistent with the conclusion drawn by the Independent Valuer in the valuation report. Therefore the value of the construction in progress is lower than the combined carrying amount of construction in progress and prepayment of construction in progress. As set out in note 14 to the consolidated statements, an impairment loss of approximately RMB147.3 million has been recognized for the construction in progress.

Due to the high turnover of the officials in the local government authorities responsible for construction of the supporting facilities for the commercial centre, such as roads and wastewater pipes, such supporting facilities for the Fordoo Commercial Centre have yet been completed which hindered the progress of construction of the project. Therefore, the Fordoo Commercial Centre project cannot be completed in 2021 as originally expected timetable to complete the project in 2021 as stated in 2018 annual report. The Directors are aware that it is not uncommon for infrastructure projects to experience cost overruns and/or delay and the Company had been making continuous effort in negotiation with the relevant authorities.

According to the revised timetable, we expect the whole construction project will be completed by 2022.

Capital Commitments and Contingencies

As at 31 December 2019, the Group had a total capital commitment of approximately RMB169.5 million. It was primarily related to the proposed construction of Fordoo commercial centre in Hui'an, Fujian Province. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 31 December 2019, the Group had no material contingent liabilities.

Foreign Currency Exposure

The functional currency of the Company is Hong Kong dollar and the Company's financial statements are translated into Renminbi for reporting and consolidation purpose. Foreign exchange differences arising from translation of financial statements are directly recognised in equity as a separate reserve. As the Group conducts its business transactions principally in Renminbi, other than the US dollar fixed deposit held in bank, 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 518 employees as at 31 December 2019 (2018 (Re-presented): 918). Total staff costs for the year amounted to approximately RMB45.9 million (2018 (Re-presented): RMB66.6 million).

The Group places strong emphasis on recruiting quality personnel from universities and technical schools and provides on-going training and development opportunities to our staff members. Our training programs cover topics such as sales and production, customer service, quality control, sales fairs planning and pre-employment training. We also provide training on workplace ethics, fire protection and other areas relevant to the industry. We believe that staff training plays an important role in recruiting and retaining talent as well as enhancing employees' loyalty.

The Group offers competitive remuneration packages to its employees, including basic salary, allowances, insurance, commission/bonuses and share options, based on factors such as market rates, responsibility, job complexity and the Group's performance.

Dividend

The Board does do not recommend the declaration of the payment of a final dividend for the Year.

Closure of Register of Members

The register of members of the Company will be closed from 12 June 2020 to 18 June 2020 (both days inclusive) for the purpose of determining entitlements of Shareholders to attend and vote at the forthcoming annual general meeting (the "2020 AGM"). In order to qualify for attending and voting at the 2020 AGM, all transfers of shares of the Company (the "Shares") accompanied by the relevant share certificate must be lodged with the Company's share registrar and transfer office, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Thursday, 11 June 2020.

Use of Proceeds

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2014 with net proceeds (the "Net Proceeds") from the global offering of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the financial year in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014 (the "Prospectus"). As at 31 December 2019, the Group had utilised HK$385.1 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$69.6 million.

The following table sets forth a breakdown of the use of the Net Proceeds during the Year:

Use of Net Proceeds during the Year	HK$ million
Brand promotion and marketing	–
Research, design and product development	4.7
Repay a portion of our bank borrowings	–
Expand distribution network and provide storefront decoration	–
Install ERP system	–
Working capital and other general corporate purposes	–
	4.7

As at 31 December 2019, the accumulated use of the Net Proceeds is set out below:	Available for use HK$million	Utilized (as at 31 December 2019) HK$million	Unutilized (as at 31 December 2019) HK$million
Brand promotion and marketing	122.8	(122.8)	–
Research, design and product development	90.9	(46.8)	44.1
Repay a portion of our bank borrowings	90.9	(90.9)	–
Expand distribution network and provide storefront decoration	59.1	(59.1)	–
Install ERP system	45.5	(20.0)	25.5
Working capital and other general corporate purposes	45.5	(45.5)	–
	454.7	(385.1)	69.6

The proceeds not utilised were deposited into interest bearing bank accounts with licensed commercial banks in China. The Directors intend to continue to apply the unused proceeds in the manner as set out in the Prospectus.

CORPORATE GOVERNANCE REPORT

The Board strives to uphold good corporate governance and adopts sound corporate governance practices. The Company has applied the principles and code provisions of the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules").

CORPORATE GOVERNANCE CODE

After reviewing the Company's corporate governance practices and the CG Code, the Board is satisfied that the Company has complied with the CG Code provisions for the Year, except for a deviation from Code provision A.6.7.

Under Code provision A.6.7, independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the view of the shareholders. Due to other pre-arranged business commitments, Mr. Cheung Chiu Tung and Ms. Huang Yumin, both independent non-executive Directors, were not able to attend the annual general meeting of the Company held on 31 May 2019 (the "2019 AGM").

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

BOARD OF DIRECTORS

The Board is responsible for governing the Company and managing assets entrusted by the Shareholders. The Directors recognise and acknowledge their collective and individual responsibility to the Shareholders and perform their duties diligently to achieve positive results for the Company and to maximize returns for the Shareholders.

The Board currently comprises three executive Directors, namely Mr. Kwok Kin Sun, Mr. Kwok Hon Fung and Ms. Mo Wei, and four independent non-executive Directors, namely, Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip, Ms. Huang Yumin and Mr. Steve Andrew Chen.

Mr. Steve Andrew Chen was appointed as an independent non-executive Director with effect from 31 January 2020.

Their biographical details and (where applicable) their family relationships are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 28 to 29 in this annual report.

Mr. Kwok Kin Sun, the chairman of the Company (the "Chairman") and an executive Director, is the father of Mr. Kwok Hon Fung, who is also an executive Director and the chief executive officer of the Company (the "Chief Executive Officer"). Save as disclosed, there are no other financial, business, family or other material/relevant relationships among members of the Board.

The Board sets the Group's overall objectives and strategies, monitors and evaluates its operating and financial performance and reviews the corporate governance standard of the Group. It also decides on matters such as annual and interim results, major transactions, director appointments or re-appointments, investment policy, dividend and accounting policies. The Board has delegated the authority and responsibility for implementing its business strategies and managing the daily operations of the Group's businesses to the executive Directors and members of senior management. The functions and power that are so delegated are reviewed periodically to ensure that they remain appropriate.

The Board is also responsible for developing, reviewing and monitoring the policies and practices on corporate governance and legal and regulatory compliance of the Group, and the training and continuous professional development of the Directors and senior management. The Board also reviews the disclosures in the corporate governance report to ensure compliance.

All Board members have separate and independent access to the Group's senior management to fulfill their duties. Independent professional advice can be sought to assist the relevant Directors to discharge their duties at the Group's expense upon their request.

All Directors are required to declare to the Board upon their first appointment, the directorships or other positions they are concurrently holding at other companies or organizations. These interests are updated on an annual basis and when necessary.

All Directors are provided with monthly updates on the Company's performance and financial position to enable the Board as a whole and each Director to discharge their duties.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

All Directors are aware of their responsibilities to the Shareholders and have exercised their duties with care, skill and diligence, in pursuit of the development of the Group. Each newly appointed Director is given necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under the relevant laws and regulations.

All Directors are also encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Briefings and updates on the latest development regarding the Listing Rules and other applicable regulatory requirements are provided to each of the Directors to ensure compliance and enhance their awareness of good corporate governance practices.

In accordance with the CG Code provision A.6.5, all directors have provided training records for their participation in continuous professional development to the Company.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer are separate and not performed by the same individual as this ensures better checks and balances and hence better corporate governance. Mr. Kwok Kin Sun holds the position of the Chairman, who is primarily responsible for strategic positioning. Mr. Kwok Hon Fung serves as the Chief Executive Officer, who is primarily responsible for the operations and business development of the Group.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The role of the independent non-executive Directors is to provide independent and objective opinions to the Board and give adequate control and balances for the Group to protect the overall interests of the Shareholders and the Group. They serve actively on the Board and its committees to provide their independent and objective views.

In compliance with Rules 3.10(1) and 3.10A of the Listing Rules, the Company has appointed four independent non-executive Directors, representing more than one-third of the Board. One of the independent non-executive Directors, Mr. Poon Yick Pang Philip, has the appropriate professional qualifications in accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules.

CORPORATE GOVERNANCE REPORT

Each independent non-executive Director has submitted annual confirmation of his independence to the Company pursuant to Rule 3.13 of the Listing Rules. Based on the contents of such confirmations, the Company considers that all of the independent non-executive Directors are independent to the Company and its subsidiaries.

BOARD COMMITTEES

The Board is supported by three committees, namely the audit committee, nomination committee and remuneration committee. Each Board committee has its defined and written terms of reference approved by the Board covering its duties, powers and functions. The terms of reference are available on the Company's website.

All Board committees are provided with sufficient resources to discharge their duties, including access to management or professional advice if considered necessary.

Audit Committee

The audit committee consists of the three independent non-executive Directors, namely Mr. Poon Yick Pang Philip, Mr. Cheung Chiu Tung and Ms. Huang Yumin. Mr. Poon Yick Pang Philip, who has appropriate professional qualification and experience in accounting matters, is the chairman of the audit committee.

The primary functions of the audit committee are to assist the Board in providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems, oversee the audit process and perform other duties and responsibilities as assigned by the Board. These include reviewing the interim and annual results and reports of the Group.

The members of the audit committee reviewed and discussed with the external auditors of the Company the consolidated financial statements of the Group for the year ended 31 December 2019, including the accounting principles and practices adopted by the Group and the report prepared by the external auditors covering major findings in the course of the audit. During the Year, the audit committee held two meetings.

Remuneration Committee

The remuneration committee consists of the three independent non-executive Directors, namely Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Ms. Huang Yumin. Mr. Cheung Chiu Tung is the chairman of the remuneration committee.

The primary functions of the remuneration committee are to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objects and make recommendations to the Board on the remuneration package of the individual executive Directors and senior management and on the establishment of a formal and transparent process for developing such remuneration policy. No executive Director takes part in any discussion on his own remuneration. The Company's objective for its remuneration policy is to maintain fair and competitive packages based on business requirements and industry practice. In order to determine the level of remuneration and fees paid to members of the Board, market rates and factors such as each Director's workload, performance, responsibility, job complexity and the Group's performance are taken into account. The Company also adopted a share option scheme on 9 June 2014 for the purpose of rewarding, among others, directors, executives, officers and employees of the Company or any of its subsidiaries, for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with such persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group.

The remuneration committee held one meeting during the Year and has reviewed the remuneration policy and structure relating to the Directors and senior management of the Company.

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2019 is set out below:

Remuneration Bands (HK$)	Number of persons
Nil to HK$1,000,000	1

Further particulars regarding Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 9 and 10 to the consolidated financial statements.

Nomination Committee

The nomination committee consists of one executive Director and two independent non-executive Directors, namely Mr. Kwok Kin Sun, Mr. Poon Yick Pang Philip and Ms. Huang Yumin. Mr. Kwok Kin Sun is the chairman of the nomination committee.

The primary functions of the nomination committee are to review the composition of the Board, including its structure, size and diversity at least annually to ensure it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group. It is also responsible to consider and make recommendations to the Board suitably qualified persons to become a member of the Board, monitor the succession planning for Directors and assess the independence of independent non-executive Directors. The nomination committee will also give consideration to the Board Diversity Policy (as defined below) when identifying suitably qualified candidates to become members of the Board, and the Board will review the Board Diversity Policy (as defined below), so as to develop and review measurable objectives for the implementing the Board Diversity Policy (as defined below) and to monitor the progress on achieving these objectives.

The nomination committee held one meeting during the Year and reviewed the size, diversity and composition of the Board.

CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with Code provision D.3.1 of the CG Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the CG Code and disclosure in the corporate governance report.

BOARD PROCEEDINGS

Regular board meetings are held at quarterly intervals with additional meetings convened as and when necessary to discuss the overall strategic directions, the Group's operations, financial performance, and to approve interim and annual results and other significant matters. For regular meetings, Board members are given at least 14 days prior notice and agenda with supporting papers are sent to the Directors not less than 3 days before the relevant meeting is held. The Directors may propose to the chairman or the company secretary of the Company (the "Company Secretary") to include matters in the agenda for regular board meetings.

The table below sets out the attendance of each Director at the general meetings and the meetings of the Board and the Board committees held during the Year:

	Meetings attended/held					
	2019 AGM	EGM held on 15 October 2019	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors						
Mr. Kwok Kin Sun	1/1	1/1	9/9	N/A	N/A	1/1
Mr. Kwok Hon Fung	1/1	1/1	9/9	N/A	N/A	N/A
Ms. Mo Wei	1/1	1/1	9/9	N/A	N/A	N/A
Independent non-executive Directors						
Mr. Cheung Chiu Tung	0/1	1/1	9/9	2/2	1/1	N/A
Mr. Poon Yick Pang Philip	1/1	1/1	9/9	2/2	1/1	1/1
Ms. Huang Yumin	0/1	1/1	9/9	2/2	1/1	1/1
Mr. Steve Andres Chen (appointed on 31 January 2020)	N/A	N/A	N/A	N/A	N/A	N/A

The Directors are requested to declare their direct or indirect interests, if any, in any proposals or transactions to be considered by the Board at board meetings and abstain from voting in favour of the related board resolutions as appropriate.

Minutes of the meetings of the Board and Board Committees are kept by the Company Secretary in sufficient details the matters considered and decisions reached, including dissenting views expressed, and are open for inspection on reasonable notice by any Director. Draft and final versions of the minutes are sent to all Directors for their comments and records respectively within a reasonable time after the Board meeting is held.

All Directors have access to the advice and services of the Company Secretary with a view to ensuring the Board procedures are followed.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors and independent non-executive Directors has entered into a service contract or letter of appointment with the Company for a term of three years commencing from 16 July 2014 (the "Listing Date") or their respective date of appointment subject to retirement and re-election at annual general meetings in accordance with the Company's articles of association (the "Articles").

In accordance with the Articles, a person may be appointed as a Director either by the Shareholders in a general meeting or by the Board. Any Directors appointed by the Board as additional Directors or to fill casual vacancies shall hold office until the next following general meeting, and are eligible for re-election by the Shareholders. In addition, at each annual general meeting one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years at an annual general meeting, and are eligible for re-election by the Shareholders.

DIVIDEND POLICY

The declaration, payment and amount of dividends will be subject to the discretion of the Board and the approval of the shareholders of the Company, and will depend on the following factors:

— our earnings and financial condition;

— operating requirements;

— capital requirements; and

— other factors that our Directors may consider relevant.

The payment of dividends by the Company is also subject to all applicable laws and regulations and the articles of association of the Company.

BOARD DIVERSITY POLICY

Pursuant to the CG Code relating to board diversity policy which has come into effect since 1 September 2013, the Board adopted a board diversity policy (the "Board Diversity Policy") on 9 June 2014. The Company recognises and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge, which have been adopted by the Company as measurable objectives for the purpose of implementation of the Board Diversity Policy. The Board has achieved all of the measurable objectives under the Board Diversity Policy.

NOMINATION POLICY

Pursuant to the CG Code relating to nomination policy which has come into effect since 1 January 2019, the Board adopted a nomination policy (the "Nomination Policy") on 21 December 2018. The Nomination Committee shall consider a number of factors in making nominations, including but not limited to reputation; skill, experience and professional expertise; diversity in all its aspects; commitment in respect of available time and the independence criteria applicable to the candidate to be nominated as an independent non-executive director. The Nomination Policy also sets out some nomination procedures:

- The Company Secretary shall call a meeting of the Nomination Committee, and invite nominations of candidates from Board members if any, for consideration by the Nomination Committee prior to its meeting. The Nomination Committee may also put forward candidates who are not nominated by Board members;

- For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election or re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation;

- In order to provide information of the candidates nominated by the Board to stand for election or re-election at a general meeting, a circular will be sent to the shareholders. The name, brief biographies (including qualifications and relevant experience), independence, proposed remuneration and any other information, as required pursuant to the applicable laws, rules and regulations, of the proposed candidates will be included in the circular to shareholders; and

- The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election or re-election at any general meeting.

CORPORATE GOVERNANCE REPORT

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 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 Year.

COMPANY SECRETARY

Mr. Lai Tsz Yin, the Company Secretary, is a certified public accountant with over 25 years of accounting and auditing experience.

During the financial year, the Company Secretary has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

FINANCIAL REPORTING AND INTERNAL CONTROLS

Financial Reporting

The Board acknowledges its responsibility to prepare the Company's accounts which give a true and fair view of the Group's state of affairs, results and cash flows for the year and in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board, and the disclosure requirements of the Hong Kong Companies Ordinance. The Company has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgments and estimates. The Board considers that the Group has adequate resources to continue in business for the foreseeable future and is not aware of any material uncertainties relating to events or conditions that may affect the business of the Company or cast doubts on its ability to continue as going concern.

The responsibilities of Elite Partners CPA Limited, the Company's external auditor, with respect to financial reporting are set out in the section headed "Independent Auditor's Report" in this annual report.

Risk Management and Internal Controls

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage it risks across business operations.

The Board acknowledges its responsibility to ensure the Company maintains sound risk management and internal control systems and to review their effectiveness. The Group has established a risk management framework. The Board of Directors determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has formulated and adopted Risk Management Policy in providing direction in identifying, evaluating and managing significant risks. At least on an annual basis, Senior Managements identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has engaged an independent professional advisor to assist the Board of Directors and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board of Directors on a timely basis to ensure prompt remediation actions are taken.

Risk management report and internal control report are submitted to the Audit Committee and the Board of Directors at least once a year. The Board of Directors had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; result of internal audit work; the extent and frequency of communication with the Board of Directors in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board of Directors considers the Group's risk management and internal control systems are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board appointed ZHONGHUI ANDA Risk Services Limited to conduct a review of the effectiveness of the Group's internal control and risk management system and to provide services for Enterprise Risk Management during the Year.

Procedures and Internal Controls for the Handling and Dissemination of Inside Information

The Group complies with requirements of Securities & Futures Ordinance ("SFO") and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensure that information contained in announcements are not false or misleading as to a material fact, or false or misleading through the omission of a material fact in view of presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

EXTERNAL AUDITOR

Elite Partners CPA Limited has been appointed as the external auditor of the Company. The independence of the external auditor is recognized and annually reviewed by the Board and the audit committee of the Company. During the financial year, the fees paid and payable to Elite Partners CPA Limited in respect of its audit services (including interim review) provided to the Group was RMB2.7 million.

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Kwok Kin Sun and Everkept Limited are the controlling shareholders (within the meaning of the Listing Rules) of the Company (the "Controlling Shareholders"). To protect the Group from any potential competition, the Controlling Shareholders have entered into a deed of non-competition (the "Deed of Non-competition") in favor of the Company on 9 June 2014.

The Company has adopted the following measures to manage any potential or actual conflict of interests between the Group and the Controlling Shareholders in relation to the compliance and enforcement of the non-compete undertaking:

(a) the independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by the Controlling Shareholders under the Deed of Non-competition;

(b) the Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by the independent non-executive Directors and the enforcement of the Deed of Non-competition;

(c) the Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the non-compete undertaking of the Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company; and

(d) the Controlling Shareholders will make an annual declaration on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

The Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between the Controlling Shareholders and their respective associates and the Group and to protect the interests of the Shareholders, in particular, the minority Shareholders. Each of the Controlling Shareholders has confirmed in writing to the Company that he/it has complied with the Deed of Non-competition. Based on such written confirmation from the Controlling Shareholders and other appropriate queries made by the independent non-executive Directors, the independent non-executive Directors considered that the Controlling Shareholders have complied with all the undertakings under the Deed of Non-competition during the Year.

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

The Company aims to, via its corporate governance structure, provide all the Shareholders an equal opportunity to exercise their rights in an informed manner and allow the Shareholders to engage actively with the Company. Under the Articles, the Shareholder communication policy and other relevant internal procedures of the Company, the Shareholders enjoy, among others, the following rights:

(i) Participation at General Meetings

The general meetings of the Company provide an opportunity for direct communication between the Board and the Shareholders. The Company encourages the participation of the Shareholders through annual general meetings and other general meetings where the Shareholders meet and exchange views with the Board, and exercise their right to vote at meetings. Prior notices of meetings with appropriate notice period in compliance with the Articles and the Listing Rules and circulars containing details of proposed resolutions are sent to the Shareholders before the meeting. At general meetings, separate resolutions are proposed on each substantial issue, including the election of individual Directors.

(ii) Enquiries and Proposals to the Board

The Company encourages the Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at Office 812, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong or via email to ir@fordoo.cn.

(iii) Convening Extraordinary General Meeting

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the registered office of the Company in Hong Kong currently situated at Office 812, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

There are no provisions under the Articles or the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands regarding procedures for Shareholders to put forward proposals at general meetings other than a proposal of a person for election as director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

The notice of annual general meeting together with the accompanying circular setting out the relevant information as required under the Listing Rules are sent to Shareholders at least 20 clear business days prior to the meeting. Poll voting has been adopted for decision-making at Shareholders' meetings to ensure that each Share is entitled to one vote. Details of the poll voting procedures are set out in the circular sent to Shareholders prior to the meeting and explained at the commencement of the meeting. Voting results are posted on the Company's website on the day of the annual general meeting.

(iv) Procedures for Proposing a Person for Election as a Director

Pursuant to article 85 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice (as defined therein) signed by a Member (as defined therein) (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven days prior to the date of such general meeting.

CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year.

The amended and restated memorandum and articles of association of the Company as adopted on 9 June 2014 are available on the websites of the Stock Exchange and the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of six Directors, including three executive Directors and three independent non-executive Directors. The following sets forth information regarding members of our Board.

EXECUTIVE DIRECTORS

Mr. Kwok Kin Sun (郭建新), aged 64, is the founder of our Group and an executive Director. He is also the chairman of the Board. He is the father of Mr. Kwok Hon Fung (郭漢鋒), an executive Director. He was appointed as an executive Director on 23 December 2013 and the chairman of the nomination committee of the Company on 9 June, 2014. Mr. Kwok has over 20 years of experience in the menswear industry and is responsible for the formulation of our overall corporate strategies, planning and business development. Mr. Kwok's vision, leadership and dedication to our Group's development since inception have been core to our success to date.

Mr. Kwok Hon Fung (郭漢鋒), aged 30, is the chief executive officer of our Group and an executive Director. He is responsible for the execution of corporate strategies and the overall management of our daily operations. He is the son of Mr. Kwok Kin Sun (郭建新), an executive Director. He joined our Group in January 2009 and was appointed as an executive Director on 12 February 2014. Mr. Kwok obtained a graduation certificate in business administration from East China Normal University (華東師範大學) in Shanghai in 2009.

Ms. Mo Wei (莫薇), aged 36, is an executive Director. She has over 10 years' experience in accounting, human resources and management industry. She is currently the director of several subsidiaries of the Group. Before joining the Group, she worked as the director and chief financial officer of a private biotechnology company and had served in Zhongxing Telecommunication Equipment Corporation (中興通訊股份有限公司) and Xinjiang Uygur Autonomous Region people's Government in Xi'an Office (新疆人民政府駐西安辦事處). Ms. Mo obtained her bachelor's degree in Chinese linguistics & Literature at Northwest University (西北大學).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chiu Tung (張照東), aged 45, is an independent non-executive Director. Mr. Cheung joined our Group as an independent non-executive Director and the chairman of the remuneration committee of our Company on 9 June 2014. He is currently an associate professor in the law faculty in Huaqiao University (華僑大學) and has been the legislative consultant of Xiamen Municipal Government (廈門市人民政府) which carries out research on the lawmaking of Xiamen Municipal Government, implements and inspects the responsibility mechanism of administration and law execution as well as the appraisal and examination system since July 2011. He was a deputy director of the All China Lawyers Association Labor and Social Security Law Committee (中華全國律師協會勞動與社會保障法專業委員會) since January 2009. Mr. Cheung obtained his bachelor's degree in law from Xiamen University (廈門大學) in the PRC in 1996, his master's degree in economics and law from Huaqiao University (華僑大學) in the PRC in 1999, his doctorate degree in international economics and law from Xiamen University (廈門大學) in September 2003 and his post-doctoral degree in economics from Fujian Normal University (福建師範大學) in 2009 in the PRC.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Poon Yick Pang Philip (潘翼鵬), aged 50, is an independent non-executive Director. Mr. Poon joined our Group as an independent non-executive Director and the chairman of the audit committee of the Company on 16 August 2016. Mr. Poon is the chief financial officer and company secretary of Li Bao Ge Group Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 1869). Mr. Poon has over 20 years of corporate finance and accounting experience. He was also an independent non-executive director of Trigiant Group Limited (stock code: 1300) from March 2012 to September 2018 and Jiangnan Group Limited (stock code: 1366) from April 2012 to May 2019, both of which are listed on the Main Board of the Stock Exchange. Mr. Poon had served senior financial positions in a number of companies listed in Hong Kong and the United States of America. He also served various positions in Advent International Corporation, a global private equity firm, and in major listed companies in Hong Kong, including Lenovo Group Limited (stock code: 992) and Sun Hung Kai Properties Limited (stock code: 16), which are both listed on the Main Board of the Stock Exchange. Mr. Poon obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

Ms. Huang Yumin (黃宇敏), aged 43, is an independent non-executive Director. Ms. Huang joined our Group on 1 February 2018. She had worked as vice president in Kunwu JiuDing Capital Co., Ltd (昆吾九鼎投資管理有限公司) from 2011 to 2012, and also served various positions in Bank of China International Capital Limited (中銀國際投資有限公司) from 2009 to 2011 and Fortis HaiTong Investment Management Co., Ltd (海富通基金管理有限公司) from 2007 to 2008. Ms. Huang obtained her bachelor's degree in Economics from Fudan University (復旦大學) in 2000, and obtained her master degree in Accounting from Macquarie University in 2004. She is a Certified Practising Accountant (Australia).

Mr. Steve Andrew Chen (陳安之), aged 52, is an independent non-executive Director. Mr. Chen joined our Group on 31 January 2020. He has over 20 years of experience in corporate management. Mr. Chen has been the chairman and director of Success Entertainment Group International, Inc., an internet media company listed on OTCQB (OTCQB: SEGN), since July 2013. Mr. Chen has also served as the director of Chen An Zhi Management Consulting Co., Ltd.* (陳安之管理顧問股份有限公司), a business consulting company, since November 1992. He served as the chairman and director of Success Prime Corporation (卓越成功股份有限公司), a company listed on the Taiwan Stock Exchange (TWSE: 2496), from May 2012 to May 2015. Mr. Chen graduated from Mt. Carmel High School in 1987 with a diploma,

SENIOR MANAGEMENT

Mr. Chen Jianxin (陳建鑫), aged 46, is the head of the production planning department. He joined our Group in October 1996. He became a supervisor of our Group in 1996 and was responsible for the manufacture of apparel products. Between 2004 and 2008, he served as the factory manager (廠長) for the production of business formal and business casual trousers. He was appointed as the head of the production planning department of Fordoo (China) Industrial Ltd., Co* (虎都(中國)實業有限公司) in 2009, and was responsible for the management of the department.

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

PRINCIPLE

The board of directors (the "**Board**") of China Fordoo Holdings Limited (the "**Company**") is pleased to present its Environmental, Social and Governance (ESG) Report (the "**Report**") has been prepared in accordance with the ESG Reporting Guide (the "**ESG Guide**") set out in Appendix 27 to the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") The Board has reviewed and approved the report, and is pleased to publish the 2019 ESG policies of the Company and its subsidiaries (collectively referred to as the "**Group**") and the key performance indicators required to be disclosed.

This Report highlights the Group's management and strategic approach, priorities and commitment in environmental and social aspects. This Report covers the companies engaging in the menswear business, excluding the newly acquired landes goose business in Shandong and the online platform and retail stores to retail and distribute consumer goods such as high-end food products for the period from 1 January 2019 to 31 December 2019 of the Group.

Set out below are the ESG issues that are significant to the Group and relevant to the ESG Guide:

ESG Guide	Relevant ESG issues to the Group
A. Environmental	
A1 Emissions	Carbon dioxide emission and waste management
A2 Use of resources	Energy and consumption
A3 Environmental and natural resources	Measures in reducing environmental impact
B. Social	
B1 Employment	Labour practices
B2 Health and safety	Workplace health and safety
B3 Development and training	Employee development and training
B4 Labour standards	Child labour and forced labor
B5 Supply chain management	Supplier management
B6 Product responsibility	Product safety and quality
B7 Anti-corruption	Anti-corruption and money laundering
B8 Community investment	Community involvement

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is the core element of the Group's sustainable development. Focusing on the establishment of a regular communication mechanism for stakeholders, the Group has set up online and offline communication channels to demonstrate to the stakeholders the strategic planning and performance of sustainable development and to consult their opinions and needs in a timely manner, so that the Group's business practices would align with stakeholders' expectations.

The Group's stakeholders include its shareholders, staff, government and regulatory authorities, customers, suppliers and communities, shareholders/institutional and individual investors, etc. The Group will engage in discussions with its stakeholders on relevant issues through various channels. Set out below are the communication channels between its stakeholders and the Group, as well as the expectations and demands of its stakeholders:

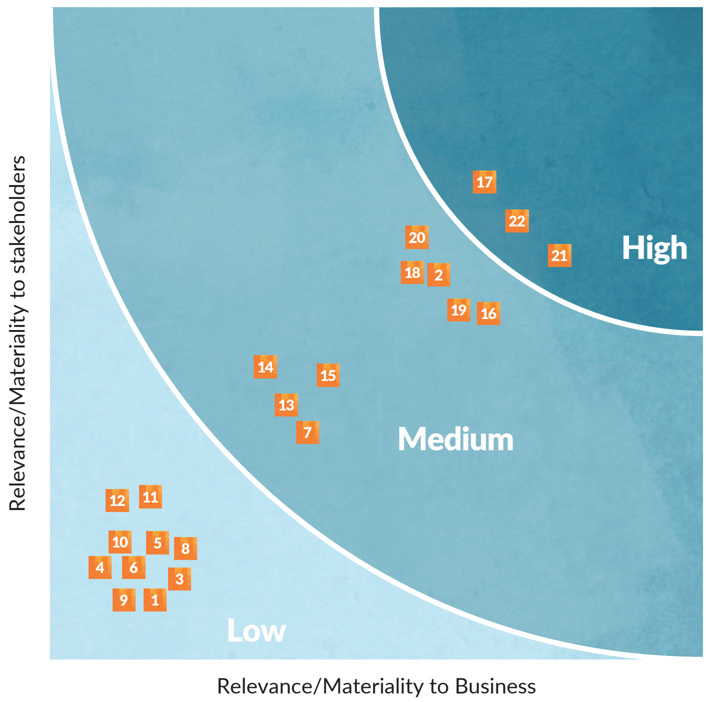
Stakeholders	Expectations	Communication and feedback
Shareholders	Financial results Corporate transparency Sound risk control	Growth in profitability Regular disclosure of information Optimisation of risk management and internal control
Staff	Platform for career development Salaries and benefits Safe working environment	Promotion mechanism Competitive salaries and employee benefits Provision of employee training and improvement in safety awareness
Government and regulatory authorities	Compliance with rules and regulations Paying tax according to the law	Operational compliance Full payment of tax when due
Customers	Standards of logistics and delivery services Security of customer information Protection of customers' rights and interests	Monitoring of delivery status with the product tracking system Protection of customer privacy Marketing compliance
Suppliers	Cooperation with integrity Business ethics and creditworthiness	Establishment of a responsible supply chain Performance of contracts according to the law
Communities	Environmental protection Job opportunities	Use of environmentally friendly and energy-saving equipment Provision of job opportunities
Shareholders/institutional and individual investors	Annual general meetings and notices Regular corporate publications Issue of circulars and announcements in due course	Establishment of a platforms for communications with shareholders Results announcements Increase in transparency of corporate development

MATERIALITY ASSESSMENT

In 2019, the Group conducted a comprehensive materiality assessment, which involved group discussions, interviews or questionnaire surveys with internal and external stakeholders, to identify the environmental, social and operational issues which have the most significant impacts on the Group's business and the relevant issues concerned by stakeholders.

With reference to the scope of disclosure as required under the "ESG Reporting Guide", as well as taking into consideration its business features, the Group identified and determined 22 issues covering greenhouse gas (GHG) emission, energy consumption, employee welfare, occupational health and safety, training and development, supply chain management, customer privacy, anti-corruption, and community investment and other aspects with respect to business operation.

Materiality of ESG Issues



Environmental Aspect	Social Aspect	Operational Aspect
1. GHG emission	9. Engagement of local community	17. Economic value generated
2. Energy consumption	10. Community investment	18. Corporate governance
3. Water consumption	11. Occupational health and safety	19. Anti-corruption
4. Waste	12. Labour standards in supply chain	20. Supply chain management
5. Environmental impact of business operation	13. Training and development	21. Customer satisfaction
6. Use of natural resources and packaging materials	14. Employee welfare	22. Customer privacy
7. Customer engagement in environmental issues	15. Inclusion and equal opportunities	
8. Use of chemicals	16. Talent attraction and retention	

A. ENVIRONMENTAL

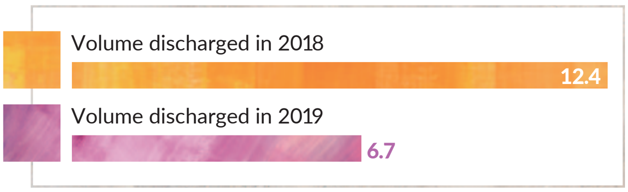
The Group recognizes its responsibility to protect the planet and preserve its beauty and resources to the next generation. The Group strive to enhance production efficiency and strengthen our environmental protection efforts on conserving resources and managing waste from our business activities.

A1: Emissions

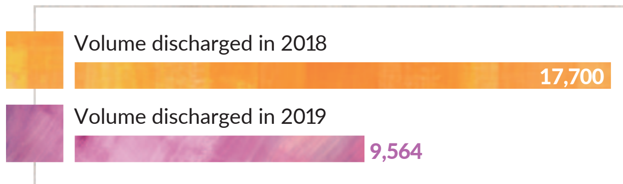
The major wastes generated from the Group's production processes are waste gases and waste fabrics. Waste gases are produced when natural gas burns. The waste gases are mainly carbon monoxide ("**CO**"), carbon dioxide ("**CO_2**") and nitrogen oxides("**NO_x**").

In 2019, the main emissions generated from the consumption of natural gas and fuels were as follows:

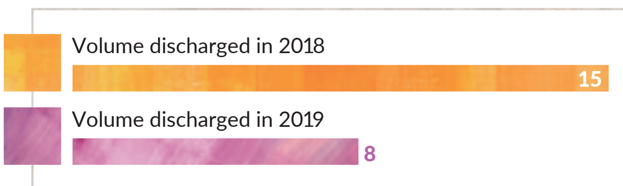
Total Volume discharged – Carbon monoxide
Carbon monoxide (Kilogram)



Total Volume discharged – Carbon dioxide
Carbon dioxide (Kilogram)



Total Volume discharged – Nitrogen oxides
Nitrogen oxides (Kilogram)



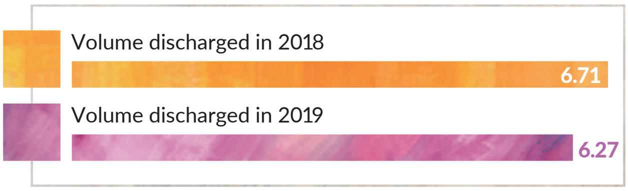
Notes: The above waste gases were discharged in the process of boiler heating fired by natural gas. The volume of gas emissions are estimated by the calculators at http://www.combustionportal.org/bcalc3.cfm. This website provides federal and state compliance information and sustainability content for various combustion processes that are impacted by federal and state regulations. The site includes calculators to estimate emissions from boilers fired by propane, butane, natural gas and oil.

In 2019, pollution factors such as nitrogen oxides ("**NO_x**"), sulfur oxides ("**So_x**") and particulate matter ("**PM**") mainly generated from the company's vehicles.

In 2019, the main air emissions generated from the use of vehicles are as follow:

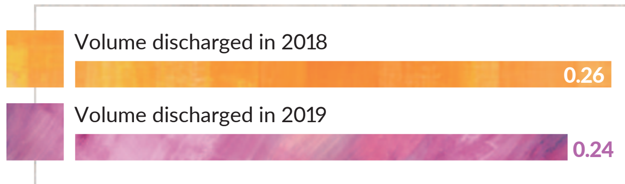
Total Volume discharged – Nitrogen oxides (NO_x)

Nitrogen oxides (NO_x) (Kilogram)



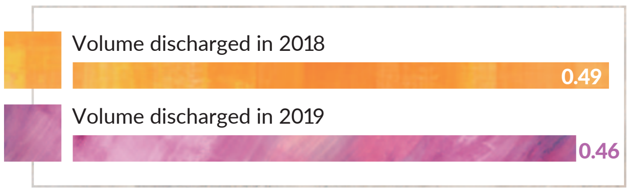
Total Volume discharged – Sulfur oxides (So_x)

Sulfur oxides (So_x) (Kilogram)



Total Volume discharged – Particulate matter ("PM")

Particulate matter ("PM") (Kilogram)



The main sources of the Group's GHG emissions were direct emissions from the mobile combustion sources ("**Scope 1**"), indirect emissions arising from the emissions related to acquired electricity ("**Scope 2**") and other indirect emissions ("**Scope 3**").

The GHG emissions in 2019 were as follow:

GHG emissions	Unit	2019	2018
GHG emissions (Scope 1)	kgCO2e	**43,968**	47,425
GHG emissions (Scope 2)*	kgCO2e	**857,496**	1,598,706
GHG emissions (Scope 3)	kgCO2e	**7,006**	12,320
Total GHG emissions	kgCO2e	**908,470**	1,658,451
Total production	piece	**1,128,345**	2,637,165
GHG intensity (total emissions/total production)	kgCO2e/piece	**0.8**	0.6

* calculated on the basis of the emission coefficients of regional power grids in southern China in 2017. Such figures have been calculated in accordance with the Reporting Guidance on Environmental KPIs.

Scope 1: represents gasoline consumed by motor vehicles.

Scope 2: represents electricity purchased from electricity suppliers.

Scope 3: represents scrap papers and water consumed.

In 2019, the hazardous and non-hazardous waste produced were as follows:

Hazardous and non-hazardous waste produced	Unit	2019	2018
Total amount of hazardous waste	kilogram	**Not available**	Not available
Intensity of hazardous waste (total amount of hazardous waste/total production)	kilogram /piece	**Not available**	Not available
Total amount of non-hazardous waste	kilogram	**8,395**	12,775
Intensity of non-hazardous waste (total amount of non-hazardous waste/total production)	kilogram /piece	**0.007**	0.005

Waste Gas Emission Reduction

With respect to emissions control, the Group has been using natural gas to substitute heavy fuel oil in the process of boiler heating since 2011. Natural gas is the clean energy which is better for the environment. Switching to natural gas for heating can drastically reduce emissions including nitrogen oxides and carbon dioxide when burned in a boiler and avoid discharging sulphur dioxide.

Compliance with relevant laws and regulations

In 2019, the Group was not aware of any material violation of relevant laws and regulations that have significant impact relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes. The Group strictly complied with local laws and regulations relating to emissions, such as the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law on the Prevention and Control of Water Pollution of the People's Republic of China (《中華人民共和國水污染防治法》) and the Law on the Prevention and Control of Solid Waste Pollution of the People's Republic of China (《中華人民共和國固體廢物環境防治法》). Furthermore, no significant fines or non-monetary sanctions were imposed on the Group due to non-compliance with the relevant laws and regulations in 2019.

A2: Use of resources

The main resources used in the Group's production processes are electricity, water and natural gas. The Group's energy consumption is mainly for the production of men's trousers, apparel products and fabrics.

Since 2011, the Group has been using environmental friendly natural gas to substitute heavy fuel oil in the process of boiler heating, drastically reducing emissions and effectively reducing adverse impacts on environment.

In 2019, the Group total energy consumption and consumption intensity per unit production in the last two years were as follows:

Environmental performance	Unit	2019	2018
Total natural gas consumption	m^3	**159,396**	295,753
Natural gas consumption intensity (total natural gas consumption/total production)	m^3/piece	**0.14**	0.11
Electricity consumption	kWh	**1,581,659**	2,948,826
Electricity consumption intensity (total electricity consumption/total production)	kWh/piece	**1.40**	1.12
Water consumption	m^3	**14,630**	25,727
Water consumption intensity (total water consumption/total production)	m^3/piece	**0.01**	0.01
Total packaging material used	kilogram	**213,860**	494,520
Intensity of packaging material used (total packaging material used/total production)	kilogram/piece	**0.19**	0.19

The above data include the Group's total energy consumption in production of men's trousers, apparel products and fabrics.

In 2019, the Group adopted a series of energy conservation and emission reduction measures, of which the particulars and relevant effectiveness assessment were as follows:

Electricity management

The Group implements green lighting in the workplace to reduce usage of electricity. This involves installing energy-saving lights and using energy-saving light bulbs in the Group's office and manufacturing facilities. The Group also encourages the employees to switch off the lights in the areas of the workplace that are not being used and to use natural light whenever possible as well as switching off their office equipment such as computers and printers at the end of the workday.

Solid waste separation and recycling program

The Group aims to conserve and recycle solid waste whenever possible and conduct a separation and treatment process for solid waste. Reusable waste fabrics, waste paper boxes, waste plastics and scrap irons generated during the production processes are sold to third parties for recycling twice a week.

Solid waste recycling station

Recyclable materials are temporarily stored in this recycling station, pending for recycling by authorised recyclers.

A3: The Environment and Natural Resources

The Group pursues a high degree of automation in our manufacturing processes to enhance production efficiency significantly, which enables us to make better use of natural resources and reduce the pressure to the environment caused by production emissions. Almost all of our production equipment are purchased from highly recognized international equipment providers. For example, our sewing machines are from a leading German brand, which we use to sew zippers, fly fronts and side seams and attach pockets of trousers; our plate cutting machines are from a leading U.S. equipment manufacturer, which replace manual cutting; and our seaming machines are from a reputable U.S. equipment manufacturer. Purchased from highly recognized international equipment, our optimize production equipment help to avoid wastes due to equipment failure.

We highly encourage the use of electronic means to replace paper for communication. The Group has also promoted double-sided printing and the recycling of used toner cartridges by a third party in order to minimize the effects of printing and paper usage on the environment.

The Group emphasizes sustainable development and incorporates the environmental protection concept throughout the daily production and administration activities. We believe that our effort on environmental protection will become a part of our competitiveness, leading the Group to greater success in the future.

Greening within the production facility

In order to strictly abide by laws and regulations, including the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) and other related regulations, the Group has established an environmental management system that conforms to the ISO 14001 standard, which effectively reduces pollutant emissions and resource consumption during production and operations.

The Group has obtained ISO 14001 Environmental Management Systems Certificate, which is valid from 11 February 2019 to 16 February 2022.

B. SOCIETY

B1: Employment

The Group believes that a motivated and balanced workforce is crucial for developing a sustainable business model and driving long-term returns.

The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competencies which contribute to the Group's success. The Group employs workers in strict compliance with the Group's human resources policies and the requirements of the Labour Law of the PRC including the following:

1. Working hours, holidays and statutory paid leaves are compliant with the requirements of the PRC;

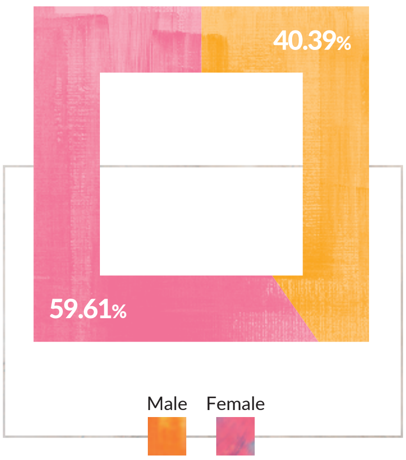
2. Workers' wages and related benefits are made in accordance with the local minimum wage (or above). Wages are paid in full amount and on time each month;

3. Contributions to social insurance funds are made for regular employees; and

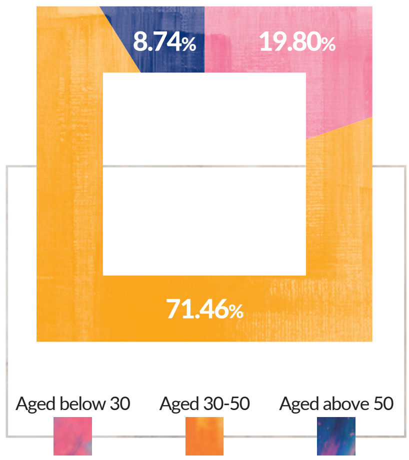
4. The Group has established an anti-discrimination policy and complied with the requirements of relevant laws. There has been no occurrence of discrimination in the Group against race, region, nationality, age, pregnancy or disability in respect to employee recruitment, training, salary and promotion for the financial year ended 31 December 2019.

As at 31 December 2019, the Group had a total of 518 employees (2018 (restated): 918), included in the amount were 515 employees worked in menswear businesses. The charts below show the demographics of the Group's workforce as at 31 December 2019 (counting menswear business only).

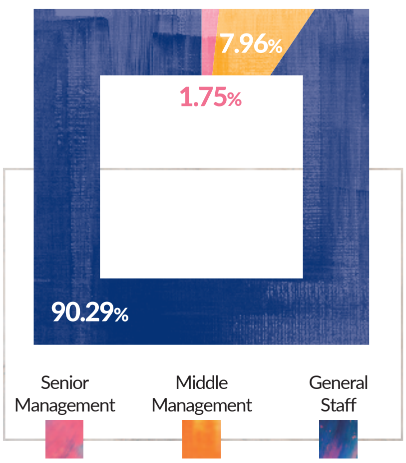
By Gender



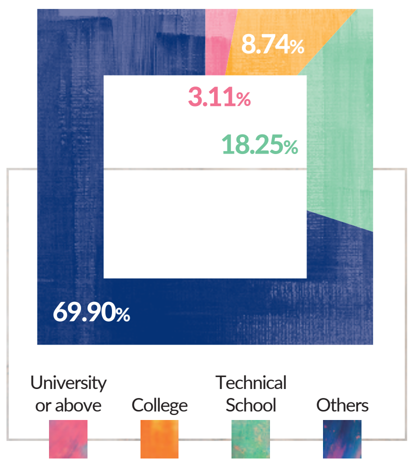
By Age Band



By Rank



By Educational Background



The Group's monthly average staff turnover rate in 2019 was 6.2% (2018: 7.6%). In order to reduce staff turnover rate and maintain a high level of employee satisfaction and engagement with the Group, the Group has established the following measures and benefits:

1. We offer free quality accommodation to 354 employees at our dormitory residence located at Quanzhou, Fujian Province, with a total gross floor area of approximately 27,269.9 sq.m. Designed with utmost comfort and recreation in mind, the dormitory residence features 34" LCD TVs, WiFi access, centralized air conditioning, separated bathrooms and water heaters, laundry and cooking facilities and extensive recreation facilities including basketball courts, a large ice skating rink, internet cafes, billiards room and gym rooms. We also have four restaurants offering a variety of dining options to our employees.

2. Realizing that child care emerged as an important issue for employees, the Group established a child care centre, "Love House" ("愛心屋"), in 2008 to provide support to our employees and their families with caregiving responsibilities. With full time daycare specialists, "Love House" ("愛心屋") provides six-days-a-week intensive care, supervision and a range of learning activities such as singing, dancing lessons to children of our employees aged between two and six. In early 2017, we redecorated the child care centre and renamed as "Fordoo Child's Home" ("虎娃之家"), which contains one bedroom, one playroom, two classrooms, one lobby and two washrooms, is larger and brighter, and full of interests.

3. In the past seven years, we offered an average contribution of approximately RMB850,000 each year as round-trip travel subsidies for staff to go home and return to work during and after the Chinese New Year holidays.

4. We cultivate a harmonious corporate culture which engenders high levels of staff commitment and motivation. In 2019, we organized various regular staff development programs and recreational activities to encourage staff integration and boost team spirit, such as corporate team outings held during holidays, dispatch presents to all the female employees on the International Women's Day, and Fordoo 30th Anniversary Celebration Dinner "New Journey, Be Different".

5. The newly decorated child care centre, "Fordoo Child's Home" ("虎娃之家"), provides support to our employees and their families with caregiving responsibilities.

Compliance with relevant laws and regulations

The Group was not aware of any material violation of the relevant laws and regulations having a significant impact regarding the Group's compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare in 2019. The Group strictly complies with relevant local laws and regulations relating to employment, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Regulations on Wage Payment of Guangdong Province (《廣東省工資支付條例》). In addition, no significant fines or sanctions were imposed on the Group due to non-compliance with the relevant laws and regulations in 2019.

B2: Health and Safety

Our employees are provided with occupational safety education and training to enhance their safety awareness. We have also employed qualified assessors to carry out equipment maintenance and assess occupational hazards at the workplace on a regular basis.

Heavy emphasis is placed on the safety and well-being of staff. The Group established and strictly implemented internal safety guidelines and operation procedures and achieved OHSAS 18001 certification, which is an international standard for occupational health and safety management system and is valid form 11 February 2019 to 16 February 2022.

Smoking is prohibited in the production workshops and office areas of the Group. All production workshops and office areas are equipped with fire extinguishers and fire alarms, and escape routes are available for employees.

CERTIFICATE

Occupational Health and Safety Management Systems Certificate

CQM hereby certifies that

Fordoo (China) Industry Co.,Ltd.

GB/T 28001-2011/OHSAS 18001:2007

Occupational health and safety management systems -- Requirements

This certificate is valid to the following product(s)/service

Issued on: 2019-02-11

Effective date: 2019-02-11

Validity Date: 2022-02-16

CHINA QUALITY MARK CERTIFICATION GROUP

http://www.cqm.com.cn

Firefighting equipment in the factory building

Fire drill in Year 2019

Compliance with relevant laws and regulations

In 2019, the Group was not aware of any material violation of relevant laws and regulations having a significant impact regarding the provision of a safe working environment and the protection of employees from the Group's occupational hazards. The Group strictly complies with relevant local laws and regulations relating to health and safety, including the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and Industrial Injury Insurance Regulations of the People's Republic of China (《中華人民共和國工傷保險條例》). In addition, there were no fatalities or work related injuries in the last five years and no significant fines or sanctions were imposed on the Group due to non-compliance with relevant laws and regulations in 2019.

B3: Development and Training

The Group strongly believes that experienced and skilled staff plays an important role to success. We support our employees to develop and enhance their knowledge, skills and work capability. Various training courses are regularly conducted to promote loyalty, occupational safety, sales fairs planning, quality control, customer servicing skills and product knowledge.

In 2019, 1,374 hours have been recorded in staff training.

There are 5 different employee training programs:

1. Training Program for Directors and Senior Management — Training on corporate governance and updates on the latest development regarding the Listing Rules and other applicable legal and regulatory requirements are provided to directors and senior management personnel.

2. Training Program for New Employees —Training for new employees includes introduction of our corporate culture and policies, workplace safety and security, product knowledge, industry trend and other areas relevant to the industry.

3. Training Program for Middle Level Management — Training for Middle managerial level employees encompasses enhancement of management and leadership skills, emotional intelligence and problem-solving skills.

4. Training Program for Production Workers and Quality Control Employees — Training for production workers includes technical skill and knowledge of the production techniques, safety guidelines and production procedures as well as product quality control assurances.

5. Staff Development Program for All Employees — Staff development programs aim at helping our employees to develop their soft skills such as self-motivation, resilience and interpersonal skills.

Staff trip to Zhangzhou

B4: Labour Standards

The Group is committed to support it corporate value by complying with law and regulation. We adopt a series of comprehensive policies and procedures regarding recruitment and labour use. We strictly prohibit child labour and forced labour from our employment. Since 2011, we have actively interacted with Quanzhou Public Security Bureau and installed an identity cards identification system in our Human Resources department. During the recruitment process, the applicant must provide his/her identity card for interviewers' inspection and the identity card will be scanned to the identity cards identification system for verification of its authenticity.

Compliance with relevant laws and regulations

In 2019, the Group was not aware of any material violation of the relevant laws and regulations prohibiting the employment of child labour or forced labour in the Group. The Group strictly complies with the relevant local laws and regulations relating to labour standards, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law on Protection of Minors of the People's Republic of China (《中華人民共和國未成年人保護法》) and the Provisions of Prohibition of Child Labour (《禁止使用童工規定》). In addition, there was no material penalty or sanction due to non-compliance with the relevant laws and regulations in 2019.

B5: Supply Chain Management

The Group has established a set of stringent criteria to ensure that our purchased materials are up to the Group's standards and adhere to certain certifications so as to ensure a smooth production process and to minimize the environmental and social risks of the Group's supply chain. The following criteria are considered in the selection of suppliers:

- Raw materials quality — The quality of raw materials is in compliance with GB18401, a national standard for all textile products, as well as other industry standards.

- On-time delivery and transportation — The products we ordered are delivered to our warehouses or our designated places on time.

- Others — Other considerations include qualifications, business scale, production capacity, product quality, environmental measures, ethical standards and industry reputation of the suppliers.

In addition, the Group evaluates its suppliers' performance annually, which includes an assessment of product quality, production costs and product delivery time. The regular evaluation of their performance helps to maximize the value-for-money of our products. In turn it enables the competitiveness of its products and brand will be improved.

B6: Product Responsibility

The Group actively fulfills its responsibilities to the public over through its products. We have adopted the ISO 9001 management systems to strengthen the product quality management.


CERTIFICATE
Environmental Management
Systems Certificate
Fordoo (China) Industry Co.,Ltd.
GB/T 24001-2016/ISO 14001:2015
Environmental management systems-
Requirements with guidance for use
CHINA QUALITY MARK CERTIFICATION GROUP

The Group has obtained ISO 9001 Quality Management Systems Certificate, which is valid from 11 February 2019 to 16 February 2022.

We are strongly committed to product quality and established a quality control system, which is one of the principal factors contributing to our success. We adopt internal product quality control procedures to ensure that our products meet national, industry and our internal standards. Our quality control measures cover various stages of our operations, including raw materials procurement, sample creation and self-production and outsourced production. We have applied and maintained the GB/T 19001-2008/ISO 9001:2008, GB/T 28001-2011/OHSAS 18001:2007, GB/T 24001-2004/ISO 14001:2004 certifications for our design and production of men's suits, trousers, slacks, jackets and T-shirts since 2004.

Achieving international standard certifications proves our competency in our quality control system, and at the same time, demonstrates our commitment to consumer safety and stakeholder relations. We have also set up a laboratory under our quality control department to conduct internal quality inspection in accordance with ISO/IEC17025 standard. We consider that our internal quality standards are more stringent than the national standards and all of our products are required to pass the relevant national and internal quality tests before reaching our customers.

As of 31 December 2019, we had a team of 12 staff members in our quality control department. Our quality control system includes the following processes:

- Raw materials — Raw materials suppliers must pass our internal quality checks, external third party quality inspections, as well as certain national health, safety and environmental standards. Raw materials that fail to meet these standards may be returned to the suppliers for rectifications or replacement.

- Sample products — Our quality control team carries out tests on all sample products before we show them at our sales fair for design defects and suitability of materials.

- Production — We carry out inspections at all important stages of our production process to ensure that our standards are met, including spot checks of semi-finished products and final inspections on finished products to ensure that the products comply with our specifications and are free of major defects.

Our production overview, business philosophy, corporate culture and brand positioning

In addition, the Group is devoted to product development in order to address our end customers' evolving needs and preferences. Our strong innovation track record is evidenced by our patented products, such as trousers with anti-theft pockets (防盜褲), trousers promoting health and wellness (健康型西褲), trousers using new zipper sewing technology (一種新型褲子), tops using new chest liners sewing technology (一種新型胸襯), comfort and fit trousers (舒便型西褲), comfort and fit blazers (舒挺型上衣) and trousers with buttons concealed (具有隱形鈕扣褲子). In 2014, the Group was awarded "Quality Award" by the China National Garment Association, which is a testament to our commitment to quality.

Compliance with relevant laws and regulations

The Directors believed that the Group has complied with the relevant laws and regulations related to the products of the Group, including the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》). In 2019, the Group did not have any products returned due to safety or health problems or any complaint received from customers. No significant fines were imposed on the Group due to non-compliance.

B7: Anti-Corruption

The Group has established its "Self-Discipline Regulations" to combat corruption and provide clear guidelines for its employees to prevent corruption. We also communicated with our employees and ensure that they are aware of our strong stance against corruption.

To demonstrate our commitment to the highest standards of openness, accountability and probity, the Group has established a written whistle-blowing policy and reporting procedures under which any suspected misconduct or malpractice can be directly reported to our independent directors. These reporting procedures are designed to ensure a fair and independent investigation for each case.

Compliance with relevant laws and regulations

In 2019, none of the Group or its employees was involved in any legal proceedings relating to bribery, extortion, fraud or money laundering, and the Group recorded no bribery nor corruption charges. The Group has strictly complied with the Prevention of Bribery Ordinance of Hong Kong (《防止賄賂條例》) and the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正當競爭法》) and other local laws and regulations relating to anti-corruption.

B8: Community Investment

The Group regards urban greenery as one of our core community concern initiatives. In the past few years, the Group strived to greening and beautifying the urban living environment through various urban greenery activities. These included planting street trees around the community we operate, enhancing existing greened areas, fertilization, soil remediation and regular maintenance and preservation of trees and shrubs.

It is crucial that we continue to contribute to the sustainability and livability of our city. We are dedicated to nurture and protect the "green space" in the city by enhancing sense of place and urban ecosystems.

On 12 January 2019, the Group donated RMB10,000 to the Celebration Committee on 100th Anniversary of Xunjiang Primary School in Quanzhou City (泉州市潯江小學百年校慶籌委會) to fund local educational institutions.

Our staff members participated in the Meiyu Lanshan Villa Trophy

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2019.

BUSINESS REVIEW

A review of the business of the Group during the Year and a discussion on the Group's future business development are set out in the Chairman's Statement on pages 4 to 5 of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

A number of factors may affect the results and business operations of the Group, some of which are inherent to the fashion business and some are from external sources. Major risks are summarized below.

(i) Fashion Risk

Fashion trends, consumer demands and preferences in the markets where we operate frequently change and depend upon various factors, including, among other things, global fashion and lifestyle trends, consumption patterns, disposable income and other factors that are beyond our control. We believe that our ability to anticipate, identify and respond to those trends in a timely manner is critical to our success. We may fail to accurately anticipate the shifts in customer preference, or fail to timely offer products that meet those changing trends. We cannot assure you that our design and product development will accurately reflect the prevailing fashion trends or customer preferences at any given time, or that the new products we launch will be well received by the market or achieve the expected sales level. If our new products fail to gain market acceptance, our brand image, business, financial condition, results of operations and prospects will be adversely affected.

(ii) Intense Competition

We compete not only with local Chinese menswear brands, but also with other international brands. Areas of competition include product designs, product quality, production costs, marketing programs and customer acceptance. If we do not respond timely to our competitors, we may lose our customers and affect our revenue and profits.

(iii) Macroeconomic Environment

Macroeconomic changes may affect consumers' behavior. Menswear products are considered as discretionary items for customers. Slower consumer spending momentum may reduce the demand for our products, leading to lower revenue and margins. It is therefore important that the Group is aware of any such changes in the economic environment and adjusts its store opening plan, buying volume and business plan under different market conditions.

(iv) Supply Chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products for us. Any disruption in the supply of fabrics, raw materials and products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and other products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the times. For the year ended 31 December 2019, 65.0% (2018: 56.5%) of our products were produced by our top five suppliers.

(v) Credit Risk of our Distributors

We offer our distributors credit terms ranging from 90 days to 180 days, taking into account their capital, order size, credit history, financial capability, operating scale and relationship with us. We make provisions for bad and doubtful debts based on the aging, payment history and other specific criteria. However, there is no assurance that we will be able to fully recover our receivables from our distributors, or that they will be settled on a timely basis. In the event that settlements from our distributors are not made in full or on timely basis, our business, financial position, results of operations and prospects may be materially and adversely affected.

(vi) Reputational Risk

Brand image is a key factor for customers when making decisions to purchase menswear products. We sell all of our products under our "FORDOO" brand. We seek to maintain and strengthen our brand identity through multichannel marketing campaign in the PRC. However, our marketing and promotional efforts may not be successful. If we are unable to successfully maintain and promote our brand, our business, financial condition, results of operations and prospects may be materially and adversely affected. In addition, any negative publicity on us could adversely affect our operations and financial results or reduce our market share.

(vii) Weather

Extreme weather conditions in the areas in which our retail stores, suppliers and customers are located could adversely affect our operating results and financial condition.

KEY RELATIONSHIPS

(i) Employees

Employees are one of the greatest assets of the Group and the Group regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of their skills.

The Group provides pre-employment and on-the-job training and development opportunities to its employees. The training programs cover areas such as managerial skills, sales and production, quality control, sales fairs planning and training of other areas relevant to the industry.

In addition, the Group offers competitive remuneration packages to its employees. The Group has also adopted share option schemes to recognize and reward the contribution of its employees to the growth and development of the Group.

(ii) Suppliers

We have developed long-standing and good relationships with our vendors and we take great care to ensure that they can share our commitment to product quality. We carefully select our suppliers and require them to satisfy certain assessment criteria including track record, experience, financial strength, reputation, ability to produce high-quality products and quality control effectiveness.

(iii) Distributors

We sell our products to end customers through third-party distributors. We work with our distributors as business partners and ensure we share the view for upholding our brand value and customer services, specifically focusing on providing quality products to our customers. We and our distributors reach an agreement on sales target and store expansion plans before they place their orders. We also monitor the financial condition and repayment history of our distributors.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES

We are committed to building an environmentally-friendly corporation that pays close attention to conserving natural resources. We strive to minimize our environmental impact by saving electricity and encouraging recycling of office supplies and other materials.

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its registered office at Office 812, Unit 1908, 19/F, 9 Queen's Road Central, Central, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and wholesaling of menswear in the mainland China. The principal activities and other particulars of the subsidiaries are set out in note 40 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, aggregate sales to the Group's largest and five largest customers accounted for approximately 8.5% (2018: 14.5%) and 25.6% (2018: 38.3%), respectively, of the Group's total revenue for the Year.

Aggregate purchases from the Group's largest and five largest raw materials suppliers accounted for approximately 8.2% (2018: 12%) and 34% (2018: 39%), respectively, of the Group's total purchases of raw materials for the Year.

Aggregate purchases from the Group's largest and five largest suppliers of OEM products accounted for approximately 24.1% (2018: 42%) and 65% (2018: 92%), respectively, of the Group's total purchases from OEM contractors for the Year.

At no time during the Year had the Directors, their associates or any Shareholder (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 146 of this annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 67 to 145 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the Year are set out in note 12 to the consolidated financial statements.

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 35 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2019, the Company's reserves available for distribution amounted to approximately HK$56.8 million.

DIVIDEND

No interim dividend was paid during the Year. The Directors did not recommend the payment of a final dividend for the Year.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2019 are set out in note 27 to the consolidated financial statements.

NON-CURRENT ASSETS

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, investment properties and lease prepayments) are set out in notes 12 and 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the financial year are set out in note 35 to the consolidated financial statements.

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 report, the Company has maintained the prescribed public float under the Listing Rules up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands where the Company is incorporated.

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.

SHARE SUBDIVISION

Upon the Company's subdivision of every one (1) issued and unissued share of the Company of par value of HK$0.01 into four (4) subdivided shares of the Company of par value of one forth Hong Kong cent each (the "Share Subdivision") which was effective on 17 October 2019, the authorised share capital of the Company became HK$10,000,000 divided into 4,000,000,000 shares of par value of one forth Hong Kong cent each, of which 1,923,600,000 subdivided shares of par value of one forth Hong Kong cent each was issued as fully paid and rank pari passu with each other in all respects with the shares in issue prior to the Share Subdivision.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the shareholders of the Company by reason of their holding of the Company's securities.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung *(Chief Executive Officer)*
Ms. Mo Wei

Independent Non-Executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Ms. Huang Yumin
Mr. Steve Andrew Chen (appointed on 31 January 2020)

Each of the executive Directors and independent non-executive Directors, has entered into a service contract or letter of appointment with the Company for a term of three years commencing from the Listing Date or their respective date of appointment, subject to his retirement and re-election at annual general meetings in accordance with the Articles. The details of the remuneration of each of the Directors are revealed in note 9 to the consolidated financial statements.

Details of the Directors' biographies have been set out on pages 28 to 29 of this annual report. In accordance with article 84 of the Articles, Mr. Kwok Hon Fung, Ms. Mo Wei and Ms. Huang Yumin will retire from the Board by rotation at the 2020 AGM and, being eligible, offer themselves for re-election. In addition, pursuant to article 83(3) of the Articles, Mr. Steve Andrew Chen shall hold office until next general meeting of the Company and be subject to re-election. As such, Mr, Steve Andrew Chen shall retire at the 2020 AGM and being eligible, will offer himself for re-election at the 2020 AGM.

No Director proposed for re-election at the 2020 AGM has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

The remuneration policy and remuneration packages of the executive Directors and senior management are reviewed by the remuneration committee of the Company which are detailed in the paragraph headed "Remuneration Committee" under the corporate governance report on page 20 of this annual report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or in existence during the Year.

CONFIRMATION OF INDEPENDENCE

The Company considers that Mr. Steve Andrew Chen has met the independence guidelines set out in Rule 3.13 of the Listing Rules.

The Company has also received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules and considers all the independent non-executive Directors to be independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests and short positions in the Shares, underlying Shares and debentures and associated corporations:

Name	Position	Nature of interest	Number of issued ordinary shares held	Number of underlying shares under share options held [3]	Total	Approximate percentage of shareholding
Mr. Kwok Kin Sun [1]	Long	Interest in a controlled corporation	925,000,000	–	925,000,000	48.09%
Mr. Kwok Hon Fung [2]	Long	Interest in a controlled corporation	201,398,000	–	201,398,000	10.47%
Mr. Cheung Chiu Tung	Long	Beneficial owner	–	1,200,000	1,200,000	0.0624%

Notes:

(1) Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares held by Everkept Limited ("Everkept") by reason of his 70% interest in the share capital of Everkept.

(2) Mr. Kwok Hon Fung, an executive Director, the chief executive officer of the Group and the son of Mr. Kwok Kin Sun,, is deemed to be interested in all the Shares held by Equal Plus Limited ("Equal Plus") by reason of his 100% interest in the share capital of Equal Plus.

(3) These are shares subject to the exercise of the share options granted by the Company under the Share Option Scheme on 7 October 2015. Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" below.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executive of the Company had or were deemed to have any interests or a short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

Save as disclosed in the section headed "Share Option Scheme" below, during the Year, no rights to acquire benefits by means of acquisition of Shares in or debenture of the Company were granted to any Directors or their respective spouse or minor children, or were any such rights excised by them; nor was the Company, or any of its subsidiaries a party to any arrangement which enabled the Directors to acquire such rights in and other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, so far as the Directors are aware, having made all reasonable enquiries, the following table sets out interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors and chief executive as disclosed above) as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Donghai International Financial Holdings Company Limited	Long	Security interest in Shares	925,000,000	48.09%
東海證券股份有限公司	Long	Security interest in Shares	925,000,000	48.09%
Ms. Wong Tung Yam (1)	Long	Interest of spouse	925,000,000	48.09%
Everkept	Long	Beneficial owner	925,000,000	48.09%
Prosper Synergy Holdings Limited	Long	Beneficial owner	242,868,732	12.63%
Ms. Zhao Wei	Long	Beneficial owner	242,868,732	12.63%
Equal Plus	Long	Beneficial owner	201,398,000	10.47%

Note:

(1) Ms. Wong Tung Yam, the spouse of Mr. Kwok Kin Sun, the chairman of the Board and an executive Director, is deemed to be interested in all the Shares in which Mr. Kwok Kin Sun is interested.

Save as disclosed above, as at 31 December 2019, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

CHANGE OF DIRECTORS

Details in relation to the change of directors during the Year are set out in the section headed "Corporate Governance Report" in this annual report.

CONNECTED TRANSACTIONS

During the Year, the Group has not entered into any connected transaction that is not fully exempted under Chapter 14A of the Listing Rules. The material related party transactions entered into by the Group during the Year, as disclosed in note 38 to the consolidated financial statements (except for the remuneration of the Directors) did not constitute connected transactions (as defined under the Listing Rules).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 38 to the consolidated financial statements, there was no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted for the Year.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

During the financial year, save as disclosed in note 38 to the consolidated financial statements, there had been no transaction, arrangement or contract of significance in which a Director or a controlling shareholder (or an entity connected with a Director or a controlling shareholder) is or was materially interested, either directly or indirectly.

COMPETING BUSINESS

None of the Directors had any interest in any competing business with the Company or any of its subsidiaries during the Year. Each of Mr. Kwok Kin Sun and Everkept Limited (the Controlling Shareholders) has confirmed to the Company that he/it has complied with the non-compete undertaking given by them to the Company on 9 June 2014. The independent non-executive Directors have reviewed the status of compliance and enforcement of the non-compete undertaking and confirmed that all the undertakings thereunder have been complied with throughout the Year.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 June 2014 (the "Share Option Scheme") for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons (as defined below) who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 9 June 2014. As at 31 December 2019, the remaining life of the Share Option Scheme was approximately 4 years and 5 months.

Eligible participants of the Share Option Scheme include, (i) any proposed, full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; (ii) any director or proposed director (including an independent non-executive director) of the Company or any of its subsidiaries; (iii) any direct or indirect shareholder of the Company or any of its subsidiaries; (iv) any supplier, customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of the Company or any of its subsidiaries; (v) any person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of the Company or any of its subsidiaries and (vi) any associate of any of the persons referred to in paragraphs (i) to (v) above (the person referred above are the "Eligible Persons").

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 48,000,000 Shares. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

(i) renew this limit at any time to 10% of the Shares in issue as at the date of the approval by the Shareholders in general meeting; and/or

(ii) grant options beyond the 10% limit to eligible participants specifically identified by the Board.

Notwithstanding the foregoing, the maximum number of Shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the Shares in issue from time to time.

The maximum number of Shares issued and to be issued upon the exercise of options granted under the Share Option Scheme (including exercised or outstanding options) to each grantee within any 12-month period, is limited to 1% of the Shares in issue at any time. Any further grant of options in excess of this 1% limit shall be subject to: (i) the issue of a circular by the Company; and (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time.

Share options granted to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive Directors. In addition, any share options granted to a substantial Shareholder or an independent non-executive Director, or to any of their associates, in excess of 0.1% of the Shares in issue at any time and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

The Board shall not offer the grant of any option to any Eligible Person after inside information has come to its knowledge until it has announced the information pursuant to the requirements of the Listing Rules. In particular, no option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for the Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements provided that no option may be granted during any period of delay in publishing a results announcement.

The exercise period of the share options granted is determinable by the Directors, which period may commence from the date of the offer of the share options, and end on a date which is not later than ten years from the date of grant of the share options subject to the provisions for early termination thereof. There is no minimum period for which an option must be held before it can be exercised. Participants of the Share Option Scheme are required to pay the Company HK$1.0 upon acceptance of the grant within 30 days after the offer date.

The exercise price of the share options is determinable by the Directors, but shall not be less than the highest of (i) the closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet on the date of the offer for the grant, which must be a business day; (ii) the average closing price of the Shares as quoted on the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of a Share.

On 7 October 2015 (the "Date of offer"), the Company granted options to subscribe for an aggregate of 3,300,000 ordinary shares of HK$0.01 each in the share capital of the Company to Eligible Persons of the Group under the Share Option Scheme at an exercise price of HK$3.56 per Share. The closing prices of the Shares immediately before the Date of Offer and on the Date of Offer were HK$3.54 and HK$3.56 respectively. The offers were accepted by the grantees within 30 days after the Date of Offer. As a result of the share subdivision effected on 17 October 2019, the exercise prices were adjusted to HK$0.89.

Details of movements of the share options during the Year are set out below:

				Number of Share Options					
Category	Date of grant	Exercise price (HK$)	Exercisable period	As at 1 January 2019	Granted	Exercised	Cancelled	Lapsed	As at 31 December 2019
Directors									
Cheung Chiu Tung	7 October 2015	0.89	7 October 2016 to 6 October 2021	400,000	–	–	–	–	400,000
	7 October 2015	0.89	7 October 2017 to 6 October 2022	400,000	–	–	–	–	400,000
	7 October 2015	0.89	7 October 2018 to 6 October 2023	400,000	–	–	–	–	400,000
Subtotal				1,200,000	–	–	–	–	1,200,000
Employee(Note)	7 October 2015	0.89	7 October 2016 to 6 October 2021	–	–	–	–	–	–
	7 October 2015	0.89	7 October 2017 to 6 October 2022	800,000	–	–	–	800,000	–
	7 October 2015	0.89	7 October 2018 to 6 October 2023	800,000	–	–	–	800,000	–
Subtotal				1,600,000	–	–	–	(1,600,000)	–
Total				2,800,000	–	–	–	(1,600,000)	1,200,000

Note: Following the employee's registration during the year, the share option held by the employee lapsed during the year.

As disclosed above, the exercise period of 400,000 of Shares is from 7 October 2016 to 6 October 2021, the exercise period of 400,000 of Shares is from 7 October 2017 to 6 October 2022, and the exercise period of 400,000 of Shares is from 7 October 2018 to 6 October 2023, so the total number of Shares available for issue under the Share Option Scheme is 1,200,000, representing 0.06% of the Company's issued share capital as at 31 December 2019.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 31 to the consolidated financial statements.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS

The Group's operations are mainly carried out by the Company's subsidiaries in the mainland China while the Company itself is listed on the Stock Exchange. Our establishment and operations accordingly shall comply with relevant laws and regulations in the mainland China and Hong Kong. During the Year and up to the date of this report, we have complied with all the relevant laws and regulations in the mainland China and Hong Kong, including those governing labor and safety and emissions control. Our Directors are not aware of any legal, arbitration or administrative proceedings against the Company that will have a material adverse effect on our business, financial condition or results of operations.

REPORT OF THE DIRECTORS

IMPORTANT EVENTS AFTER THE REPORT PERIOD

At the beginning of 2020, the COVID-19 outbreak had certain impact on the Group's businesses, but the Group quickly responded with caution and is actively taking all possible measures to bring the business operation back to normal in a timely fashion. As of the date of this announcement, all factories of the Group have resumed production. The management of the Group will remain vigilant to the development of COVID-19 outbreak and continuously evaluate the potential impacts on its businesses.

AUDITOR

The consolidated financial statements for the Year have been audited by Elite Partners CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the 2020 AGM. A resolution for the re-appointment of Elite Partners CPA Limited as auditors of the Company is to be proposed at the 2020 AGM.

On behalf of the Board

Kwok Kin Sun
Chairman

Hong Kong
8 May 2020

INDEPENDENT AUDITOR'S REPORT

To the members of China Fordoo Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Fordoo Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 145, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 2019, 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.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of construction in progress	
As at 31 December 2019, the Group had construction in progress of approximately RMB376,700,000 which represents the construction of a commercial centre located in Hui'an, Fujian Province detailed of which has been set out as in note 14. During the year ended 31 December 2019, the Group recognised impairment loss of construction in progress of approximately RMB147,275,000. For the purpose of impairment assessment of construction in progress, the Group appointed an independent external valuer to assess the recoverable amount of the construction in progress at the end of the reporting period. We had identified impairment of construction in progress as a key audit matter because the balance was material and significant management judgement, assumptions and other inputs for the estimation of future recoverable amount.	Our major audit procedures in relation to the impairment assessment of construction in progress included the following: – We discussed with management as to whether there was any indicator of impairment. – We obtained construction timetable prepared by management and approved by the directors of the Company. – We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at a fair comparison of market values to see whether the methodology and assumptions used were reasonable and appropriate. – We checked, on a sample basis, the accuracy and reliance of the input data used. – We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of goodwill and intangible assets	
During the year ended 31 December 2019, the Group recognised impairment loss of goodwill and intangible assets of approximately RMB46,880,000 and RMB6,457,000 respectively which were belongs to multiple cash generating units ("CGUs") as detailed in note 15 and note 19. For the purpose of the impairment assessment of goodwill and intangible assets, the Group appointed an independent external valuer to assess the recoverable amount of the CGUs at the end of the reporting period. We had identified impairment assessment of goodwill and intangible assets as a key audit matter because the balance was material and significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc.	Our major audit procedures in relation to the impairment assessment of goodwill and intangible assets included the following: – We discussed with management as to whether there was any indicator of impairment. – We obtained cash flow forecasts relating to the CGU prepared by management and approved by the directors of the Company. – We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable and appropriate. – We checked, on a sample basis, the accuracy and reliance of the input data used. – We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

Key audit matter	How the matter was addressed in our audit
Impairment of trade receivables	
As at 31 December 2019, the Group had trade receivables of approximately RMB343,712,000 with net of allowance of approximately to RMB207,532,000. Management judgment is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using the expected credit losses ("ECL") model under IFRS 9 "Financial Instruments". We had identified impairment assessment of trade receivables as a key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.	Our major audit procedures relating to the impairment assessment of trade receivables included the following: – We tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks, and determination of allowance for expected credit losses. – We discussed with management and evaluated the ECL model used in determining the allowance for expected credit losses. We challenged and evaluated management's assessment on both the quantitative and qualitative information considered by them that is reasonable and supportable, including historical experience and forward looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses. – We tested subsequent settlement of trade receivables balances on a sample basis. – We assessed whether the time value of money was considered in the expected credit loss impairment model and checked the mathematical accuracy of the calculations. – We assessed the adequacy of the Group's disclosures in relation to trade receivables included in the consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The audit committee are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yip Kai Yin with Practising Certificate number P05131.

Elite Partners CPA Limited
Certified Public Accountants

10/F., 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong
8 May 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000 (Re-presented)
Continuing operations			
Revenue	5	**358,987**	580,560
Cost of sales		**(223,770)**	(386,025)
Gross profit		**135,217**	194,535
Other income and other gains or losses	6	**2,683**	10,139
Impairment loss of goodwill		**(46,880)**	(25,576)
Impairment loss of intangible assets		**(6,457)**	–
Impairment loss of construction in progress		**(147,275)**	–
Selling and distribution expenses		**(78,780)**	(56,452)
Administrative and other operating expenses		**(166,500)**	(149,357)
Loss from operations		**(307,992)**	(26,711)
Finance costs	7(a)	**(28,810)**	(25,813)
Loss before taxation	7	**(336,802)**	(52,524)
Income tax	8	**33,059**	7,320
Loss for the year from continuing operations		**(303,743)**	(45,204)
Discontinued operations			
(Loss)/Profit for the year from discontinued operations		**(7,534)**	1,065
Loss for the year		**(311,277)**	(44,139)
Other comprehensive (expenses)/income for the year			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC") to presentation currency		**(1,309)**	4,813
Exchange reserve realised on disposal of subsidiaries		**245**	–
Other comprehensive (expenses)/income for the year		**(1,064)**	4,813
Total comprehensive expenses for the year		**(312,341)**	(39,326)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000 (Re-presented)
(Loss)/Profit for the year attributable to equity holders of the Company			
— from continuing operations		**(303,743)**	(45,204)
— from discontinued operations		**(7,178)**	767
		(310,921)	(44,437)
(Loss)/Profit for the year attributable to non-controlling interest			
— from continuing operations		**–**	–
— from discontinued operations		**(356)**	298
		(356)	298
		(311,277)	(44,139)
Total comprehensive (expense)/income attributable to:			
Equity holders of the Company		**(311,985)**	(39,624)
Non-controlling interest		**(356)**	298
		(312,341)	(39,326)
Loss per share (RMB cents)			
Basic and diluted	11		
— from continuing and discontinued operations		**(16.16)**	(2.31)
— from continuing operations		**(15.79)**	(2.35)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Property, plant and equipment	12	**245,277**	254,476
Biological assets	13	**–**	2,774
Construction in progress	14	**376,700**	359,906
Prepayment for construction in progress		**–**	150,000
Goodwill	15	**–**	46,976
Deposits placed for life insurance		**7,050**	6,858
Investment properties	16	**21,368**	22,556
Lease prepayments	17	**–**	253,938
Right-of-use assets	18	**249,000**	–
Intangible assets	19	**120,122**	158,012
Deposit for acquisition of intangible assets		**–**	12,917
Investment in an associate	20	**–**	–
Deferred tax assets	29(a)	**72,948**	58,469
Financial assets at amortised cost	21	**–**	41,612
		1,092,465	1,368,494
Current assets			
Inventories	22	**28,785**	44,669
Biological assets	13	**–**	1,871
Trade and other receivables	23	**185,040**	222,880
Pledged bank deposits	24	**12,708**	70,565
Fixed deposits held at bank with original maturity over three months	25(a)	**4,000**	12,530
Cash and cash equivalents	25	**471,354**	541,359
		701,887	893,874
Current liabilities			
Trade, bills and other payables	26	**141,307**	244,461
Bank and other borrowings	27	**409,800**	434,800
Lease liabilities	28	**2,043**	–
Corporate bonds	30	**28,604**	–
Current taxation		**6,711**	8,662
		588,465	687,923
Net current assets		**113,422**	205,951
Total assets less current liabilities		**1,205,887**	1,574,445

The notes on pages 73 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Deferred tax liabilities	*29(a)*	**46,041**	70,225
Bank and other borrowings	*27*	**–**	50,000
Lease liabilities	*28*	**943**	–
Corporate bonds	*30*	**64,729**	44,494
		111,713	164,719
Net assets		**1,094,174**	1,409,726
Capital and reserves			
Share capital	*35(a)*	**3,819**	3,819
Reserves	*35(b)*	**1,090,355**	1,402,340
Equity attributable to equity holders of the Company		**1,094,174**	1,406,159
Non-controlling interest		**–**	3,567
Total equity		**1,094,174**	1,409,726

Approved and authorised for issue by the board of directors on 8 May 2020.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

The notes on pages 73 to 145 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019
(Expressed in Renminbi)

		Attributable to equity owners of the Company									
	Notes	Share capital RMB'000 Note 35(a)	Share premium RMB'000 Note 35(b)(i)	Statutory reserve RMB'000 Note 35(b)(ii)	Capital reserve RMB'000 Note 35(b)(iii)	Exchange reserve RMB'000 Note 35(b)(iv)	Share-based payment reserve RMB'000 Note 35(b)(v)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 31 December 2017		3,819	136,871	127,396	39,023	(15,805)	347	1,160,618	1,452,269	-	1,452,269
Effect on initial application of IFRS 9		-	-	-	-	-	-	(6,750)	(6,750)	-	(6,750)
Adjusted balance at 1 January 2018		3,819	136,871	127,396	39,023	(15,805)	347	1,153,868	1,445,519	-	1,445,519
Changes in equity for 2018:											
(Loss)/profit for the year		-	-	-	-	-	-	(44,437)	(44,437)	298	(44,139)
Other comprehensive income for the year	35(b)(iv)										
Exchange differences on translation of foreign operations		-	-	-	-	4,813	-	-	4,813	-	4,813
Total comprehensive income		-	-	-	-	4,813	-	(44,437)	(39,624)	298	(39,326)
Appropriation to statutory reserve	35(b)(ii)	-	-	1,502	-	-	-	(1,502)	-	-	-
Equity-settled share-based payments for employees	35(b)(v)	-	-	-	-	-	264	-	264	-	264
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	3,269	3,269
At 31 December 2018		3,819	136,871	128,898	39,023	(10,992)	611	1,107,929	1,406,159	3,567	1,409,726
At 1 January 2019		**3,819**	**136,871**	**128,898**	**39,023**	**(10,992)**	**611**	**1,107,929**	**1,406,159**	**3,567**	**1,409,726**
Changes in equity for 2019:											
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(310,921)**	**(310,921)**	**(356)**	**(311,277)**
Other comprehensive income for the year	35(b)(iv)										
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**(1,309)**	**-**	**-**	**(1,309)**	**-**	**(1,309)**
Exchange reserve realised on disposal of subsidiaries		**-**	**-**	**-**	**-**	**245**	**-**	**-**	**245**	**-**	**245**
Total comprehensive income		**-**	**-**	**-**	**-**	**(1,064)**	**-**	**(310,921)**	**(311,985)**	**(356)**	**(312,341)**
Lapse of share options		**-**	**-**	**-**	**-**	**-**	**(445)**	**445**	**-**	**-**	**-**
Disposal of subsidiaries		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,211)**	**(3,211)**
At 31 December 2019		**3,819**	**136,871**	**128,898**	**39,023**	**(12,056)**	**166**	**797,453**	**1,094,174**	**-**	**1,094,174**

The notes on pages 73 to 145 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019
(Expressed in Renminbi)

	Notes	2019 RMB'000	2018 RMB'000
Operating activities			
Cash (used in)/generated from operations	*25(b)*	**(76,058)**	110,329
Income tax paid		**(8,177)**	(11,012)
Net cash (used in)/generated from operating activities		**(84,235)**	99,317
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(35,720)**	(7,945)
Prepayment for construction in progress		**(14,069)**	(16,592)
Net cash inflow from acquisition of subsidiaries		**–**	(4,882)
Proceeds from disposal of property, plant and equipment		**171**	4,673
Decrease/(increase) in fixed deposit held at banks with original maturity over three months		**8,530**	(4,775)
Decrease/(increase) in pledged bank deposits		**57,857**	(2,679)
Interest received		**4,148**	2,336
Deposit placed for a life insurance policy		**–**	(6,576)
Payment for purchase of financial assets at amortised cost		**–**	(42,000)
Refund of financial assets at amortised cost		**2,000**	–
Net cash inflow from disposal of subsidiaries		**12,757**	–
Net cash generated from/(used in) investing activities		**35,674**	(78,440)
Financing activities			
Proceeds from bank and other borrowings		**453,800**	529,800
Repayment of bank and other borrowings		**(491,627)**	(527,992)
Interest paid		**(24,024)**	(31,309)
Proceeds from issue of corporate bonds		**42,521**	47,876
Capital elements to lease liabilities		**(2,109)**	–
Payment for right of use asset		**(5)**	–
Net cash (used in)/generated from financing activities		**(21,444)**	18,375
Net (decrease)/increase in cash and cash equivalents		**(70,005)**	39,252
Cash and cash equivalents at 1 January		**541,359**	502,107
Cash and cash equivalents at 31 December	*25(a)*	**471,354**	541,359

The notes on pages 73 to 145 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

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

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

At 31 December 2019, the directors consider the immediate parent of the Company to be Everkept Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Kwok Kin Sun.

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

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

The Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to IFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited consolidated financial statements.

Impacts and changes in accounting policies of application on IFRS 16 Leases

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("IAS 17"), and the related interpretations.

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

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

Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

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

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

Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB942,000 and right-of-use assets of RMB254,898,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.59%.

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position at 1 January 2019:

	RMB'000
Operating lease commitment at 31 December 2018	1,615
Less: recognition exemption — short-term leases	(581)
Less: future interest expenses	(92)
Total lease liabilities at 1 January 2019	942
Lease liabilities	
Current	548
Non-current	394
	942

The Carrying amount of right-of-use assets at 1 January 2019 comprises as following:

	RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	942
Reclassified from prepaid rent included in other receivables, deposits and prepayments	18
Reclassified from lease prepayments	253,938
	254,898

(Expressed in Renminbi unless otherwise indicated)

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

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

Impacts and changes in accounting policies of application on IFRS 16 Leases (Continued)

Transition and summary of effects arising from initial application of IFRS 16 (Continued)

As a lessee (Continued)

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amount previously reported at 31 December 2018	Adjustments	Carrying amount under IFRS 16 at 1 January 2019
	RMB'000	RMB'000	RMB'000
Non-current assets			
Lease prepayments	253,938	(253,938)	**–**
Right-of-use assets	–	254,898	**254,898**
Current assets			
Other receivables, deposits and prepayments	18	(18)	**–**
Current liabilities			
Lease liabilities	–	548	**548**
Non-current liabilities			
Lease liabilities	–	394	**394**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

(Expressed in Renminbi unless otherwise indicated)

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

2.2 New and amendments IFRSs that are not mandatorily effective for the current year

The Group has not applied any of the following new and revised IFRSs that have been issued but are not yet mandatorily effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current and Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2020

5 Effective for annual periods beginning on or after 1 January 2022

The directors of the Company consider that the application of all new and amendments to IFRSs and IASs is unlikely to have a material impact on the Group's financial position and performance as well as disclosure in foreseeable future.

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments the Amendments to Reference to the Conceptual Framework in IFRS Standards, will be effects for annual period beginning on or after 2020.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with applicable IFRSs, which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by IASB and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16 (since 1 January 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Basis of preparation of the financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

These consolidated financial statements are presented in Renminbi ("RMB") rounded to the nearest thousand, except when otherwise indicated. The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flow and any unrealised profits arising from intra-group transactions are eliminated in full in preparing these consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position (see note 39), an investment in a subsidiary is stated at cost less impairment losses.

(d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business combinations and goodwill (Continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent year.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

No depreciation is provided in respect of construction in progress.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

- Buildings held for own use which are situated on leasehold land are depreciated over the shorter of the unexpired term of the lease and their estimated useful lives, being no more than 30 years after the date of completion.
- Plant and machinery 10 years
- Motor vehicles 5 years
- Furniture and fixtures 5 years

Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Constructions in progress

Constructions in progress represents a project under construction, which is stated at cost less any impairment losses, and is not depreciated cost comprise the direct cost of construction and capitalised borrowing cost on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

(g) Investment properties

Investment properties are property owned or held under a leasehold interest to earn rental income and/or for capital appreciation. Investment properties are measured at cost less accumulated depreciation and impairment losses. Depreciation is recognised in profit or loss on a straight-line basis over the shorter of the unexpired term of lease and its estimated useful life, being no more than 30 years after the date of completion.

(h) Lease prepayments

Under IAS17 (prior to 1 January 2019)

Lease prepayments represent cost of acquiring land use rights paid to the mainland China's government authorities. Land use rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the respective periods of the rights which are 33–36 years.

Upon the adoption of IFRS 16 on 1 January 2019

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of leasehold properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option.

Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Lease prepayments (Continued)

Upon the adoption of IFRS 16 on 1 January 2019 (Continued)

As a lessee (Continued)

Right-of-use assets

Except for short-term leases, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The right-of-use asset is presented as a separate line in the consolidated statements of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Lease prepayments (Continued)

Upon the adoption of IFRS 16 on 1 January 2019 (Continued)

As a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed lease payments (including in-substance fixed payments).

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

As a lessor

The Group enters into lease agreements as a lessor with respect to its investment properties to other parties.

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Rental income from leases is recognised in other income on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging a lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The computer software is amortised from the date it is available for use and its estimated useful life is 10 years.

Both the useful life and method of amortisation are reviewed annually.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instrument

The Group recognises a loss allowance for expected credit losses ("ECLs") on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, trade receivables and other receivables, which are held for the collection of contractual cash flows which represent solely payments of principal and interest);

Other financial assets measured at fair value, are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof;

– lease receivables: discount rate used in the measurement of the lease receivable.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instrument (Continued)

Measurement of ECLs (Continued)

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

— 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

— lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instrument (Continued)

Significant increases in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Credit losses and impairment of assets (Continued)

(i) Credit losses from financial instrument (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or past due event;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation; or
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

The gross carrying amount of a financial asset, lease receivable or contract asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the writeoff.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

(ii) Impairment of other non-current assets

Internal and external sources of information are reviewed at the end of the reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- investment properties;
- right-of-use assets; and
- intangible assets.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

(ii) Impairment of other non-current assets (Continued)

If any such indication exists, the asset's recoverable amount is estimated.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use (if determinable).

- *Reversals of impairment losses*

  An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period when the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

Bills receivable are derecognised if substantially all the risks and rewards of ownership of the bills receivable are transferred. If substantially all the risks and rewards of ownership of bills receivable are retained, the bills receivable are continued to recognise in the consolidated statement of financial position.

(m) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(n) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(p) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC and Hong Kong are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (Continued)

(ii) Share-based payments for employees

The fair value of share options granted to employees of the Group is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using binomial model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

All deferred tax liabilities and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax (Continued)

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Revenue from contracts with customers

Under IFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

(t) Translation of foreign currencies

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("functional currency"). The functional currency of the Company and its subsidiaries outside the PRC is Hong Kong Dollars ("HKD") and the functional currency of the subsidiaries in the PRC is RMB.

The consolidated financial statement are presented in RMB since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

The results of operations outside the PRC are translated into RMB at the average exchange rates for the year which approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare that asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Research and development expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Expenditure on development activities is capitalised if the product or process under development is technically and commercially feasible and the Group has sufficient resources and the intention to complete the development. The expenditure capitalised includes the costs of materials, direct labor, and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the year in which it is incurred.

(w) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value excepts for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 January 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and other payable are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values.

It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9 (since 1 January 2018)/IAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of IFRS 9 on 1 January 2018); and

- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

(z) Biological assets

Biological assets are living animals managed by the Group which is involved in the agricultural activities of the transformation of biological assets for sale, into additional biological assets. Biological assets are measured at fair value less costs to sell at initial recognition and at the end of each reporting period. The fair value of biological assets is determined based on either the present value of expected net cash flows from the biological assets discounted at a current market-determined pre-tax rate.

The gain or loss arising on initial recognition of biological asset at fair value less costs to sell and from a change in fair value less costs to sell is recognised in profit or loss for the financial year in which it arises.

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

For the year ended 31 December 2019

	Continuing operations			Discontinued operations			
	Menswear RMB'000	Unallocated RMB'000	Sub-total RMB'000	Other RMB'000	Unallocated RMB'000	Sub-total RMB'000	Consolidated RMB'000
Revenue	358,987	-	358,987	19,960	-	19,960	378,947
Segment result before the following items	(42,405)	-	(42,405)	(12,900)	-	(12,900)	(55,305)
Impairment of intangible assets	(6,457)	-	(6,457)	-	-	-	(6,457)
Impairment of goodwill	(46,880)	-	(46,880)	-	-	-	(46,880)
Allowance for ECL, net	(62,745)	-	(62,745)	-	-	-	(62,745)
Segment result	(158,487)	-	(158,487)	(12,900)	-	(12,900)	(171,387)
Other revenue and unallocated gains		1,374	1,374		5,405	5,405	6,779
Corporate and other unallocated expenses		(179,689)	(179,689)		-	-	(179,689)
Loss before tax			(336,802)			(7,495)	(344,297)
Tax expense	33,059	-	33,059	(39)	-	(39)	33,020
			(303,743)			(7,534)	(311,277)

4 SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

For the year ended 31 December 2018

	Continuing operations			Discontinued operations			
	Menswear RMB'000 (Re-presented)	Unallocated RMB'000 (Re-presented)	Sub-total RMB'000 (Re-presented)	Other RMB'000 (Re-presented)	Unallocated RMB'000 (Re-presented)	Sub-total RMB'000 (Re-presented)	Consolidated RMB'000 (Re-presented)
Revenue	580,560	–	580,560	30,489	–	30,489	611,049
Segment result before the following item	20,531	–	20,531	2,505	–	2,505	23,036
Impairment of intangible assets	–	–	–	–	–	–	–
Impairment of inventory	(3,954)	–	(3,954)	–	–	–	(3,954)
Impairment of goodwill	(25,576)	–	(25,576)	–	–	–	(25,576)
Allowance for ECL, net	(19,280)	–	(19,280)	–	–	–	(19,280)
Segment result	(28,279)	–	(28,279)	2,505	–	2,505	(25,774)
Other revenue and unallocated gains		626	626		790	790	1,416
Corporate and other unallocated expenses		(24,871)	(24,871)		(1,906)	(1,906)	(26,777)
Loss before tax			(52,524)			1,389	(51,135)
Tax expense	7,320	–	7,320	(420)	96	(324)	6,996
			(45,204)			1,065	(44,139)

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

	Continuing operations			Discontinued operations			
	Menswear RMB'000	Unallocated RMB'000	Sub-total RMB'000	Other RMB'000	Unallocated RMB'000 Re-presented	Sub-total RMB'000 Re-presented	Consolidated RMB'000 Re-presented
Segment assets	1,398,714	755,076	2,153,790	63,127	45,451	108,578	2,262,368
Segment liabilities	669,112	79,333	748,445	42,769	61,428	104,197	852,642

(a) Geographical information

The following table presents the Group's geographical information in terms of revenue for the years ended 31 December 2019 and 2018:

	Continuing operations		**Discontinued operations**		**Total**	
	2019 RMB'000	2018 RMB'000 (Re-presented)	**2019 RMB'000**	2018 RMB'000 (Re-presented)	**2019 RMB'000**	2018 RMB'000 (Re-presented)
China	**349,487**	400,463	**19,960**	30,489	**369,447**	430,952
US	**-**	678	**-**	–	**-**	678
Hong Kong	**9,500**	179,419	**-**	–	**9,500**	179,419
	358,987	580,560	**19,960**	30,489	**378,947**	611,049

(b) Non-current assets

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

Information about major customers

No revenue from any single customer of the Group (2018: one customer amounting to approximately RMB88,366,000) accounted for over 10% of the Group's total revenue.

5 REVENUE

The main business activities of the Group are manufacturing and wholesaling of menswear in the PRC. Revenue represents the sales value of goods sold less discounts and Value Added Tax ("VAT").

Revenue by product type is as follows:

	2019 RMB'000	2018 RMB'000 (Re-presented)
Continuing operations		
Men's trousers	**189,758**	321,860
Men's tops	**168,508**	257,747
Accessories	**721**	953
	358,987	580,560
Timing of revenue recognition		
At a point of time	**358,987**	580,560

6 OTHER INCOME AND OTHER GAINS OR LOSSES

	2019 RMB'000	2018 RMB'000 (Re-presented)
Continuing operations		
Interest income	**4,758**	1,522
Rental income from investment properties less direct outgoings	**1,415**	1,472
Service income	**1,380**	–
Government grants	**353**	474
Net foreign exchange (loss)/gain	**(947)**	6,616
Net loss on disposal of property, plant and equipment	**(4,447)**	(279)
Others	**171**	334
	2,683	10,139

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

(Expressed in Renminbi unless otherwise indicated)

7 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2019 RMB'000	2018 RMB'000 (Re-presented)
Continuing operations		
(a) Finance costs:		
Interest on corporate bonds	**7,836**	4,895
Interest on bank and other borrowings	**20,896**	20,918
Interest on lease liabilities	**78**	–
	28,810	25,813
(b) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plans	**956**	1,331
Salaries, wages and other benefits	**42,515**	65,957
Equity-settled share-based payment expenses for employees	**–**	264
	43,471	67,552
(c) Other items:		
Amortisation of lease prepayments	**–**	7,109
Amortisation of intangible assets	**44,164**	43,734
Depreciation of property, plant and equipment	**17,449**	17,617
Depreciation of investment properties	**1,188**	1,187
Depreciation of right-of-use assets	**8,496**	–
Auditors' remuneration	**1,936**	1,928
Research and developments expenses *(note (i))*	**8,534**	16,129
Cost of inventories *(note (ii))*	**223,770**	386,025
Allowance for ECL, net	**62,745**	19,280
Impairment of inventories	**–**	3,954
Written-off of trade receivable	**857**	–
Operating lease payment	**–**	1,842
Expense related to short-term leases	**631**	–

Notes:

(i) Research and development costs include staff costs working in Group's design and product development department. The staff costs disclosed in note 7(b) included such an amount.

(ii) Included in cost of sales are RMB20,601,000 of staff costs, depreciation and amortisation charges for the year ended 31 December 2019 (2018: RMB47,683,000), which are also included in the respective amounts disclosed in note 7(b).

(Expressed in Renminbi unless otherwise indicated)

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

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

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Continuing operations		
Current tax		
Provision for PRC enterprises income tax for the year	**6,226**	15,705
Deferred tax credit	**(39,285)**	(23,025)
	(33,059)	(7,320)

Notes:

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), none of the members of the Group are subject to any income tax in the Cayman Islands or BVI.

(ii) No provision has been made for Hong Kong Profits Tax as none of the members of the Group earned any income that was subject to Hong Kong Profits Tax for the years ended 31 December 2019 and 2018.

(iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC enterprises income tax is calculated based on the statutory rate of 25% of the assessable profits of subsidiaries incorporated in the PRC.

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

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Continuing operations		
Loss before taxation	**(336,802)**	(52,524)
Notional tax on profit before taxation, calculated at the rates applicable to profit in the tax jurisdictions concerned	**(78,402)**	(9,757)
Effect of non-deductible expenses	**335**	213
Effect of income not taxable for tax purposes	**(16,233)**	(730)
Effect of tax losses not recognised	**61,241**	2,954
Actual tax credit	**(33,059)**	(7,320)

9 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation are as follows:

Year ended 31 December 2019

	Directors' fees RMB'000	Salaries, allowances and benefit in kind RMB'000 *(note i)*	Retirement scheme contributions RMB'000	2019 Total RMB'000
Executive Directors				
Mr. Kwok Kin Sun	–	512	16	528
Mr. Kwok Hon Fung	–	512	16	528
Ms. Mo Wei *(note (vi))*	–	512	16	528
Sub-total	–	1,536	48	1,584
Independent Non-executive Directors				
Mr. Cheung Chiu Tung	110	–	–	110
Mr. Poon Yick Pang Philip	194	–	–	194
Ms. Huang Yumin *(note (v))*	106	–	–	106
Sub-total	410	–	–	410
Total	410	1,536	48	1,994

(Expressed in Renminbi unless otherwise indicated)

9 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2018

	Directors' fees RMB'000	Salaries, allowances and benefit in kind RMB'000 *(note i)*	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments for employees RMB'000 *(note ii)*	2018 Total RMB'000
Executive Directors						
Mr. Kwok Kin Sun	–	508	12	520	–	520
Mr. Kwok Hon Fung	–	508	15	523	–	523
Ms. Yuan Mei Rong *(note (iv))*	–	486	–	486	28	514
Ms. Mo Wei *(note (vi))*	–	423	13	436	–	436
Sub-total	–	1,925	40	1,965	28	1,993
Independent Non-executive Directors						
Mr. Cheung Chiu Tung	110	–	–	110	14	124
Mr. Poon Yick Pang Philip	187	–	–	187	–	187
Mr. Shen Li *(note (iii))*	7	–	–	7	–	7
Ms. Huang Yumin *(note (v))*	102	–	–	102	–	102
Sub-total	406	–	–	406	14	420
Total	406	1,925	40	2,371	42	2,413

Notes:

(i) Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

(ii) These amounts relate share options granted to the directors under the Company's share option scheme. The amounts disclose above are measured according to the Group's accounting policies for share-based payment transactions as set out in note 3(p)(ii).

(iii) Mr. Shen Li resigned as the independent non-executive director of the Company on 1 February 2018.

(iv) Ms. Yuan Mei Rong resigned as the executive director of the Company on 21 December 2018 and will remain as vice general manager of the Group.

(v) Ms. Huang Yumin was appointed as the independent non-executive director of the Company on 1 February 2018.

(vi) Ms. Mo Wei was appointed as the executive director of the Company on 1 March 2018.

During both years, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

(Expressed in Renminbi unless otherwise indicated)

10 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2018: three) are directors whose remuneration is disclosed in note 9 above. The aggregate of the emoluments in respect of the remaining two individuals for 2019 (2018: two) are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	**900**	877
Discretionary bonuses	**90**	4
Retirement scheme contributions	**4**	–
	994	881

The emoluments of the two individuals (2018: two) with the highest emoluments fall within the following bands:

	2019 Number of individuals	2018 Number of individuals
Nil to HK$1,000,000	**2**	2

During both years, no emolument was paid by the Group to the above-mentioned individual as an inducement to join or upon joining the Group or as compensation for loss of office.

(Expressed in Renminbi unless otherwise indicated)

11 LOSS PER SHARE

(a) Basic loss per share

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

	2019 **RMB'000**	2018 RMB'000 (Re-presented)
Loss		
(Loss)/Profit for the year for the purposes of computation of basic loss per share		
— from continuing operations	**(303,743)**	(45,204)
— from discontinued operations	**(7,178)**	767
	(310,921)	(44,437)

	Number of shares **'000**	'000 (Re-stated)
Number of shares		
Weighted average number of ordinary shares in issue *(Note)*	**1,923,600**	1,923,600

Note: The weighted average number of ordinary shares in issue during the year ended 31 December 2018 had been adjusted for share subdivision on 17 October 2019. Details of the share subdivision are set out in Note 35.

(b) Diluted loss per share

The computation of diluted loss per share for the year ended 31 December 2018 and 2019 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.

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:					
At 1 January 2018	347,087	100,505	5,791	31,380	484,763
Additions	5,026	2,388	–	531	7,945
Acquisitions through business combination	14,527	4,459	832	2,146	21,964
Disposals	(4,899)	(3,468)	–	(1,727)	(10,094)
Exchange adjustment	4	–	–	5	9
At 31 December 2018 and 1 January 2019	361,745	103,884	6,623	32,335	504,587
Additions	35,342	257	10	61	35,670
Disposal of subsidiaries	(16,146)	(6,072)	(1,111)	(3,553)	(26,882)
Disposals	(2,105)	(31,898)	(9)	(8,210)	(42,222)
Exchange adjustment	–	–	–	3	3
At 31 December 2019	**378,836**	**66,171**	**5,513**	**20,636**	**471,156**
Accumulated depreciation:					
At 1 January 2018	113,685	88,982	5,086	29,683	237,436
Charge for the year	14,584	2,213	184	826	17,807
Written back on disposals	(299)	(3,152)	–	(1,692)	(5,143)
Exchange adjustment	4	–	–	7	11
At 31 December 2018 and 1 January 2019	127,974	88,043	5,270	28,824	250,111
Charge for the year	15,662	2,136	346	1,092	19,236
Disposal of subsidiaries	(1,901)	(2,112)	(467)	(1,385)	(5,865)
Written back on disposals	(830)	(28,572)	(8)	(8,194)	(37,604)
Exchange adjustment	–	–	–	1	1
At 31 December 2019	**140,905**	**59,495**	**5,141**	**20,338**	**225,879**
Carrying amount:					
At 31 December 2019	**237,931**	**6,676**	**372**	**298**	**245,277**
At 31 December 2018	233,771	15,841	1,353	3,511	254,476

(a) The buildings held for own use are located and erected on land held in the PRC under medium-term leases.

(b) Certain buildings with carrying value of RMB237,931,000 (2018: RMB233,771,000) have been pledged to a bank as security for bank borrowings as at 31 December 2019 (see note 27).

(Expressed in Renminbi unless otherwise indicated)

13 BIOLOGICAL ASSETS

	Gooses	
	2019	2018
	RMB'000	RMB'000
At 1 January	**4,645**	–
Acquisitions through business combination	**–**	4,635
Fair value change of biological assets	**5**	10
Disposal of subsidiaries	**(4,650)**	–
At 31 December	**–**	4,645

Biological assets as at 31 December 2019 and 2018 were stated at fair value less costs to sell and were analysed as follows:

	Gooses	
	2019	2018
	RMB'000	RMB'000
Non-current portion	**–**	2,774
Current portion	**–**	1,871
	–	4,645

Notes:

Measurement of fair value

(i) Fair value hierarchy

The fair value less costs to sell of the Group's biological assets measured at the end of the reporting period on a recurring basis, categorised as level 3 fair value measurement based on the inputs to the valuation techniques used. The valuation of gooses would be performed annually.

During the year ended 31 December 2018, there were no transfers between levels in the hierarchy.

(ii) Level 3 fair value

The following table shows the valuation techniques used in measuring fair values less costs to sell, as well as the significant unobservable inputs used.

			Range		
Type	**Valuation technique**	**Significant unobservable inputs**	**2019**	**2018**	**Inter-relationship between key unobservable inputs and fair value measurement**
Gooses	Market approach with reference to market-determined prices with similar size, species and age	Market-determined price	**N/A**	Weighted average price of RMB352	The higher of market-determined price, the higher of the fair value less costs to sell determined

The quantity of biological assets at the end of each reporting period was as follows:

	2019 Number ('000)	2018 Number ('000)
Gooses	**–**	42

14 CONSTRUCTION IN PROGRESS

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**359,906**	343,314
Additions	**164,069**	16,592
Impairment	**(147,275)**	–
At 31 December	**376,700**	359,906
Net book value:		
At 31 December	**376,700**	359,906

(a) Construction in progress represents costs incurred for the construction of commercial centre located in Hui'an, Fujian Province. The Group proposed to build three commercial buildings and underground car park which targeted to be completed by 2022. The directors of the Company have not finalised how the commercial centre will be used.

(b) As at 31 December 2019, the Group assessed the recoverable amount of construction in progress and the carrying amount of which were written down to their recoverable amount of approximately RMB376,700,000 (2018: RMB359,906,000). Accordingly, an impairment loss of approximately RMB147,275,000 (2018: Nil) was recognised during the year ended 31 December 2019. The estimates of recoverable amount was based on the replacement cost approach carried out by an independent qualified valuer, International Valuation Limited.

15 GOODWILL

	2019 RMB'000	2018 RMB'000
At 1 January	**46,976**	72,456
Addition from business combination	**–**	96
Impairment	**(46,880)**	(25,576)
Disposal of subsidiaries	**(96)**	–
At 31 December	**–**	46,976

The Group performed its annual impairment test for goodwill allocated to the Chameleon Ventures Limited and its subsidiaries (the "Chameleon Group") by comparing its recoverable amount to its carrying amount as at the end of the reporting period. The recoverable amount of the cash generating unit is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of 3% (2018: 3%). The discount rate used of 10.5% (2018: 12.7%) reflects specific risks related to the relevant segment. Other key assumptions for value in use calculations relate to the estimation of cash inflows/outflows which include budged sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Accordingly, impairment on goodwill allocated to the Chameleon Group of RMB46,880,000 (2018: RMB25,576,000) was recognised during the year.

(Expressed in Renminbi unless otherwise indicated)

16 INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January and 31 December	**35,613**	35,613
Accumulated depreciation:		
At 1 January	**13,057**	11,870
Charge for the year	**1,188**	1,187
At 31 December	**14,245**	13,057
Net book value:		
At 31 December	**21,368**	22,556

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

(b) The fair value of the Group's investment properties at 31 December 2019 was RMB35,975,000 (2018: RMB34,100,000). The fair value has been arrived at based on a valuation carried out by Ascent Partners Valuation Service Limited, independent valuers not connected with the Group.

(c) The investment properties were pledged as security for bank borrowings (see note 27).

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

The Group's total future minimum lease payment receivable under non-cancellable operating leases are as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	**1,550**	1,550
After 1 year but within 5 years	**10**	53
	1,560	1,603

17 LEASE PREPAYMENTS

	2019 RMB'000	2018 RMB'000
Cost:		
At 1 January	**292,283**	291,497
Acquisition of a subsidiary	**–**	786
Transfer to right-of-use assets upon IFRS 16	**(292,283)**	–
At 31 December	**–**	292,283
Accumulated amortisation:		
At 1 January	**38,374**	31,259
Charge for the year	**–**	7,086
Transfer to right-of-use assets upon IFRS 16	**(38,374)**	–
At 31 December	**–**	38,345
Carrying amount:		
At 31 December	**–**	253,938

(a) Lease prepayments represented the Group's land use rights on leasehold land located in the PRC. As at 31 December 2018, the remaining period of the land use rights range from 34 to 37 years.

(b) At 31 December 2018, the lease prepayments with carrying value of RMB253,938,000 were pledged as security for bank borrowings (see note 27).

(Expressed in Renminbi unless otherwise indicated)

18 RIGHT-OF-USE ASSETS

	Land use rights RMB'000 *Notes*	Leasehold properties RMB'000	Total RMB'000
Cost			
At 1 January 2019	–	–	–
Transfer upon IFRS 16	253,938	960	254,898
Additions	5	4,583	4,588
Disposal of subsidiaries	(820)	(1,325)	(2,145)
Exchange realignment	–	59	59
At 31 December 2019	**253,123**	**4,277**	**257,400**
Accumulated amortisation			
At 1 January 2019	–	–	–
Amortisation for the year	7,213	1,842	9,055
Disposal of subsidiaries	(110)	(559)	(669)
Exchange realignment	–	14	14
At 31 December 2019	**7,103**	**1,297**	**8,400**
Net carrying value			
At 31 December 2019	**246,020**	**2,980**	**249,000**

Notes:

(a) All the Group's land use rights on leasehold land are located in the PRC. As at 31 December 2019, the remaining period of land use rights range from 33 to 36 years.

(b) At 31 December 2019, the land use rights with carrying value of RMB246,020,000 were pledged as security for bank borrowings (see note 27).

(Expressed in Renminbi unless otherwise indicated)

19 INTANGIBLE ASSETS

	ERP system RMB'000	Distribution network RMB'000	Total RMB'000
Cost:			
At 1 January 2018	4,429	217,000	221,429
Acquisition through business combination	189	–	189
At 31 December 2018 and 1 January 2019	4,618	217,000	221,618
Addition	12,967	–	12,967
Disposal of subsidiaries	(241)	–	(241)
At 31 December 2019	**17,344**	**217,000**	**234,344**
Accumulated amortisation and impairment:			
At 1 January 2018	1,785	18,083	19,868
Charge for the year	338	43,400	43,738
At 31 December 2018 and 1 January 2019	2,123	61,483	63,606
Charge for the year	809	43,400	44,209
Impairment	–	6,457	6,457
Disposal of subsidiaries	(50)	–	(50)
At 31 December 2019	**2,882**	**111,340**	**114,222**
Net book value			
At 31 December 2019	**14,462**	**105,660**	**120,122**
At 31 December 2018	2,495	155,517	158,012

For the year ended 31 December 2019, an impairment loss of approximately RMB6,457,000 on intangible assets that relates to the Chameleon Group, which constitutes a cash generating unit, has been recognised as a result of an impairment assessment made by the management as detailed in note 15.

20 INVESTMENT IN AN ASSOCIATE

Details of the Group's investment in an associate is as follow:

	2019 RMB'000	2018 RMB'000
Cost of investment in an associate	**2,000**	2,000
Share of post-acquisition loss and other comprehensive expense	**(2,000)**	(2,000)
	–	–

Details of the associate of the Group at the end of the reporting period is as below:

Name of associate	Country of establishment	Principal place of business	Proportion of ownership interest	Principal activities
北京寅盛科技發展有限公司	The PRC	The PRC	50%	Development of online fashion platform

	2019 RMB'000	2018 RMB'000
The unrecognised shares of loss of an associate for the year	**–**	–
Cumulative unrecognised shares of loss of an associate	**(4,406)**	(4,406)

According to the memorandum and articles of association, all the resolution should be passed by two-third of shareholders/directors, of which the Group owns less than two-third of the voting right. Since the Group does not have absolute controlling power on making any decisions and rights to the net assets of arrangement, it is regarded as associate.

21 FINANCIAL ASSETS AT AMORTISED COST

	2019 RMB'000	2018 RMB'000
Investment fund	**–**	42,000
Less: ECL allowance	**–**	(388)
	–	41,612

The Group held in investment fund with fixed return of 12% per annum and 3 years term from the establishments of the investment funds. Investment fund are ultimately invested but not limited to direct equity acquisition, convertible bonds, share subscription, and participation in private placement. The Investment Fund mainly focuses on investments in new retail and commercial fields.

(Expressed in Renminbi unless otherwise indicated)

21 FINANCIAL ASSETS AT AMORTISED COST (Continued)

(a) Financial assets measured at amortised cost analysed by issuer are as follows:

	2019 RMB'000	2018 RMB'000
By issuer:		
Financial institutions	–	42,000
Less: ECL allowance	–	(388)
	–	41,612

(b) Movements in ECL allowance are summarised as follows:

	2019 RMB'000	2018 RMB'000
ECL allowance as at 1 January	388	–
Recognised during the year	–	388
Disposal of subsidiaries	(388)	–
ECL allowance as at 31 December	–	388

ECL allowance was classified in stage I due to the new purchased during the year ended 31 December 2018.

(c) The movements in gross carrying amounts are summarised as follows:

	2019 RMB'000	2018 RMB'000
Gross carrying amounts as at 1 January	41,612	–
New financial assets originated or purchased	–	42,000
ECL allowance	–	(388)
Fund return	(2,000)	–
Disposal of subsidiaries	(39,612)	–
Gross carrying amounts as at 31 December	–	41,612

Investment fund was classified in stage I due to the new purchased during the year ended 31 December 2018 and there is no significant increase in credit risk at the end of the reporting period.

(Expressed in Renminbi unless otherwise indicated)

22 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2019 RMB'000	2018 RMB'000
Raw materials	**3,987**	8,648
Work in progress	**1,024**	3,425
Finished goods	**23,774**	32,596
	28,785	44,669

23 TRADE AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Trade receivables	**343,712**	425,974
Less: Loss allowance for expected credit loss	**(207,532)**	(234,115)
Trade receivables	**136,180**	191,859
Prepayments to suppliers	**1,731**	15,640
Other deposits, prepayments and receivables	**47,129**	15,381
	185,040	222,880

Aging analysis

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

	2019 RMB'000	2018 RMB'000
Within 3 months	**122,952**	136,736
More than 3 months but within 6 months	**11,419**	50,881
More than 6 months but within 1 year	**1,589**	4,242
Over 1 year	**220**	–
	136,180	191,859

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

(Expressed in Renminbi unless otherwise indicated)

24 PLEDGED BANK DEPOSITS

As at 31 December 2019 and 2018, bank deposits have been pledged as security for bank borrowings, which were repayable within 1 year from the end of the reporting period (see note 27). The pledged bank deposits will be released upon the settlement of relevant bank borrowings and were reclassified as current assets.

25 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

(a) Cash and cash equivalents and fixed deposits held at banks comprise:

	2019 RMB'000	2018 RMB'000
Fixed deposit held at bank with original maturity within three months	**8,708**	14,800
Cash at bank and in hand	**462,646**	526,559
Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statement	**471,354**	541,359
Fixed deposits held at bank with original maturity over three months	**4,000**	12,530
	475,354	553,889

At 31 December 2019, cash and cash equivalents in the PRC amounted to approximately RMB463,814,000 (2018: RMB554,595,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

(Expressed in Renminbi unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS (Continued)

(b) Reconciliation of loss before taxation to cash generated from operations:

	2019 RMB'000	2018 RMB'000
Loss before taxation		
— Continuing operations	**(336,802)**	(52,524)
— Discontinued operations	**(7,534)**	1,389
Adjustments for:		
— Premium charged on life insurable policies	**572**	374
— Depreciation of property, plant and equipment	**19,236**	17,807
— Depreciation of investment properties	**1,188**	1,187
— Depreciation of right-of-use assets	**9,055**	–
— Amortisation of intangible assets	**44,209**	43,650
— Amortisation of lease prepayments	**–**	7,086
— Interest expense	**28,810**	26,414
— Interest income	**(4,758)**	(2,760)
— Fair value change of biological assets	**(5)**	(10)
— Impairment of inventory	**–**	3,954
— Impairment of goodwill	**46,880**	25,576
— Impairment of intangible asset	**6,457**	–
— Impairment of construction in progress	**147,275**	–
— Impairment of trade receivable	**857**	–
— Impairment of financial asset at amortised cost	**–**	388
— Loss on disposal of property, plant and equipment and lease prepayments	**4,447**	278
— Equity-settled share-based payments for employees	**–**	264
— Foreign exchange loss, net	**660**	6,443
— Allowance for ECL	**81,296**	20,306
— Reversal of allowance for ECL	**(18,551)**	(1,026)
— Reversal of inventory	**3,486**	–
— Gain on disposal of subsidiaries	**(5,405)**	–
Changes in working capital:		
— Decrease in inventories	**610**	4,366
— Decrease in trade and other receivables	**(40,279)**	39,147
— Decrease in trade and other payables	**(57,762)**	(31,980)
Cash (used in)/generated from operations	**(76,058)**	110,329

(Expressed in Renminbi unless otherwise indicated)

26 TRADE, BILLS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Trade payables	**11,282**	27,932
Bills payable	**36,500**	90,350
Other payables	**36,864**	61,996
Final payment for acquisition of subsidiaries	**–**	3,500
Accruals	**56,661**	60,683
	141,307	244,461

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

	2019 RMB'000	2018 RMB'000
Within 1 month or on demand	**4,216**	54,796
After than 1 month but within 3 months	**7,066**	33,486
Over 3 months but within 6 months	**36,500**	30,000
Over 6 months but within 1 year	**–**	–
	47,782	118,282

(Expressed in Renminbi unless otherwise indicated)

27 BANK AND OTHER BORROWINGS

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

	2019 RMB'000	2018 RMB'000
Within 1 year or on demand	**409,800**	434,800
After 1 year but within 2 years	**–**	50,000
	409,800	484,800

(b) Analysed as follows:

	2019 RMB'000	2018 RMB'000
Bank and other borrowings		
— secured	**349,800**	384,800
— unsecured	**60,000**	100,000
	409,800	484,800

(c) Certain bank and other borrowings were secured by the following assets of the Group as follows:

	2019 RMB'000	2018 RMB'000
Property, plant and equipment *(note 12(b))*	**237,931**	233,771
Investment properties *(note 16(c))*	**21,368**	22,556
Right-of-use assets *(note 17 and 18(b))*	**246,020**	253,938
Pledge bank deposits *(note 24)*	**12,708**	70,565
	518,027	580,830

As at 31 December 2019 and 2018 certain bank and other borrowings were guaranteed by Mr. Kwok Kin Sun, who is the ultimate controlling party of the Group.

27 BANK AND OTHER BORROWINGS (Continued)

(d) Key terms and movements of the bank and other borrowings:

	2019 **RMB'000**	2018 RMB'000
Movement of bank and other borrowings is as follows:		
As at 1 January	**484,800**	482,992
Proceeds from bank and other borrowings	**453,800**	529,800
Repayments of bank and other borrowings	**(491,627)**	(527,992)
Disposal of subsidiaries	**(37,173)**	–
As at 31 December	**409,800**	484,800

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

	2019 **RMB'000**	2018 RMB'000
Facility amount	**917,690**	964,900
Utilised facilities amount in respect of bank borrowings	**494,010**	459,149

Certain of the Group's banking borrowings amounted to RMB349,800,000 (2018: RMB349,800,000) are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2019 and 2018, none of the covenants relating to drawn down facilities had been breached.

(Expressed in Renminbi unless otherwise indicated)

28 LEASE LIABILITIES

	2019 RMB'000
Lease liabilities	
Current	2,043
Non-current	943
	2,986
Minimum lease payments due	
— Within one year	2,134
— More than one year but not more than two years	959
	3,093
Future finance charges	–
Present value of lease liabilities	3,093
Amounts due for settlement within one year	2,134
Amounts due for settlement after one year	959
	3,093
Present value of minimum lease payments	
— Within one year	2,043
— More than one year but not more than two years	943
	2,986
Future finance charges	107
Present value of lease liabilities	3,093
Amounts due for settlement within one year	2,043
Amounts due for settlement after one year	943
	2,986

The exposure of the Group's lease liabilities are as follow:

At 1 January 2019	942
Additions	4,583
Interest expense	111
Repayment	(2,109)
Disposal of subsidiaries	(586)
Exchange realignment	45
At 31 December 2019	2,986

(Expressed in Renminbi unless otherwise indicated)

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

(i) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movement during the year are as follows:

Deferred tax arising from:	Withholding tax on dividends RMB'000	Intangible assets recognised at the dates of business combinations RMB'000	Impairment on trade receivable RMB'000	Total RMB'000
At 1 January 2018	(37,740)	(49,729)	52,050	(35,419)
Acquisitions through business combination	–	–	542	542
Credited to consolidated statement of profit or loss and other comprehensive income	–	17,244	5,877	23,121
At 31 December 2018 and 1 January 2019	(37,740)	(32,485)	58,469	(11,756)
Disposal of subsidiaries	–	–	(622)	(622)
Credited to consolidated statement of profit or loss and other comprehensive income	–	24,184	15,101	39,285
At 31 December 2019	**(37,740)**	**(8,301)**	**72,948**	**(26,907)**

(ii) Reconciliation to the consolidated statement of financial position

	2019 RMB'000	2018 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**72,948**	58,469
Deferred tax liabilities recognised in the consolidated statement of financial position	**(46,041)**	(70,225)

(Expressed in Renminbi unless otherwise indicated)

29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

(b) Deferred tax assets not recognised

At 31 December 2019, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB263,550,000 (2018: RMB104,447,000), of which RMB195,585,000 (2018: RMB62,541,000) will expire within 5 years under the current tax legislation. The cumulative tax losses have not been recognised as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entities.

(c) Deferred tax liabilities not recognised

Pursuant to the PRC Corporate Income Tax Law and its related regulations, the Group is subject to withholding tax at 10% (unless reduced by tax treaties/arrangements) on dividends receivable from its PRC subsidiaries in respect of their profits generated since 1 January 2008. As at 31 December 2019, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB1,312,393,000 (2018: RMB1,365,492,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has determined that those profits will not be distributed in the foreseeable future.

30 CORPORATE BONDS

	2019 **RMB'000**	2018 RMB'000
Unsecured corporate bonds	**93,333**	44,494

The Group's corporate bonds are repayable as follows:

	2019 **RMB'000**	2018 RMB'000
Within 1 year	**28,604**	–
After 1 year but within 2 years	**36,500**	26,543
After 2 years but within 5 years	**13,245**	7,696
After 5 years	**14,984**	10,255
	93,333	44,494

30 CORPORATE BONDS (Continued)

The movement of corporate bonds is as follows:

	2019 RMB'000	2018 RMB'000
At 1 January	**44,494**	–
Proceeds from issuance of corporate bonds	**42,521**	47,876
Imputed interests	**4,481**	(4,895)
Exchange realignment	**1,837**	1,513
At 31 December	**93,333**	44,494

During the period ended 31 December 2019, the Group issued bonds with a principle amount in a total of RMB111,390,000 carried interest at 0.1–7.5% per annum (2018: RMB56,564,000 carried interest at 5–7.5% per annum). Total transaction cost attributable to the issuance of the bond amounted to RMB9,436,000 (2018: RMB6,710,000). The bonds are unsecured with maturity date falling on 2–8 years (2018: 2–8 years) of the issue date.

The effective interest rate of the bonds is ranging from 6.73% to 13.63% per annum (2018: 9.2% to 13.16% per annum).

31 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the "Schemes") organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of 18% of the eligible employees' salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the plan vest immediately.

The Group has no other material obligation for the payment of pension benefits beyond the contributions described above.

(Expressed in Renminbi unless otherwise indicated)

32 DISPOSAL OF SUBSIDIARIES

On 29 October 2019, The Company entered into a sales and purchases agreement with an independent third party in relation to disposal of 100% issued share capital of Rich Smooth Investment International Limited and its subsidiaries ("Rich Smooth Group") at a cash consideration of RMB17,000,000. Rich Smooth Investment International Limited is an investment holding company and its subsidiaries were principally engaged in the goose retail and by products and online platform and retails shops in the PRC. The disposal of Rich Smooth Group was completed on 31 October 2019.

The net assets of Rich Smooth Group as at the date of disposal were as follow:

	31 October 2019 RMB'000
Property, plant and equipment	21,017
Biological assets	4,650
Intangible assets	191
Right-of-use assets	1,476
Goodwill	96
Deferred tax assets	622
Financial assets at amortised cost	39,612
Inventories	11,788
Trade and other receivables	14,512
Cash and bank equivalents	4,243
Bank and other borrowings	(37,173)
Trade and other payables	(45,642)
Lease liabilities	(586)
Amount due to holding company	(23,733)
Net assets disposal of Rich Smooth Group	(8,927)
Non-controlling interests	(3,211)
Shareholder's loan	23,733
	11,595
Cash consideration	(17,000)
Gain on disposal	(5,405)
Cash consideration receivable	17,000
Cash and cash equivalents disposed	(4,243)
Net cash inflow from the disposal	12,757

(Expressed in Renminbi unless otherwise indicated)

33 ACQUISITION OF SUBSIDIARIES

Linqu Dongda Goose Industry Company Limited

On 31 August 2018, Ningbo Baixie Commerce Co., Limited, a wholly-owned subsidiary of the company, entered into an agreement with an independent third party for the acquisition of 60% the issued share capital of Linqu Dongda Goose Industry Company Limited at a cash consideration of RMB5,000,000. Linqu Dongda Goose Industry Company Limited is principally engaged in the goose retail in Shandong. The acquisition of Linqu Dongda Goose Industry Company Limited was completed on 20 November 2018.

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

	RMB'000
Net assets acquired:	
Property, plant and equipment	21,964
Biological assets	4,635
Intangible assets	101
Long term prepayment	786
Cash and cash equivalents	118
Trade and other receivables	2,338
Inventories	779
Trade and other payables	(434)
Accrued expenses	(22,655)
Deferred tax	542
Tax payables	(1)
Total identifiable net assets at fair value	8,173
Non-controlling interest	(3,269)
	4,904
Cash consideration	5,000
Less: Fair value of net assets acquired	(4,904)
Goodwill *(Note 15)*	96

	RMB'000
Net cash outflow arising on acquisition:	
Cash consideration paid	5,000
Less: cash and cash equivalents acquired	(118)
	4,882

(Expressed in Renminbi unless otherwise indicated)

34 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES

The Company has adopted a share option scheme on 7 October 2015 whereby the directors of the Company are authorised, at their discretion, to invite certain employees of the Group, including certain directors of the Group, to take up share options at consideration of HK$1 for each option holder (equivalent to RMB0.821 at the date of grant). Each option gives the holder the right to subscribe for one ordinary share in the Company and will be settled gross in shares.

(a) Details of share options granted are as follows:

Date of grant		Exercise price	Number of options granted	Vesting period	Exercisable period
Options granted to directors of the Company:					
7 October 2015	Batch 1	HK$0.89*	2,000,000	one year from the date of grant	5 years
7 October 2015	Batch 2	HK$0.89*	2,000,000	two year from the date of grant	5 years
7 October 2015	Batch 3	HK$0.89*	2,000,000	three year from the date of grant	5 years
Options granted to employees of the Company:					
7 October 2015	Batch 1	HK$0.89*	2,400,000	one year from the date of grant	5 years
7 October 2015	Batch 2	HK$0.89*	2,400,000	two year from the date of grant	5 years
7 October 2015	Batch 3	HK$0.89*	2,400,000	three year from the date of grant	5 years
		HK$0.89*	13,200,000		

* On 15 October 2019, the Company approved the share subdivision at the extraordinary general meeting, the share subdivision become effective on 17 October 2019, whereby each issued and unissued ordinary share of HK$0.01 each subdivided into four subdivided ordinary shares of HK$0.0025 each.

(Expressed in Renminbi unless otherwise indicated)

34 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES (Continued)

(b) The number and weighted average exercise prices of share options

	2019		2018	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at the 1 January	**HK$3.56**	**700,000**	HK$3.56	700,000
Lapsed during the year	**HK$3.56**	**(400,000)**	–	–
Adjustment on share subdivision	**HK$0.89**	**900,000**	–	–
Outstanding at 31 December	**HK$0.89**	**1,200,000**	HK$3.56	700,000
Exercisable at the end of the year	**HK$0.89**	**1,200,000**	HK$3.56	700,000

During the year ended 31 December 2019, Nil (2018: Nil) share options were granted and 1,200,000 (2018: 700,000) of share options became exercisable as at 31 December 2019.

The share options outstanding as at 31 December 2019 had an exercise price of HK$0.89 (2018: HK$3.56) and a weighted average remaining contractual life of 2.5 (2018: 3.5) years.

(c) Fair value of share options and assumptions

The fair value of the share options determined at date of grant is measured by an independent valuer engaged by the Group, namely Asset Appraisals Limited, based on binomial model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial model.

Fair value of share options at the date of grant and assumptions

Fair value at measurement date (HK$)	0.67–0.68
Share price (HK$)	3.56
Exercise price (HK$)	3.56
Expected volatility (expressed as average volatility used in the modelling under binomial model)	43%
Option life	6–8 years
Expected dividends	10.11%
Risk-free interest rate (based on Hong Kong Government Bond yield)	1.03%–1.30%

The expected volatility is based on the historical volatilities of the share prices of the comparable companies. Expected dividends were estimated by the Company based on its expected dividend policy over the expected terms of the options. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted with a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the grants of the share options.

(Expressed in Renminbi unless otherwise indicated)

35 CAPITAL, RESERVE AND DIVIDENDS

(a) Share capital

	Number of ordinary shares of HK$0.01	Number of ordinary shares of HK$0.0025	Amount HK$'000
Authorised:			
At 1 January 2018, at 31 December 2018 and at 1 January 2019	1,000,000,000	–	10,000
Share subdivision *(note)*	(1,000,000,000)	4,000,000,000	–
At 31 December 2019	**–**	**4,000,000,000**	**10,000**

	Number of ordinary shares of HK$0.01	Number of ordinary shares of HK$0.0025	Amount HK$'000	Amount RMB'000
Issued and fully paid:				
At 1 January 2018, at 31 December 2018 and at 1 January 2019	480,900,000		4,809	3,819
Share subdivision *(note)*	(480,900,000)	1,923,600,000	–	–
At 31 December 2019	**–**	**1,923,600,000**	**4,809**	**3,819**

Note: On 15 October 2019, the Company approved the share subdivision at the extraordinary general meeting, the share subdivision become effective on 17 October 2019, whereby each issued and unissued ordinary share of HK$0.01 each subdivided into four subdivided ordinary shares of HK$0.0025 each.

35 CAPITAL, RESERVE AND DIVIDENDS (Continued)

(b) Nature and purpose of reserves

(i) Share premium

The share premium represents the difference between the par value of the shares of the Company and proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Statutory reserve

As stipulated by regulations in the PRC, the Company's subsidiaries established and operated in the mainland China are required to appropriate 10% of their after-tax-profit (after offsetting prior year losses) as determined in accordance with the PRC accounting rules and regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of profits to parent companies.

The statutory reserve can be utilised, upon approval by the relevant authorities, to offset accumulated losses or to increase capital of the subsidiary, provided that the balance after such issue is not less than 25% of its registered capital.

(iii) Capital reserve

On 30 April 2014, an amount payable of RMB39,023,000 had been waived by the ultimate controlling party, Mr. Kwok Kin Sun, and capitalised in capital reserve.

(iv) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations outside the PRC.

(v) Share-based payment reserve

Share-based payment reserve comprises the following:

- The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014. Nil has been transferred from the share-based reserve to the share premium account during the years of 2019 and 2018.

- The portion of the grant date fair value of share options granted to employees of the Group that has been recognised in accordance with the accounting policy adopted for the share-based payments in note 3(p)(ii).

(c) Distributable reserve

At 31 December 2019, the aggregate amount of reserves (including share premium and accumulated losses) available for distribution to the shareholders of the Company was HK$56,795,000 (2018: HK$83,377,000).

(Expressed in Renminbi unless otherwise indicated)

35 CAPITAL, RESERVE AND DIVIDENDS (Continued)

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities (excluding deferred tax liabilities) over its total assets (excluding deferred tax assets), at 31 December 2019 were 37% (2018: 37%).

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Categories of financial instruments

	2019 RMB'000	2018 RMB'000
Financial assets		
Deposit placed for life insurance	**7,050**	6,858
Deposit for acquisition of intangible assets	**–**	12,917
Financial assets at amortised cost	**–**	41,612
Trade and other receivables	**185,040**	222,880
Pledged bank deposits	**12,708**	70,565
Fixed deposits held at bank with original maturity over three months	**4,000**	12,530
Cash and bank balances	**471,354**	541,359
Financial assets at amortised cost	**680,152**	908,721
Financial liabilities		
Trade,bills and other payables	**141,307**	244,461
Bank and other borrowings	**409,800**	484,800
Corporate bonds	**93,333**	44,494
Financial liabilities at amortised cost	**644,440**	773,755

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and deposits with banks. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

(i) Trade and other receivables

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 90 to 180 days from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 31 December 2019, 3% of the total trade receivables were due from the Group's largest customer (2018: 1%), and 20% of the total trade receivables were due from the Group's five largest customers (2018: 34%).

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide financial guarantee which would expose the Group to credit risk.

The Group applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for all accounts receivables. To measure the expected credit losses, accounts receivables have been grouped based on shared credit risk characteristics and the days past due. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2019 and 2018:

For the year ended 31 December 2019

	Expected loss	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 3 months	**0%**	**122,952**	**–**
More than 3 months but within 6 months	**63%**	**31,145**	**19,726**
More than 6 months with 1 year	**95%**	**34,131**	**32,542**
Over 1 year	**100%**	**155,484**	**155,264**
		343,712	**207,532**

(Expressed in Renminbi unless otherwise indicated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk (Continued)

(i) Trade and other receivables (Continued)

For the year ended 31 December 2018

		Trade receivables	
	Expected loss	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 3 months	0%	136,736	–
More than 3 months but within 6 months	9%	55,879	4,998
More than 6 months with 1 year	82%	23,155	18,913
Over 1 year	100%	210,204	210,204
		425,974	234,115

Expected loss rates are based on actual loss experience over the past year. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The credit quality of other receivables excluding prepayments has been assessed with reference to historical information about the counterparties default rates and financial position of the counterparties. The directors are of the opinion that the credit risk of other receivables is low due to the sound collection history of the receivables due from them. Therefore, expected credit loss rate of the other receivables excluding prepayments is assessed to be close to zero and no provision was made as of 31 December 2018.

Impairment of trade receivables

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

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk (Continued)

(i) Trade and other receivables (Continued)

Impairment of trade receivables (Continued)

The movement in the allowance for doubtful debts during the year is as follows:

	2019 RMB'000	2018 RMB'000
At 1 January (1 January 2018 amount has been restated)	**234,115**	214,835
Reversal of ECL recognised in prior years	**(18,551)**	(1,026)
Reversal due to written-off of trade receivables	**(89,328)**	–
ECL recognised	**81,296**	20,306
At 31 December	**207,532**	234,115

As at 31 December 2019, the Group's trade receivables with net of allowance for doubtful debts of RMB81,296,000 (2018: RMB20,306,000) were individually determined to be impaired. These individually impaired receivables related to customers that were in financial difficulties and hence the management fully impaired the trade receivables during the year. Reversal of allowance for doubtful debts recognised in prior years were fully received by cash during the year.

(ii) Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutions with established credit rating. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

(iii) Financial assets at amortised cost

As at 31 December 2018, the Group measured the loss allowance for financial assets at amortised cost to be RMB388,000, all of which are stage loss allowances. The book value of the corresponding financial assets was RMB41,612,000.

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining scheduled maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flows			
	Within 1 year or on demand RMB'000	More than 1 year RMB'000	Total RMB'000	Carrying amount RMB'000
As at 31 December 2019				
Current liabilities				
Bank and other borrowings	**424,487**	**–**	**424,487**	**409,800**
Trade, bills and other payables	**141,307**	**–**	**141,307**	**141,307**
Lease liabilities	**2,133**	**–**	**2,133**	**2,043**
Corporate bonds	**30,208**	**–**	**30,208**	**28,604**
Non-current liabilities				
Lease liabilities	**–**	**959**	**959**	**943**
Corporate bonds	**–**	**89,205**	**89,205**	**64,729**
	598,135	**90,164**	**688,299**	**647,426**
As at 31 December 2018				
Current liabilities				
Bank and other borrowings	446,561	–	446,561	434,800
Trade, bills and other payables	244,461	–	244,461	244,461
Non-current liabilities				
Bank and other borrowings	–	57,094	57,094	50,000
Corporate bonds	–	50,784	50,784	44,494
	691,022	107,878	798,900	773,755

(Expressed in Renminbi unless otherwise indicated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management are set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2019		2018	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank and other borrowings	**5.35%**	**409,800**	5.05%	484,800
Total bank and other borrowings		**409,800**		484,800
Net fixed rate borrowings as a percentage of total borrowings		**100%**		100%

(ii) Sensitivity analysis

At 31 December 2019, it is estimated that a general increase/decrease of 100 basis point in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB Nil (2018: Nil). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2018.

(Expressed in Renminbi unless otherwise indicated)

36 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS
(Continued)

(e) Currency risk

The currencies giving rise to the Group's currency risk are primarily United States dollars.

(i) Exposure to currency risk

The following table details the Group's major exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the Group to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the end of the reporting period.

	Exposure to foreign currency (expressed in Renminbi)	
	2019 United States Dollars RMB'000	2018 United States Dollars RMB'000
Cash and cash equivalent	**1**	1,653

(ii) Sensitivity analysis

The following table gives a sensitivity analysis that shows the effect on the Group's profit or loss if there is an increase or a decrease in the foreign exchange rates for US dollars:

Foreign currency	**2019**		2018	
	Appreciation (Depreciation) (%)	**Increase/ (decrease) in profit after tax and retained profits RMB'000**	Appreciation (Depreciation) (%)	Increase/ (decrease) in profit after tax and retained profits RMB'000
US dollars	**5%**	**–**	5%	83

(f) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2019 and 2018.

(Expressed in Renminbi unless otherwise indicated)

37 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress as at 31 December 2019 that were not provided for in the consolidated financial statements were as follows:

	2019 RMB'000	2018 RMB'000
Contracted for	**169,506**	182,866

(b) Operating leases

The total future minimum lease payments under a non-cancellable operating lease are payable as follows:

	2018 RMB'000
Within 1 year	1,177
After 1 year but within 2 years	438
	1,615

None of the leases include contingent rentals.

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases . From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position.

38 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

(a) Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2019 RMB'000	2018 RMB'000
Short-term employee benefits	**2,846**	2,379
Retirement scheme contributions	**52**	31
Share-based payments for employees	**–**	42
	2,898	2,452

The above remuneration is included in "staff costs" (note 7(b)).

(Expressed in Renminbi unless otherwise indicated)

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Investment in a subsidiary		**–**	–
Right-of-use assets		**1,598**	–
		1,598	–
Current assets			
Other receivables		**25,046**	496
Amounts due from subsidiaries		**229,438**	234,855
Cash and cash equivalents		**9,757**	5,761
		264,241	241,112
Current liabilities			
Accrual and other payables		**2,436**	2,918
Amounts due to subsidiaries		**107,849**	106,504
Lease liabilities		**1,001**	–
Corporate bonds		**28,604**	44,494
		139,890	153,916
Net current assets		**124,351**	87,196
Total assets less current liabilities		**125,949**	87,196
Non-current liabilities			
Lease liabilities		**606**	–
Corporate bonds		**64,729**	–
		65,335	–
Net assets		**60,614**	87,196
Capital and reserves			
Share capital	*35(a)*	**3,819**	3,819
Reserves	*35(b)*	**56,795**	83,377
Total equity		**60,614**	87,196

Approved and authorised for issue by the board of directors on 8 May 2020.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Notes	Share capital RMB'000 *Note 32(a)*	Share premium RMB'000 *Note 32(b)(i)*	Exchange reserve RMB'000 *Note 32(b)(iv)*	Share-based payment reserve RMB'000 *Note 32(b)(v)*	Accumulated losses RMB'000	Total RMB'000
At 1 January 2018		3,819	136,871	4,769	347	(55,267)	90,539
Total comprehensive income for the year		–	–	8,801	–	(12,408)	(3,607)
Share-based payments for employees	*35(b)(v)*	–	–	–	264	–	264
At 31 December 2018 and 1 January 2019		3,819	136,871	13,570	611	(67,675)	87,196
Total comprehensive income for the year		**-**	**-**	**4,086**	**-**	**(30,668)**	**(26,582)**
Lapse of share option	*35(b)(v)*	**-**	**-**	**-**	**(445)**	**445**	**-**
At 31 December 2019		**3,819**	**136,871**	**17,656**	**166**	**(97,898)**	**60,614**

(Expressed in Renminbi unless otherwise indicated)

40 PARTICULARS OF INVESTMENTS IN SUBSIDIARIES

Details of the Group's subsidiaries are as follows. The class of shares held is ordinary unless otherwise stated.

			Proportion of equity interest attributable to the Company				
			2019		2018		
Name of Company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Direct	Indirect	Direct	Indirect	
Bigtime Global Limited ("Bigtime Global")	BVI	US$10	**100%**	**-**	100%	–	Investment holding
Tiger Capital Fashion (Holdings) Company Limited ("Tiger Capital HK")	Hong Kong	HK$100,000	**-**	**100%**	–	100%	Investment holding
Tiger Capital (China) Fashion Co., Ltd. *(note (i) and (ii))* ("Tiger Capital Fashion") (虎都(中國)服飾有限公司)	PRC	HK$100,000,000	**-**	**100%**	–	100%	Wholesale of menswear
Fordoo (China) Industrial Ltd., Co *(note (i) and (ii))* ("Fordoo Industrial") (虎都(中國)實業有限公司)	PRC	HK$353,436,677	**-**	**100%**	–	100%	Manufacture and wholesale of menswear
Huian Tiger Capital Technology Company Limited *(note (i) and (ii))* ("Tiger Capital Technology") (惠安虎都科技有限公司)	PRC	RMB30,000,000	**-**	**100%**	–	100%	Research and development
Quanzhou Fordoo Commercial and Trading Company Limited *(note (i), (ii) and (iv))* (泉州虎都商貿有限公司)	PRC	–	**-**	**100%**	–	100%	Trading of menswear
Chameleon Ventures Limited (嘉龍投資有限公司)	BVI	US$1	**-**	**100%**	–	100%	Investment holding
Asia Advance Inc Limited (雋煌有限公司)	Hong Kong	HK$100	**-**	**100%**	–	100%	Investment holding
Quanzhou Baoying Fashion Co., Ltd. *(note (i), (ii) and (v))* (泉州百盈服飾有限公司)	PRC	–	**-**	**100%**	–	100%	Investment holding
Rich Smooth Investment International Limited (裕順投資國際有限公司)	BVI	US$1	**-**	**-**	–	100%	Investment holding
Beijing Haoyin Clothing Co., Ltd. *(note (i) and (ii))* (北京浩垠服飾有限公司)	PRC	RMB5,000,000	**-**	**100%**	–	100%	Trading of menswear
Ningbo Baixie Commerce Co., Limited *(note (i) (ii) and (vi))* (寧波百協商貿有限公司)	PRC	RMB6,785,793	**-**	**-**	–	100%	Investment holding
Tianjin Yuexin Yicai E-commerce Co., Limited *(note (i) (ii) and (vi))* (天津悦心億彩電子商務有限公司)	PRC	RMB10,000,000	**-**	**-**	–	100%	Retail and distribute consumer goods
Linqu Dongda Goose Industry Company Limited *(note (i) (ii) and (vi))* (臨朐東大鵝業有限公司)	PRC	RMB20,000,000	**-**	**-**	–	60%	Retail of goose

Notes:

(i) The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

(ii) All of the subsidiaries established in the PRC are wholly foreign owned enterprises.

(iii) The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the company is of exercise length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or finance position of the Group.

(iv) This subsidiary was established in 2016, the capital have not been paid up as at 31 December 2018 and 2019.

(v) This subsidiaries were established in 2017, the capital have not been paid up as at 31 December 2018 and 2019.

(vi) The subsidiaries of Rich Smooth Investment International Limited which has been disposed since 31 October 2019.

41 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(a) Depreciation

Property, plant and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives. The Group reviews at the end of the reporting period the useful life of an asset and its residual value, if any, based on the Group's experience with similar assets and taking into account anticipated technology changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimation.

(b) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates at the end of the reporting period.

41 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on last due aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forwardlooking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 36(b) respectively.

42 EVENT AFTER THE REPORTING PERIOD

Since early 2020, the epidemic of Coronavirus Disease 2019 ("the COVID-19 outbreak") has spread across China and other countries, and it has affected business and economic activities to some extent. The market's demand for the Group's products may be affected. Up to the date on which this set of financial statements were authorised for issue, the impacts of the COVID-19 outbreak on the market demand of the Group's products and the financial position of the Group's customers are still uncertain, the Group is unable to quantify the related financial effects. The Group will pay close attention to the development of the COVIE-19 outbreak, perform further assessment of its impact and take relevant measures.

43 APPROVAL OF THE CONSOLIDATION FINANCIAL STATEMENTS

The consolidation financial statements were approved and authorised for issue by the board of directors on 8 May 2020.

FIVE YEARS SUMMARY

	2015 RMB'000	2016 RMB'000	2017 RMB'000	2018 RMB'000 (Re-presented)	**2019** **RMB'000**
Revenue	1,873,709	1,185,830	1,129,418	611,049	**358,987**
(Loss)/Profit from operations	434,824	215,486	63,937	(24,721)	**(307,992)**
Finance costs	(22,667)	(22,271)	(21,400)	(26,414)	**(28,810)**
(Loss)/Profit before taxation	412,157	193,215	42,537	(51,135)	**(336,802)**
Share loss of an associate	–	–	(2,000)	–	**–**
Income tax	(123,490)	(61,626)	(18,411)	6,996	**33,059**
(Loss)/Profit for the year	288,667	131,589	22,126	(44,139)	**(303,743)**
(Loss)/Earnings per share (RMB cents)					
From continuing and discontinued operations					
Basic and diluted	60	27	5	(2)	**(16)**
From continuing operation					
Basic and diluted	60	27	5	(2)	**(16)**
Assets and liabilities					
Non-current assets	760,731	854,775	1,363,605	1,368,494	**1,092,465**
Current assets	1,417,052	1,449,509	916,040	893,874	**701,887**
Current liabilities	612,927	846,889	739,907	687,923	**588,465**
Net current assets	804,125	602,620	176,133	205,951	**113,422**
Total assets less current liabilities	1,564,856	1,457,395	1,539,738	1,574,445	**1,205,887**
Non-current liabilities	175,716	36,440	87,469	164,719	**111,713**
NET ASSETS	1,389,140	1,420,955	1,452,269	1,409,726	**1,094,174**
Capital and reserves					
Share Capital	3,811	3,819	3,819	3,819	**3,819**
Reserves	1,385,329	1,417,136	1,448,450	1,402,340	**1,090,355**
Equity attributable to equity holders of the Company	1,389,140	1,420,955	1,452,269	1,406,159	**1,094,174**
Non-controlling interest	–	–	–	3,567	**–**
Total equity	1,389,140	1,420,955	1,452,269	1,409,726	**1,094,174**