



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

2020

Interim Report



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About

# CHINA FORDOO

China Fordoo Holdings Limited (“FORDOO”) is a leading menswear company in China, which is principally engaged in manufacturing and wholesaling of menswear.

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# 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 (retired on 18 June 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  
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](mailto:ir@fordoo.cn)

## Company Website

[www.fordoo.cn](http://www.fordoo.cn)

# Financial Highlights

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

|  | For the six months ended |                                |        |
|--|--------------------------|--------------------------------|--------|
|  | 30 June 2020             | 30 June 2019<br>(Re-presented) | Change |

## Profitability ratios

|   |        |        |          |
|---|--------|--------|----------|
| Gross profit margin                         | 33.9%  | 38.2%  | –4.3ppt  |
| Net loss to revenue                         | –70.8% | –32.8% | –38.0ppt |
| From continuing and discontinued operations |        |        |          |
| Return on equity <sup>(1)</sup>             | –6.5%  | –4.1%  | –2.4ppt  |

|  | As at<br>30 June 2020 | As at<br>30 June 2019<br>(Re-presented) |
|--|-----------------------|---|
|--|-----------------------|---|

## Liquidity ratios

|  |     |     |
|--|-----|-----|
| From continuing operations                       |     |     |
| Inventory turnover (Days) <sup>(2)</sup>         | 63  | 71  |
| Trade receivables turnover (Days) <sup>(3)</sup> | 218 | 197 |
| Trade payables turnover (Days) <sup>(4)</sup>    | 33  | 25  |

|  | As at<br>30 June 2020 | As at<br>31 December<br>2019 |
|--|-----------------------|------------------------------|
|--|-----------------------|------------------------------|

## Capital ratios

|   |       |       |      |
|---|-------|-------|------|
| Interest coverage ratios <sup>(5)</sup> | N/A   | N/A   |      |
| Net debt to equity ratio <sup>(6)</sup> | 7.1%  | 1.4%  |      |
| Gearing ratio <sup>(7)</sup>            | 50.5% | 46.0% | 4.5% |

### Notes:

- (1) Net loss for the period divided by total equity.
- (2) Average of the inventory at the beginning and at the end of the period divided by cost of sales times number of days during the period.
- (3) Average of the trade receivables at the beginning and at the end of the period divided by revenue times number of days during the period.
- (4) Average of the trade payables at the beginning and at the end of the period divided by costs of sales times number of days during the period.
- (5) Profit before interest and tax for the period divided by interest expenses of the same period.
- (6) Net debt divided by total equity as at the end of the period. Net debt includes bank borrowings net of cash and cash equivalents, pledged bank deposits and fixed deposits held at bank. As at 30 June 2020 and 31 December 2019, the Group recorded a net cash position.
- (7) Total debts divided by the total equity as at the end of the period.

# Management Discussion and Analysis

## OVERVIEW

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

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

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

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

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

## FINANCIAL REVIEW

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

### Revenue

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

# Management Discussion and Analysis

## Revenue by Product Type

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

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

## Revenue by Product Style

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

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

# Management Discussion and Analysis

## Revenue by Region

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

### Notes:

- (1) Northern China includes Beijing, Hebei, Shanxi, Tianjin and Inner Mongolia.
- (2) Northeastern China includes Heilongjiang, Jilin and Liaoning.
- (3) Eastern China includes Jiangsu, Zhejiang, Shanghai, Anhui, Fujian, Shandong and Jiangxi.
- (4) Central Southern China includes Henan, Hubei, Hunan, Guangdong, Guangxi and Hainan.
- (5) Southwestern China includes Chongqing, Sichuan, Guizhou, Yunnan and Tibet.
- (6) Northwestern China includes Shaanxi, Gansu, Qinghai, Ningxia and Xinjiang.

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

# Management Discussion and Analysis

## Cost of Sales

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

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

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

## Gross Profit and Gross Profit Margin

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

## Other Income and Other Gains or Losses

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

## Selling and Distribution Expenses

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

## Administrative and Other Operating Expenses

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

# Management Discussion and Analysis

## Finance Costs

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

## Income Tax

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

## Loss Attributable to Shareholders of the Company

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

## Interim Dividend

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

## BUSINESS REVIEW

### Distribution Network

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

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

# Management Discussion and Analysis

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

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

## Distribution Channel Management

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

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

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

## Marketing and Promotion

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

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

## Design and Product Development

The Group always put great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. Our product development initiatives include, among others, launching of our new men's casual fashion series and developing our own quality fabrics. As at 30 June 2020, our product design and development team consisted of 40 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

## Sales Fairs

We generally organize sales fairs at our headquarters in Quanzhou to showcase our upcoming products for the spring/summer and autumn/winter collections to our existing and potential distributors and sub-distributors. We review our distributors' orders placed at our sales fair to ensure that they are reasonable and in line with the relevant distributor's capacity and development plans. The sales fairs for 2020 autumn/winter collections was held in March 2020, and the sales fairs for 2021 spring/summer collections will be held in August 2020.

# Management Discussion and Analysis

## PROSPECTS

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

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

## Liquidity and Financial Resources and Capital Structure

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

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

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

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

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

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

# Management Discussion and Analysis

## Trade Working Capital Ratios

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

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

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

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

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

## Charges on Group Assets

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

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

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

# Management Discussion and Analysis

## Future Plans for Material Investments and Capital Assets

### Fordoo commercial center

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

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

## Capital Commitments and Contingencies

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

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

## Foreign Currency Exposure

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

## Employees, Training, and Development

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

## Use of Proceeds

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

# Management Discussion and Analysis

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

| Use of net proceeds   | Available<br>for use<br>HK\$ million | Utilized<br>(as at<br>30 June 2020)<br>HK\$ million | Unutilized<br>(as at<br>30 June 2020)<br>HK\$ million |
|---|--------------------------------------|---|---|
| Brand promotion and marketing                                 | 122.8                                | (122.8)   | –   |
| Research, design and product development                      | 90.9                                 | (48.5)  | 42.4  |
| Repay a portion of our bank borrowings                        | 90.9                                 | (90.9)  | –   |
| Expand distribution network and provide storefront decoration | 59.1                                 | (59.1)  | –   |
| Install ERP system  | 45.5                                 | (20.0)  | 25.5  |
| Working capital and other general corporate purposes          | 45.5                                 | (45.5)  | –   |
|   | 454.7                                | (386.8)   | 67.9  |

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

# Report on Review of Interim Condensed Consolidated Financial Statements



**Independent review report to the board of directors of  
China Fordoo Holdings Limited**  
(Incorporated in the Cayman Islands with limited liability)

## Introduction

We have reviewed the interim financial information set out on pages 15 to 40 which comprises the condensed consolidated statement of financial position of China Fordoo Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") as at 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "*Interim financial reporting*", issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial information in accordance with International Accounting Standard 34.

Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review and to report our conclusion 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.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of interim financial information performed by the independent auditor of the entity*", issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34, "*Interim financial reporting*".

**Elite Partners CPA Limited**  
Certified Public Accountants  
Hong Kong, 28 August 2020

**Leung Man Kin**  
Practising Certificate Number: P07174

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

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

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

The notes on pages 21 to 40 form part of this interim financial report.

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

|   | Notes | Six months ended 30 June |                                   |
|---|-------|--------------------------|-----------------------------------|
|   |       | 2020<br>RMB'000          | 2019<br>RMB'000<br>(Re-presented) |
| Loss attributable to equity holders of the company: |       |                          |                                   |
| — from continuing operations                        |       | (67,115)                 | (46,073)                          |
| — from discontinued operations                      |       | —                        | (9,810)                           |
|   |       | (67,115)                 | (55,883)                          |
| Loss attributable to non-controlling interest:      |       |                          |                                   |
| — from continuing operations                        |       | —                        | —                                 |
| — from discontinued operations                      |       | —                        | (71)                              |
|   |       | —                        | (71)                              |
|   |       | (67,115)                 | (55,954)                          |
| Total comprehensive expense attributable to:        |       |                          |                                   |
| Equity holders of the Company                       |       | (68,494)                 | (56,200)                          |
| Non-controlling interest                            |       | —                        | (71)                              |
|   |       | (68,494)                 | (56,271)                          |
| <b>Loss per share (RMB cents)</b>                   |       |                          |                                   |
| Basic and diluted                                   | 8     |                          | (Restated)                        |
| — from continuing and discontinued operations       |       | (3.5)                    | (2.9)                             |
| — from continuing operations                        |       | (3.5)                    | (2.4)                             |

# Condensed Consolidated Statement of Financial Position

At 30 June 2020 — unaudited  
(Expressed in Renminbi)

|   | Notes | At 30 June<br>2020<br>RMB'000<br>Unaudited | At 31 December<br>2019<br>RMB'000<br>Audited |
|---|-------|--|--|
| <b>Non-current assets</b>   |       |  |  |
| Property, plant and equipment   | 9     | 246,348                                    | 245,277                                      |
| Construction in progress  |       | 377,014                                    | 376,700                                      |
| Goodwill  |       | —  | —  |
| Deposits placed for life insurance                                      |       | —  | 7,050  |
| Investment properties   |       | 20,775                                     | 21,368                                       |
| Lease prepayments   |       | —  | —  |
| Right-of-use assets   |       | 244,747                                    | 249,000                                      |
| Intangible assets   |       | 97,922                                     | 120,122                                      |
| Investment in an associate  | 10    | —  | —  |
| Deferred tax assets   | 18    | 81,814                                     | 72,948                                       |
|   |       | <b>1,068,620</b>                           | 1,092,465                                    |
| <b>Current assets</b>   |       |  |  |
| Inventories   | 11    | 14,308                                     | 28,785                                       |
| Trade, bills and other receivables                                      | 12    | 172,444                                    | 185,040                                      |
| Pledged bank deposits   | 13    | 5,561                                      | 12,708                                       |
| Fixed deposits held at bank with original maturity<br>over three months | 14    | 5,532                                      | 4,000  |
| Cash and cash equivalents   | 14    | 434,796                                    | 471,354                                      |
|   |       | <b>632,641</b>                             | 701,887                                      |
| <b>Current liabilities</b>  |       |  |  |
| Trade, bills and other payables   | 15    | 108,881                                    | 141,307                                      |
| Bank and other borrowings   | 16    | 419,800                                    | 409,800                                      |
| Corporate bonds   | 17    | 42,499                                     | 28,604                                       |
| Lease liabilities   |       | 1,795                                      | 2,043  |
| Current taxation  |       | 5,586                                      | 6,711  |
|   |       | <b>578,561</b>                             | 588,465                                      |
| <b>Net current assets</b>   |       | <b>54,080</b>                              | 113,422                                      |
| <b>Total assets less current liabilities</b>                            |       | <b>1,122,700</b>                           | 1,205,887                                    |

The notes on pages 21 to 40 form part of this interim financial report.

# Condensed Consolidated Statement of Financial Position

At 30 June 2020 — unaudited  
(Expressed in Renminbi)

|                                | Notes | At 30 June<br>2020<br>RMB'000<br>Unaudited | At 31 December<br>2019<br>RMB'000<br>Audited |
|--------------------------------|-------|--|--|
| <b>Non-current liabilities</b> |       |  |  |
| Corporate bonds                | 17    | 55,962                                     | 64,729                                       |
| Lease liabilities              |       | 130  | 943  |
| Deferred tax liabilities       | 18    | 40,928                                     | 46,041                                       |
|                                |       | 97,020                                     | 111,713                                      |
| <b>Net assets</b>              |       | 1,025,680                                  | 1,094,174                                    |
| <b>Capital and reserves</b>    |       |  |  |
| Share capital                  | 20    | 3,819                                      | 3,819  |
| Reserves                       |       | 1,021,861                                  | 1,090,355                                    |
| <b>Total equity</b>            |       | 1,025,680                                  | 1,094,174                                    |

# Condensed Consolidated Statement of Changes in Equity

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

|  | Attributable to equity holders of the Company |                             |                             |                                 |                               |                                |  |                                | Non-<br>controlling<br>interest<br>RMB'000 | Total<br>equity<br>RMB'000 |                      |
|--|---|-----------------------------|-----------------------------|---------------------------------|-------------------------------|--------------------------------|--|--------------------------------|--|----------------------------|----------------------|
|  | Notes   | Share<br>capital<br>RMB'000 | Share<br>premium<br>RMB'000 | Statutory<br>reserve<br>RMB'000 | Capital<br>reserve<br>RMB'000 | Exchange<br>reserve<br>RMB'000 | Share-based<br>payment<br>reserve<br>RMB'000 | Retained<br>profits<br>RMB'000 |  |                            | Sub-total<br>RMB'000 |
|  |   | Note 20(b)                  | Note 20(c)(i)               | Note 20(c)(ii)                  | Note 20(c)(iii)               | Note 20(c)(iv)                 | Note 20(c)(v)                                |                                |  |                            |                      |
|  |   |                             |                             |                                 |                               |                                |  |                                |  |                            |                      |
| Balance at 1 January 2019 (Audited)                      |   | 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 the six months ended 30 June 2019: |   |                             |                             |                                 |                               |                                |  |                                |  |                            |                      |
| Loss for the period                                      |   | -                           | -                           | -                               | -                             | -                              | -  | (55,883)                       | (55,883)                                   | (71)                       | (55,954)             |
| Other comprehensive expense for the period               |   | -                           | -                           | -                               | -                             | (317)                          | -  | -                              | (317)                                      | -                          | (317)                |
| Total comprehensive expense                              |   | -                           | -                           | -                               | -                             | (317)                          | -  | (55,883)                       | (56,200)                                   | (71)                       | (56,271)             |
| Lapse of share options                                   |   | -                           | -                           | -                               | -                             | -                              | (445)  | 445                            | -  | -                          | -                    |
| Balance at 30 June 2019 (Unaudited)                      |   | 3,819                       | 136,871                     | 128,898                         | 39,023                        | (11,309)                       | 166  | 1,052,491                      | 1,349,959                                  | 3,496                      | 1,353,455            |
| Balance at 1 January 2020 (Audited)                      |   | 3,819                       | 136,871                     | 128,898                         | 39,023                        | (12,056)                       | 166  | 797,453                        | 1,094,174                                  | -                          | 1,094,174            |
| Changes in equity for the six months ended 30 June 2020: |   |                             |                             |                                 |                               |                                |  |                                |  |                            |                      |
| Loss for the period                                      |   | -                           | -                           | -                               | -                             | -                              | -  | (67,115)                       | (67,115)                                   | -                          | (67,115)             |
| Other comprehensive expense for the period               |   | -                           | -                           | -                               | -                             | (1,379)                        | -  | -                              | (1,379)                                    | -                          | (1,379)              |
| Total comprehensive expense                              |   | -                           | -                           | -                               | -                             | (1,379)                        | -  | (67,115)                       | (68,494)                                   | -                          | (68,494)             |
| Balance at 30 June 2020 (Unaudited)                      |   | 3,819                       | 136,871                     | 128,898                         | 39,023                        | (13,435)                       | 166  | 730,338                        | 1,025,680                                  | -                          | 1,025,680            |

The notes on pages 21 to 40 form part of this interim financial report.

# Condensed Consolidated Cash Flow Statement

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

|  | Note | Six months ended 30 June |                 |
|--|------|--------------------------|-----------------|
|  |      | 2020<br>RMB'000          | 2019<br>RMB'000 |
| <b>Operating activities</b>  |      |                          |                 |
| Cash (used in)/generated from operations   |      | (35,470)                 | 22,673          |
| Income tax paid  |      | (1,371)                  | (8,803)         |
| Net cash (used in)/generated from operating activities                           |      | (36,841)                 | 13,870          |
| <b>Investing activities</b>  |      |                          |                 |
| Payment for the purchase of property, plant and equipment and intangible assets  |      | (9,014)                  | (31)            |
| Proceeds from disposal of property, plant and equipment                          |      | —                        | 44              |
| Payments of construction in progress   |      | (314)                    | (10,592)        |
| Deposit refund from a life insurance policy                                      |      | 7,099                    | —               |
| Decrease in fixed deposits held at bank with original maturity over three months |      | (1,532)                  | 6,170           |
| Decrease in pledged bank deposits  |      | 7,147                    | 53,473          |
| Interest received  |      | 2,195                    | 2,866           |
| Net cash generated from investing activities                                     |      | 5,581                    | 51,930          |
| <b>Financing activities</b>  |      |                          |                 |
| Proceeds from bank and other borrowings  |      | 109,500                  | 122,500         |
| Repayment of bank and other borrowings   |      | (99,500)                 | (157,327)       |
| Proceeds from issue of corporate bonds   |      | 9,213                    | 16,310          |
| Interest paid  |      | (23,341)                 | (13,524)        |
| Capital elements to lease liabilities  |      | (1,170)                  | —               |
| Net cash used in financing activities  |      | (5,298)                  | (32,041)        |
| Net (decrease)/increase in cash and cash equivalents                             |      | (36,558)                 | 33,759          |
| Cash and cash equivalents at 1 January   | 14   | 471,354                  | 541,359         |
| Cash and cash equivalents at 30 June   | 14   | 434,796                  | 575,118         |

The notes on pages 21 to 40 form part this interim financial report.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 1 Basis of preparation

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

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

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

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

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

## 2 Changes in accounting policies

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

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

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 3 Segment information

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

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

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

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

### (a) Segment revenue and results

For the six months ended 30 June 2020

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 3 Segment information (Continued)

### (a) Segment revenue and results (Continued)

For the six months ended 30 June 2019

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 3 Segment information (Continued)

### (b) Segment assets and liabilities

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

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

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

### (c) Geographical Information

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

#### Revenue from external customers

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

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

#### Non-current assets

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 4 Revenue

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

Revenue by product type is as follows:

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

## 5 Other income and other gains or losses

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

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 6 Loss before taxation

Loss before taxation is arrived at after charging:

|  | Six months ended 30 June       |  |
|--|--------------------------------|--|
|  | 2020<br>RMB'000<br>(Unaudited) | 2019<br>RMB'000<br>(Unaudited)<br>(Re-presented) |
| <b>Continuing operations</b>                           |                                |  |
| <b>(a) Finance costs:</b>                              |                                |  |
| Corporate bonds  | 6,174                          | 3,271  |
| Interest on bank and other borrowings                  | 11,229                         | 10,559   |
| Interest on lease liabilities                          | 61                             | 30   |
|  | <b>17,464</b>                  | 13,860   |
| <b>(b) Staff costs:</b>                                |                                |  |
| Contributions to defined contribution retirement plans | 228                            | 538  |
| Salaries, wages and other benefits                     | 15,073                         | 22,182   |
|  | <b>15,301</b>                  | 22,720   |
| <b>(c) Other items:</b>                                |                                |  |
| Amortisation of intangible assets                      | 22,200                         | 21,892   |
| Depreciation of property, plant and equipment          | 7,943                          | 9,140  |
| Depreciation of investment properties                  | 594                            | 594  |
| Depreciation of right-of-use assets                    | 4,305                          | 3,974  |
| Research and developments expenses (note (i))          | 2,645                          | 4,129  |
| Cost of inventories (note (ii))                        | 62,570                         | 112,851  |
| Allowance for ECL, net                                 | 35,725                         | 29,808   |
| Operating lease payment                                | –                              | 508  |
| Written-off of trade receivables                       | 1,441                          | –  |

Notes:

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 7 Income tax in the condensed consolidated statement of profit or loss and other comprehensive income

|   | Six months ended 30 June       |  |
|---|--------------------------------|--|
|   | 2020<br>RMB'000<br>(Unaudited) | 2019<br>RMB'000<br>(Unaudited)<br>(Re-presented) |
| <b>Continuing operations</b>                          |                                |  |
| <b>Current tax</b>                                    |                                |  |
| Provision for PRC corporate income tax for the period | 246                            | 3,288  |
| <b>Deferred tax</b>                                   |                                |  |
| Origination and reversal of temporary differences     | (13,979)                       | (12,302)   |
|   | <b>(13,733)</b>                | <b>(9,014)</b>                                   |

Notes:

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.
- (ii) No provision was made for Hong Kong Profits Tax as the Group did not earn any assessable profit subject to Hong Kong Profits Tax during the six months ended 30 June 2020 and 2019.
- (iii) Pursuant to the income tax rules and regulations of the PRC, provision for PRC corporate income tax is calculated based on the statutory rate of 25% of the assessable profits of the subsidiaries incorporated in the PRC.
- (iv) According to the Corporate Income Tax law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from these subsidiaries in the foreseeable future in respect of the profits generated since 1 January 2008.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 8 Loss per share

### (a) Basic loss per share

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

|   | Six months ended 30 June       |  |
|---|--------------------------------|--|
|   | 2020<br>RMB'000<br>(Unaudited) | 2019<br>RMB'000<br>(Unaudited)<br>(Re-presented) |
| <b>Loss</b>   |                                |  |
| Loss for the period for the purposes of computation of basic loss per share |                                |  |
| — from continuing operations  | (67,115)                       | (46,073)   |
| — from discontinued operations  | —                              | (9,810)  |
|   | (67,115)                       | (55,883)   |
|   |                                |  |
|   | Number of shares               |  |
|   | '000                           | '000<br>(Re-stated)                              |
| <b>Number of shares</b>   |                                |  |
| 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 period ended 30 June 2019 had been adjusted for share subdivision on 17 October 2019.

### (b) Diluted loss per share

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

## 9 Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired items of property, plant and equipment with a cost of RMB9,014,000 (six months ended 30 June 2019: RMB31,000).

Items of property, plant and equipment with a net book value of RMBnil (six months ended 30 June 2019: RMB347,000) were disposed of during the six months ended 30 June 2020.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 10 Investment in an associate

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

|  | 2020<br>RMB'000<br>(Unaudited) | 2019<br>RMB'000<br>(Audited) |
|--|--------------------------------|------------------------------|
| 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 incorporation | 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 |

|  | 2020<br>RMB'000<br>(Unaudited) | 2019<br>RMB'000<br>(Audited) |
|--|--------------------------------|------------------------------|
| The unrecognised shares of loss of an associate for the period | —                              | —                            |
| Cumulative unrecognised shares of loss of an associate         | (4,406)                        | (4,406)                      |

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 11 Inventories

|                  | At 30 June<br>2020<br>RMB'000<br>(Unaudited) | At 31 December<br>2019<br>RMB'000<br>(Audited) |
|------------------|--|--|
| Raw materials    | 156  | 3,987  |
| Work in progress | –  | 1,024  |
| Finished goods   | 14,152                                       | 23,774   |
|                  | <b>14,308</b>                                | 28,785   |

## 12 Trade, bills and other receivables

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 12 Trade, bills and other receivables (Continued)

### Aging analysis

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

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

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

### Impairment of trade receivables

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

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

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

## 13 Pledged bank deposits

As at 30 June 2020, bank deposits have been pledged as security for bank borrowings, which were repayable within 1 year (see note 16(a)). The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 14 Cash and cash equivalents and fixed deposits held at banks comprise:

|   | At 30 June<br>2020<br>RMB'000<br>(Unaudited) | At 31 December<br>2019<br>RMB'000<br>(Audited) |
|---|--|--|
| Fixed deposit held at bank with original maturity within three months   | 29   | 8,708  |
| Cash at bank and in hand  | 434,767                                      | 462,646  |
| Cash and cash equivalents in the condensed consolidated statements of financial position and condensed consolidated cash flow statement | 434,796                                      | 471,354  |
| Fixed deposits held at bank with original maturity over three months  | 5,532  | 4,000  |
|   | 440,328                                      | 475,354  |

## 15 Trade, bills and other payables

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

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

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 16 Bank and other borrowings

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

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

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

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

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

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 16 Bank and other borrowings (Continued)

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

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

## 17 Corporate bonds

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

The Group's corporate bonds are repayable as follows:

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

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 17 Corporate bonds (Continued)

The movement of corporate bonds is as follows:

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

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

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

## 18 Income tax in the condensed 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 condensed consolidated statement of financial position and the movement during the period are as follows:

| Deferred tax arising from:  | Withholding<br>tax on<br>dividends<br>RMB'000 | Deferred tax<br>liability on<br>intangible<br>assets<br>RMB'000 | Impairment<br>on trade<br>receivable<br>RMB'000 | Total<br>RMB'000 |
|---|---|---|---|------------------|
| At 1 January 2019 (Audited)   | (37,740)                                      | (32,485)  | 58,469  | (11,756)         |
| Credited to condensed<br>consolidated statement of profit or loss<br>and other comprehensive income | —   | 5,425   | 6,861   | 12,286           |
| At 30 June 2019 (Unaudited)   | (37,740)                                      | (27,060)  | 65,330  | 530              |
| At 1 January 2020 (Audited)   | (37,740)                                      | (8,301)   | 72,948  | 26,907           |
| Credited to condensed<br>consolidated statement of profit or loss<br>and other comprehensive income | —   | 5,113   | 8,866   | 13,979           |
| At 30 June 2020 (Unaudited)   | (37,740)                                      | (3,188)   | 81,814  | 40,886           |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 18 Income tax in the condensed consolidated statement of financial position (Continued)

### (a) Deferred tax assets and liabilities recognised: (Continued)

#### (ii) Reconciliation to the condensed consolidated statement of financial position

|   | At 30 June<br>2020<br>RMB'000<br>(Unaudited) | At 31 December<br>2019<br>RMB'000<br>(Audited) |
|---|--|--|
| Deferred tax assets recognised in the condensed consolidated statement of financial position      | 81,814                                       | 72,948   |
| Deferred tax liabilities recognised in the condensed consolidated statement of financial position | (40,928)                                     | (46,041)                                       |

### (b) Deferred tax assets not recognised

At 30 June 2020, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB317,876,000 (31 December 2019: RMB263,550,000), of which RMB244,597,000 (31 December 2019: RMB195,585,000) 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 30 June 2019, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB1,348,949,000 (31 December 2019: RMB1,274,856,000) 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.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 19 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 each (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 periods                   | Contractual life of options |
|--|---------|----------------|---------------------------|-----------------------------------|-----------------------------|
| 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:                |         |                |                           |                                   |                             |
| 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.

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

|                                    | At 30 June 2020<br>(Unaudited)  |                   | At 31 December 2019<br>(Audited) |                   |
|------------------------------------|---------------------------------|-------------------|----------------------------------|-------------------|
|                                    | Weighted average Exercise price | Number of options | Weighted average exercise price  | Number of options |
| Outstanding at the 1 January       | HK\$0.89                        | 1,200,000         | HK\$3.56                         | 700,000           |
| Lapsed during the period/year      | –                               | –                 | HK\$3.56                         | (400,000)         |
| Adjustment on share subdivision    | –                               | –                 | –                                | 900,000           |
| Outstanding at 30 June/31 December | HK\$0.89                        | 1,200,000         | HK\$0.89                         | 1,200,000         |
| Exercisable at 30 June/31 December | HK\$0.89                        | 1,200,000         | HK\$0.89                         | 1,200,000         |

During the six months ended 30 June 2020, Nil (31 December 2019: Nil) share options were granted and 1,200,000 (31 December 2019: 1,200,000) of share options became exercisable as at 30 June 2020.

The shares options outstanding as at 30 June 2020 had an exercise price of HK\$0.89 (31 December 2019: HK\$0.89) and a weighted average remaining contractual life of 3 years (31 December 2019: 3.5 years).

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 20 Capital, reserves and dividends

### (a) Dividends

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

### (b) Share capital

Authorised and issued share capital

|                        | At 30 June 2020<br>(Unaudited) |                    | At 31 December 2019<br>(Audited) |                    |
|------------------------|--------------------------------|--------------------|----------------------------------|--------------------|
|                        | Number<br>of shares            | Amount<br>HK\$'000 | Number<br>of shares              | Amount<br>HK\$'000 |
| <b>Authorised:</b>     |                                |                    |                                  |                    |
| At 1 January           | 4,000,000,000                  | 10,000             | 1,000,000,000                    | 10,000             |
| Share subdivision*     | –                              | –                  | 3,000,000,000                    | –                  |
| At 30 June/31 December | 4,000,000,000                  | 10,000             | 4,000,000,000                    | 10,000             |

  

|                               | Number<br>of shares | Amount<br>HK\$'000 | Amount<br>RMB'000 | Number<br>of shares | Amount<br>HK\$'000 | Amount<br>RMB'000 |
|-------------------------------|---------------------|--------------------|-------------------|---------------------|--------------------|-------------------|
| <b>Issued and fully paid:</b> |                     |                    |                   |                     |                    |                   |
| At 1 January                  | 1,923,600,000       | 4,809              | 3,819             | 480,900,000         | 4,809              | 3,819             |
| Share subdivision*            | –                   | –                  | –                 | 1,442,700,000       | –                  | –                 |
| At 30 June/31 December        | 1,923,600,000       | 4,809              | 3,819             | 1,923,600,000       | 4,809              | 3,819             |

\* 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 ordinary share of HK\$0.01 each subdivided into four subdivided ordinary shares of HK\$0.0025 each.

### (c) 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.

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 20 Capital, reserves and dividends (Continued)

### (c) Nature and purpose of reserves (Continued)

#### (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 operations outside the mainland China.

#### (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. No transfer from the share-based reserve to the share premium account during the period of 2020.
- 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.

## 21 Commitments

### Capital commitments

Capital commitments of the Group in respect of construction in progress outstanding at 30 June 2020 that were not provided for in the interim financial information were as follows:

|                | At 30 June<br>2020<br>RMB'000<br>(Unaudited) | At 31 December<br>2019<br>RMB'000<br>(Audited) |
|----------------|--|--|
| Contracted for | 261,846                                      | 169,506  |

# Notes to the Condensed Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

## 22 Material related party transactions

In addition to the related party information disclosed elsewhere in the condensed consolidated interim 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 for the period, including amounts paid to the Company's directors, is as follows:

|  | Six months ended 30 June |                      |
|--|--------------------------|----------------------|
|  | 2020                     | 2019                 |
|  | RMB'000<br>(Unaudited)   | RMB'000<br>(Audited) |
| Short-term employee benefits               | 938                      | 1,043                |
| Contributions to retirement benefit scheme | 21                       | 23                   |
|  | 959                      | 1,066                |

The total remuneration is included in "staff costs" (see note 6(b)).

### (b) Balances with related parties

The Group had the following significant balances with its related parties as at 30 June 2020:

#### Due to controlling shareholders

|                          | At 30 June<br>2020     | At 31 December<br>2019 |
|--------------------------|------------------------|------------------------|
|                          | RMB'000<br>(Unaudited) | RMB'000<br>(Audited)   |
|                          |                        |                        |
| <b>Non-trade related</b> |                        |                        |
| Mr. Kwok Kin Sun (Note)  | 346                    | 346                    |
| Mr. Kwok Hon Fung (Note) | 2                      | 2                      |

Balances with shareholders were unsecured and non-interest-bearing and had no fixed repayment terms.

Note:

Mr. Kwok Kin Sun and Mr. Kwok Hon Fung are collectively the directors of the Company and the shareholders of the Group.

## 23 Events after the reporting date

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

# Other Information

## Disclosure of Interests

### Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or any associated corporations

As at 30 June 2020, 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 for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Interests in Shares, underlying Shares and debentures and associated corporations:

| Name                             | Nature of interest                   | Number of issued ordinary Shares held | Number of underlying Shares under the share options held <sup>(3)</sup> | Total       | Approximate percentage of shareholding |
|----------------------------------|--------------------------------------|---------------------------------------|---|-------------|--|
| Mr. Kwok Kin Sun <sup>(1)</sup>  | Interest in a controlled corporation | 925,000,000                           | –   | 925,000,000 | 48.09%                                 |
| Mr. Kwok Hon Fung <sup>(2)</sup> | Interest in a controlled corporation | 200,891,000                           | –   | 200,891,000 | 10.44%                                 |
| Mr. Cheung Chiu Tung             | 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 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 30 June 2020, the Company was not aware of any person or corporation having an interest or a short position 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' Rights to Acquire Shares or Debentures

Save as disclosed in "Share Option Scheme" below, during the reporting period, 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.

# Other Information

## Substantial Shareholders' and Other Persons' Interests and short positions in the Shares and Underlying Shares of the Company

As at 30 June 2020, so far as the Directors are aware, having made all reasonable enquiries, the following interest of 5% or more of the issued share capital of the Company (other than the interests of the Directors and chief executives as disclosed above) were 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 <sup>(1)</sup>                                | Long     | Interest in controlled corporation | 925,000,000      | 48.09%                                 |
| Ms. Wong Tung Yam <sup>(2)</sup>                         | 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 <sup>(3)</sup>                              | Long     | Interest in controlled corporation | 242,868,732      | 12.63%                                 |
| Equal Plus   | Long     | Beneficial owner                   | 200,891,000      | 10.44%                                 |

Notes:

- (1) 東海證券股份有限公司, being the controlling shareholder of Donghai International Financial Holdings Company Limited, is deemed to be interested in all the Shares in which Donghai International Financial Holdings Company Limited is interested by virtue of the SFO.
- (2) Ms. Wong Tung Yam, being 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 by virtue of the SFO.
- (3) Ms. Zhao Wei, being the controlling shareholder of Prosper Synergy Holdings Limited, is deemed to be interested in all Shares in which Prosper Synergy Holdings Limited is interested by virtue of the SFO.

Same as disclosed above, as at 30 June 2020, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares 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 under section 336 of Part XV of the SFO.

## Sufficiency of Public Float

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

## Review of Interim Results

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

# Other Information

## Share Option Scheme

The Company adopted a Share Option Scheme on 9 June 2014 (the **"Share Option Scheme"**) for the purpose of providing incentives and rewards to eligible participants who contribute to the Group. On 7 October 2015, 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. As a result of the share subdivision effected on 17 October 2019, the exercise prices were adjusted to HK\$0.89. Details of the Share Option Scheme was set out in the 2019 Annual Report of the Company.

Details of movements of the share options during the six months ended 30 June 2020 are set out below:

|                  |                |                |                                  |                | Number of Share Options |           |           |        |              |
|------------------|----------------|----------------|----------------------------------|----------------|-------------------------|-----------|-----------|--------|--------------|
|                  |                | Exercise price |                                  | As at          |                         |           |           |        | As at        |
| Category         | Date of grant  | (HK\$)         | Exercisable period               | 1 January 2020 | Granted                 | Exercised | Cancelled | Lapsed | 30 June 2020 |
| Director         |                |                |                                  |                |                         |           |           |        |              |
| 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      |
| Total            |                |                |                                  | 1,200,000      | –                       | –         | –         | –      | 1,200,000    |

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 30 June 2020.

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

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

## Compliance with the Corporate Governance Code

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

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

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

# Other Information

## Compliance with the Model Code

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

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

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

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

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

## Updates on Compliance and Regulatory Matters as Disclosed in the Prospectus

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

## EVENTS AFTER REPORTING PERIOD

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

On behalf of the Board

**Kwok Kin Sun**

*Chairman and Executive Director*

Hong Kong

28 August 2020