ANNUAL REPORT

2020

FORDOO

www.FORDOO.cn

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

CONTENTS

ABOUT FORDOO

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

CORPORATE INFORMATION

BOARD OF DIRECTORS AND COMMITTEES

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung
Mr. Tong Xin (appointed on 30 September 2020)
Mr. Peng Zuncheng (appointed on 1 January 2021)
Ms. Mo Wei (resigned on 31 December 2020 and the resignation took effect from 1 January 2021)

Independent Non-executive Directors

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

Unit 1104A, 11/F,
Kai Tak Commercial Building,
No. 317–319 Des Voeux Road Central,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3
Building D, P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

China CITIC Bank Corporation Limited
China Construction Bank Corporation

IR CONTACT

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China Fordoo Holdings Limited
Unit 1104A, 11/F,
Kai Tak Commercial Building,
No. 317–319 Des Voeux Road Central,
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COMPANY WEBSITE

www.fordoo.cn

FINANCIAL HIGHLIGHTS

FROM CONTINUING OPERATIONS

- Revenue of the Group decreased by 24.8% to RMB270.1 million (2019: RMB359.0 million).
- Gross profit of the Group decreased by 43.1% to RMB76.9 million (2019: RMB135.2 million).
- Net loss of the Group was RMB552.2 million (2019: net loss of RMB303.7 million).
- Basic and diluted loss per share was RMB28.71 cents (2019: RMB15.79 cents).
- The Board has resolved not to recommend the payment of a final dividend for the year (2019: Nil).

	2020	2019	**Change**
Profitability ratios			
From continuing operations			
Gross profit margin	**28.5%**	37.7%	–9.2 ppt
Net loss margin	**–204.5%**	–84.6%	–119.9 ppt
From continuing and discontinued operations			
Return on equity(1)	**–101.6%**	–28.4%	–73.2 ppt
Liquidity ratios			
From continuing operations			
Inventory turnover (Days)(2)	**81**	55	+26
Trade and bills receivables turnover (Days)(3)	**202**	165	+37
Trade payables turnover (Days)(4)	**26**	19	+7
Capital ratios			
Interest coverage ratios(5)	**N/A**	N/A	
Net Debt to equity ratio (%)(6)	**57.2%**	1.4%	+55.8 ppt
Gearing ratio (7)	**93.9%**	46.0%	+47.9 ppt

Notes:

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of China Fordoo Holdings Limited (the "Company"), I am pleased to present the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2020 (the "Year").

BUSINESS OVERVIEW

2020 was an extremely challenging year for the Group. The nationwide outbreak of novel coronavirus (COVID-19) led to the suspension of social and economic activities in most cities across China and, in turn, imposed downward pressure on the prospect of economic growth. Industries including tourism, entertainment and retailing were affected to a larger extent while the suspension of the expansion of production facilities might have an impact on industrial production and trading. Inevitably, the results of the Group in 2020 were adversely affected. The revenue of the Group decreased by 24.8% from RMB359.0 million in 2019 to RMB270.1 million in 2020 while the net loss from continuing operations increased by 81.8% from RMB303.7 million in 2019 to RMB552.2 million in 2020.

In light of the challenges ahead, the Group has taken a multi-pronged approach. We have continued to improve operating efficiency by closing and integrating some of the underperforming retail outlets as well as strengthening the management towards our distributors. We started to increase the volume of outsourcing from original equipment manufacturer ("OEM") suppliers and reduce the volume of self-production to increase flexibility and reduce fixed manufacturing costs. To improve the revenue streams, we also started to license the brand name "Fordoo" to our distributors to earn licensing fees and lease out some vacant factory area to outsiders to earn rental income.

In order to diversify its business and to strengthen the long-term growth potential and shareholder value, the Group has been looking for business opportunities in China in respect of online e-commerce platform combined with an offline trading service system, which coordinate with China's major e-commerce platforms and major distributors to carry out automotive sales business since 2018. One of the ways to gain access to the PRC automobile industry quickly is through acquisition.

On 23 October 2020, the Group successfully acquired the entire equity interests in Tianjin Free Trade Pilot Zone Blue High-tech Co., Ltd.* (天津自貿試驗區藍高科技有限公司) ("Tianjin Blue") for a consideration of RMB1.46 million. Tianjin Blue is engaged in, among others, software development, internet operations, sales of automobiles and parts and equipment thereof, as well as the provision of information consulting services and property management, exhibition and display services.

On 30 March 2021, the Company had successfully acquired the entire issued share capital of Good Productive Limited, which indirectly holds the entire issued share capital of a WFOE and through a set of VIE agreements entered into among the WFOE, Tianjin Honggao Technology Co., Ltd.* (天津洪高科技有限公司) ("OPCO") and the registered owner of the OPCO, has effective control over the financing and operations of the OPCO, and enjoys the economic interest and benefits of the OPCO. OPCO has developed an online e-commerce platform known as "Changyou Car* (暢遊汽車)", which has been working on materialising car sales by integrating mobile apps with offline trading service centres of distributors across the nation.

* *For identification purpose only*

CHAIRMAN'S STATEMENT

FUTURE PROSPECTS

Although we are facing unprecedented challenges and uncertainties ahead, we remain cautiously optimistic towards our business development in medium and long run. As the COVID-19 vaccination is getting common, many cities across China are loosening restrictions and resuming normal business and social activities, therefore Industries including tourism, entertainment and retailing will be benefit from that. Our retail business was significantly affected in 2020 and we believe that it will recover in 2021. We also expect that the demand of our products will increase when the economy restores. The Group will continue to monitor the menswear business operations, control and reduce unnecessary expenses and save costs.

In addition, the Group believes that the expansion into the automotive sales business segment can allow the Group to share the benefit of the development of China's huge automotive market and thus achieve greater value for the Shareholders of the Company in the near future.

APPRECIATION

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

Kwok Kin Sun
Chairman

Hong Kong, 30 March 2021

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 2020, due to the combined effect of COVID-19 pandemic and decline in the domestic demand, the Group's revenue decreased from RMB359.0 million to RMB270.1 million, representing an approximately 24.8% decrease comparing with the financial year of 2019.

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 prone 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 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, such as raw materials and labour, has also made the situation even worse, especially in some first-tier cities in China.

To cope with the intense competition in the retail market and weak consumer sentiment, the Group continued to rationalize its distribution network by closing some of the underperforming retail outlets and to strengthen the corporation with its distributors and sub-distributors in order to improve operating efficiency. Furthermore, the Group persistently enhances its design and product development capabilities to increase its brand building strategies and flexibility in manufacturing by outsourcing part of the production process.

FINANCIAL REVIEW

For the Year, the Group resulted a loss of approximately RMB552.2 million (2019 from continuing operations: RMB303.7 million), representing an approximately 81.8% increase in loss comparing with the 2019. The increase of loss was mainly attributable to (i) the decline in Group's revenue and gross profit due to the combining effect of persistent COVID-19 pandemic and the decline in the domestic demand for the Group's products; (ii) the recognition of an impairment loss on certain intangible assets of approximately RMB16.7 million; (iii) the written off of the remaining balance of the construction in progress of approximately RMB376.7 million in relation to the construction of the Fordoo commercial centre commencing from 2014; and (iv) an increase in an allowance for expected credit losses on trade receivables under IFRS9 "Financial Instruments" of approximately RMB51.2 million. As at 31 December 2020, the Group had 336 retail outlets (including 2 self-operated retail stores located in Quanzhou and 19 self-operated retail outlets in Beijing), representing a net decrease of 162 retail outlets from 498 retail outlets as at 31 December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

For the Year, revenue from continuing operations decreased by approximately 24.8% to approximately RMB270.1 million from approximately RMB359.0 million for the previous year. The decrease in revenue was primarily due to: (i) the persistent COVID-19 pandemic and slowdown in China's economic growth; (ii) lower the selling prices to attract consumers; (iii) the Group's continued consolidation strategy on its retail outlet network; and (iv) the decrease in wholesale orders as a result of the termination of distribution relationships with some of the Group's distributors who had slow repayment history.

Revenue by Product Type

	For the year ended 31 December				
	2020		2019		Change
	RMB million	% of revenue	RMB million	% of revenue	%
Men's trousers	**141.9**	**52.6%**	189.8	52.9%	–25.2%
Men's tops	**125.1**	**46.3%**	168.5	46.9%	–25.8%
Accessories	**3.1**	**1.1%**	0.7	0.2%	342.9%
Total	**270.1**	**100.0%**	359.0	100.0%	–24.8%

Men's trousers remained the major revenue contributor and accounted for approximately 52.6% of the total revenue during the Year (2019: 52.9%).

Revenue by Product Style

	For the year ended 31 December				
	2020		2019		Change
	RMB million	% of revenue	RMB million	% of revenue	%
Business Casual	**180.1**	**66.7%**	228.0	63.6%	–21.0%
Business Formal	**54.0**	**20.0%**	72.6	20.2%	–25.6%
Casual [(1)]	**32.9**	**12.2%**	57.6	16.0%	–42.9%
Accessories	**3.1**	**1.1%**	0.7	0.2%	342.9%
Total	**270.1**	**100.0%**	359.0	100.0%	–24.8%

Business casual series remained our largest revenue contributor and accounted for approximately 66.7% of the total revenue during the Year (2019: 63.6% of the total revenue).

Note:

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

Revenue by Region

	For the year ended 31 December				
	2020		2019		Change
Region	RMB million	% of Revenue	RMB million	% of Revenue	%
Continuing operations					
Apparel and accessories					
Northern China (1)	**43.1**	**16.0%**	117.3	32.7%	–63.3%
Northeastern China (2)	**0.6**	**0.2%**	1.8	0.5%	–66.7%
Eastern China (3)	**156.6**	**58.0%**	145.6	40.6%	7.6%
Central Southern China (4)	**12.5**	**4.6%**	13.9	3.9%	–10.1%
Southwestern China (5)	**5.0**	**1.9%**	14.2	4.0%	–64.8%
Northwestern China (6)	**10.1**	**3.7%**	9.7	2.7%	4.1%
Hong Kong	**–**	**–**	9.5	2.6%	–100.0%
Subtotal	**227.9**	**84.4%**	312.0	87.0%	–27.0%
Online distributor	**42.2**	**15.6%**	47.0	13.0%	–10.2%
Total	**270.1**	**100.0%**	359.0	100.0%	–24.8%

Notes:

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

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

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

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

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

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

Eastern China and Northern China regions remained the major revenue contributors to the Group during the year and together accounted for approximately 74.0% (2019: 73.3%) of the total revenue. Revenue from online distributor increased from 13.0% to 15.6% of the total revenue and it reflected that we have placed more efforts on the internet marketing and expanded out distribution channel.

Cost of Sales

Cost of sales decreased by approximately 13.7% to approximately RMB193.2 million for the Year from approximately RMB223.8 million for the previous year. The decrease was primarily due to the drop in the product demand and partially offset by the increased in raw materials costs.

The Group continued to manufacture its products by self-production and OEM purchase. We used our in-house manufacturing facilities to manufacture part of our products and also outsourced part of the production process. This flexible manufacturing process allowed us to achieve the best product quality, cost efficiency and flexibility in production arrangement.

During the Year, self-production accounted for approximately 16.4% (2019: 41.7%) of the total cost of sales for apparel business, decreased by approximately 25.3 percentage points compared with the year 2019. After experiencing the suspension and economic activities in the first half of 2020 due to the COVID-19 pandemic, the Group outsourced more production process to avoid factory sunk cost, such as idle labor costs and the fringe benefits.

Gross Profit and Gross Profit Margin

Gross profit for the Year decreased by approximately 43.1% year-on-year to approximately RMB76.9 million (2019: RMB135.2 million). Gross profit margin decreased approximately 9.2 percentage points year-on-year to approximately 28.5%, which was primarily attributable to the decrease in revenue from these self-operated shops with higher profit margin.

Other Incomes and Other Gains or Losses

For the Year, other incomes and other gains or losses increased by approximately RMB3.2 million to approximately RMB5.9 million from approximately RMB2.7 million for the previous year. The net increase was mainly due to an increase in rental income of approximately RMB1.1 million and a net decrease in net loss on disposal of property, plant and equipment of approximately RMB2.0 million, decrease in foreign exchange loss of approximately RMB790,000, offset by a net decrease in interest income of approximately RMB568,000 and a net decrease in financial consultant service of RMB525,000.

Selling and Distribution Expenses

For the Year, selling and distribution expenses decreased by approximately RMB12.6 million year-on-year to approximately RMB66.2 million, accounted for approximately 24.5% of total revenue, which represented a year-on-year increase of approximately 2.6 percentage points. The decrease in selling and distribution expenses was primarily due to (i) the decrease in salesman salaries and insurance resulting from the decrease in the Group's headcount coupled with a decrease in number of stores during the year; (ii) the decrease in advertising and promotional expenses; (iii) the decrease in decoration expenses, which was in line with the consolidation strategy on the under-performing shops; and (iv) the decrease in packaging expenses which was in line with the decrease in revenue.

Administrative and Other Operating Expenses

For the Year, the Group's administrative and other operating expenses increased by approximately RMB2.3 million year-on-year to RMB168.8 million, accounting for approximately 62.5% of total revenue, which represented a year-on-year increase of 1.4 percentage points. The increase was mainly due to the staff dismissal compensation expense of approximately RMB6.3 million related to department restructuring and cost saving and increase in legal and professional fee of approximately RMB6.0 million partially offset by the decrease in allowance for expected credit losses on trade receivables under IFRS 9 "Financial Instruments" from RMB62.7 million in 2019 to RMB51.2 million and the decrease in research and development expenses by appropriately RMB1.3 million.

Finance Costs

For the Year, finance cost increased by approximately 18.9% year-on-year to approximately RMB34.3 million (2019: RMB28.8 million), which was mainly due to an increase in corporate bonds and higher average interest rate.

Income Tax

For the Year, income tax credit decreased by approximately RMB5.4 million year-on-year to RMB27.6 million (2019: RMB33.1 million). The decrease in income tax credit was mainly due to the net decrease in deferred tax assets due to the net decrease in allowance for expected credit losses on trade receivables and impairment of goodwill for the Year.

Loss Attributable to Shareholders of the Company

Loss attributable to the Shareholders for the Year was approximately RMB552.2 million (2019: loss of RMB303.7 million).

The Board has resolved not to recommend the payment of a final dividend for the Year (2019: Nil).

BUSINESS REVIEW

Distribution Network

The following table shows the changes in the number of stores in different regions during the year ended 31 December 2020:

	Number of stores			
Region	**As of 1 January 2020**	**Stores opened during the period**	**Stores closed during the period**	**As of 31 December 2020**
Northern China	58	4	19	**43**
Northeastern China	26	5	14	**17**
Eastern China	202	8	77	**133**
Central Southern China	53	6	24	**35**
Southwestern China	40	7	9	**38**
Northwestern China	89	3	43	**49**
Subtotal	468	33	186	**315**
Self-operated retail outlets	30	1	10	**21**
Total	498	34	196	**336**

As of 31 December 2020, our distribution network comprised 45 distributors (including one online distributor) and 39 sub- distributors who operated 315 retail outlets, spanning over 250 cities and 29 provinces, autonomous regions and central government-administered municipalities in the PRC. We also sell our products directly to end customers through our 2 self- operated retail outlets in Quanzhou, Fujian Province and 19 self-operated retail outlets in Beijing.

The Group adopted a cautious view, suspended our expansion plan, and continued to consolidate our sales network and close down certain under-performing retail outlets in 2020. The Group primarily sells its products on a wholesale basis to its third-party distributors, who then sell the products to end customers through retail outlets or resell the products to their sub-distributors, who in turn sell the products to end customers through retail outlets operated by those sub-distributors.

We have 2 self-operated retail outlets in Quanzhou, Fujian Province, which are flagship stores to showcase our expectation and standards of a store environment to our distributors and their sub-distributors. We also have 19 self-operated retail outlets in Beijing since we acquired 北京浩垠服飾有限公司 (Beijing Haoyin Clothing Co., Ltd*), which engages in menswear retail business in the PRC, during the year of 2017.

As of 31 December 2020, the Group had 336 retail outlets (including the 2 self-operated retail stores in Quanzhou and self- operated 19 retail outlets in Beijing), representing a net decrease of 162 retail outlets from 498 retail outlets as at 31 December 2019. The Group continued the consolidation strategy on the retail outlet network during the Year and closed down inefficient retail stores.

As of 31 December 2020, 84.2% of the retail outlets were located in department stores or shopping malls whereas 9.5% of the retail outlets were standalone stores.

As of 31 December 2020, approximately 41.9% of our retail outlets were located in first-tier cities and second-tier cities and the remaining retail outlets were located in lower tier cities including third-tier and fourth-tier cities. We believe our footprint has provided us with a strong foundation to capture future growth opportunities arising from different regions in the PRC.

The following table shows the number of retail outlets (including 2 self-operated retail outlets in Quanzhou and 19 self-operated retail outlets in Beijing) in first-tier cities, second-tier cities and lower-tier cities as of 31 December 2020 and 31 December 2019:

	Number of stores			
Region	**As of 31 December 2020**		As of 31 December 2019	
First-tier cities (1)	**33**	**9.8%**	43	8.6%
Second-tier cities (2)	**108**	**32.1%**	136	27.3%
Third-tier cities (3)	**137**	**40.8%**	231	46.4%
Fourth-tier cities (4)	**58**	**17.3%**	88	17.7%
	336	**100.0%**	498	100.0%

Notes:

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

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

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

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

Besides, the Group started to place more efforts on online distributor in light of the unsatisfactory retail performance. The Group sells its products to online distributors which then resell the products to end customers through different third-party online platforms such as Tmall.com and JD.com.

Distribution Channel Management

As of 31 December 2020, the Group's distribution network included 45 distributors (2019: 50) and 39 sub-distributors (2019: 82). Among the 45 distributors, 9 (including their predecessors) had business relationships with us for more than ten years. We believe that we have cultivated strong, stable and long-standing relationships with our distributors, which have been core to our brand building efforts as well as our strong operating track record.

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

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

Marketing and Promotion

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

The Group continued to upgrade its existing retail outlets to enhance and reinforce its brand image. The Group decorated 14 new stores and renovated 18 existing stores during the Year. We endeavor to continue to gradually upgrade some of the stores operated by our distributors and their sub-distributors through store renovation and improvement of in-store design and layout.

Design and Product Development

The Group always puts great emphasis on product design and quality, as we believe our ability and commitment to provide fashionable and comfortable products have been integral to our success. As of 31 December 2020, our product design and development team consisted of 20 members. The key team members, who plan, implement, supervise and manage the design and development efforts, have an average of 10 years of experience in the fashion industry. We will continue to invest in our product design and research and development capabilities to capture fashion trends and product designs.

Sales Fairs

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

Liquidity and Financial Resources and Capital Structure

As at 31 December 2020, the total cash and bank balances of the Group were approximately RMB199.3 million (2019: RMB488.1 million), comprising cash and cash equivalents of approximately RMB196.7 million (2019: RMB471.4 million), pledged bank deposits of approximately RMB2.6 million (2019: RMB12.7 million), and no fixed deposits held at bank with original maturity over three months (2019: RMB4 million).

As at 31 December 2020, the Group had a total of interest bearing borrowings of approximately RMB510.2 million (2019: RMB503.1 million) comprising bank and other borrowings of approximately RMB419.8 million (2019: RMB409.8 million) and corporate bonds of approximately RMB90.4 million (2019: RMB93.3 million). The Group's borrowings were primarily denominated in RMB and HK$ (2019: in both RMB and HK$) and bear interest at fixed rate (2019: fixed rate) ranging from 5.0% to 15.0% (2019: 5.0% to 7.5%) per annum.

The maturity profile of the borrowings as at 31 December 2020 was as follows:

	2020		2019	
	RMB million	**%**	RMB million	%
— Within 1 year or on demand	**471.4**	**92.4%**	438.4	87.2%
— Over 1 but within 2 years	**11.4**	**2.2%**	44.4	8.8%
— Over 2 but within 5 years	**21.5**	**4.2%**	3.2	0.6%
— Over 5 years	**5.9**	**1.2%**	17.1	3.4%
Total	**510.2**	**100.0%**	503.1	100.0%

As at 31 December 2020, the gearing ratio was approximately 93.9% (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 31 December 2020, the Group's total equity decreased by approximately RMB550.8 million to approximately RMB543.4 million (2019: RMB1,094.2 million). The decrease was mainly due to the incur of loss for the year.

Trade Working Capital Ratios

The Group's average inventory turnover days was 81 days for the Year, as compared to 55 days for the previous year. The increase was mainly due to distributors postponing the collection of the inventories leading to increased closing stock level because they worried their sales will be affected by the COVID-19 pandemic rebounding in early 2021.

The Group's average trade receivables turnover days was 202 days for the Year, representing an increase of 37 days from 165 days for the previous year. As at 31 December 2020, the Group's total trade receivables increased by approximately 19.8% year-on-year to RMB163.1 million (31 December 2019: RMB136.2 million). The increase in trade receivables turnover days was mainly due to the long outstanding trade receivables of some customers. The management in charge has been closely following up with the distributors for settlement arrangement with monthly statements and collection letters issued, regular telephone calls and site visits, if possible. The Group will consider taking legal actions to collect the overdue trade receivables and enforce the collaterals if no further repayment is made in near future.

The Group's average trade payables turnover days was 26 days for the Year, representing an increase of 7 days from 19 days for the previous year. We normally have 7 to 60 days credit period from our suppliers. The Group had negotiated with suppliers to obtain longer credit period to improve the liquidity and hence it increased the trade payables balance and the trade payables turnover days.

The Group recorded a net debt to equity ratio of approximately 57.2% as at 31 December 2020 (31 December 2019: 1.4%).

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

Charges of Assets

As at 31 December 2020, secured bank borrowings RMB419.8 million (2019: RMB409.8 million) were secured by bank deposits, certain buildings, investment properties and land use rights with carrying value of approximately RMB2.6 million (2019: RMB12.7 million), approximately RMB63.4 million (2019: RMB237.9 million), approximately RMB280.0 million (2019: RMB21.4 million) and approximately RMB238.9 million (2019: RMB246.0 million), respectively.

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

Written off of the remaining balance of Fordoo commercial centre

The Fordoo commercial centre project (the "Centre") was started in 2014. The Centre is originally planned for commercial usage, such as the provision of venues and hotel accommodations for business conference meetings, fair exhibitions or tourists.

Throughout all the past years, the Company had put in great efforts on completing the Centre. Unfortunately, the Centre had been under construction stage for more than 6 years mainly due to the lack of supporting facilities in place, such as waterpipes and electricity connection networks, provided by the local government authorities. The relevant officials who made or approved or otherwise endorsed the construction decisions had departed and their successors would require further time to revisit the situation before proceeding with the construction. As up to now, the officials are still not able to provide a timetable of providing such facilities and thus, the Company has difficulty in foreseeing a date of completion of the Centre.

Due to the negative impact of COVID-19 pandemic, the slowdown of worldwide economic growth and the uncertainty as to when the infrastructure of the facilities is available, the Company believes that the costs of construction from building the Centre may not be recovered in a foreseeable future and also, it might not be benefit to the Company and the Shareholders if further resources were invested into the Centre.

After serious consideration, the Board made the decision to write off the remaining carry value of the construction in progress cost in the Centre which amounted to RMB376.7 million. Further details are set out in note 13 to the consolidated statements.

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

Factory Restructuring

The Group started to restructure some redundant factory area (the "Restructuring") in Quanzhou to alternate the usage of those area to develop a one-stop home and commercial furnishing chain business platform (the "Platform") to increase the income streams in the Year.

The Platform will facilitate the matching of suppliers and customers of the furnishing industry. The Restructuring will be separated into different areas such as furnishing materials store, furnishing design centre and supporting facilities such as business centre. We expect to receive rental incomes, promotion and advertisement fees from the Platform.

The Restructuring is under the construction stage and is principally funded by cash generated from our operations and bank borrowings. According to the planned timetable, we expect that the Restructuring will be completed by early 2022.

Capital Commitments and Contingencies

As at 31 December 2020, the Group had a total capital commitment of approximately RMB281.9 million. It was primarily related to the construction in progress. All the capital commitments are expected to be financed by our operations and bank borrowings.

As at 31 December 2020, the Group had no material contingent liabilities.

Foreign Currency Exposure

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

Employees, Training, and Development

The Group had a total of 171 employees as at 31 December 2020 (2019: 518). Total staff costs for the year amounted to approximately RMB32.0 million (2019: RMB43.5 million).

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

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

Dividend

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

Closure of Register of Members

The register of members of the Company will be closed from 27 May 2021 to 1 June 2021 (both days inclusive) for the purpose of determining entitlements of Shareholders to attend and vote at the forthcoming annual general meeting (the "2021 AGM"). In order to qualify for attending and voting at the 2021 AGM, all transfers of shares of the Company (the "Shares") accompanied by the relevant share certificate must be lodged with the Company's branch share registrar and transfer office, Boardroom Share Registrars (HK) Limited, Room 2103B, 21/F, 148 Electric Road, North Point, Hong Kong not later than 4:30 p.m. on Wednesday, 26 May 2021.

Use of Proceeds

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 July 2014 with net proceeds (the "Net Proceeds") from the global offering of approximately HK$454.7 million (after deducting underwriting commissions and related expenses). Part of these proceeds were applied during the financial year in accordance with the proposed applications set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 30 June 2014 (the "Prospectus"). As at 31 December 2020, the Group had utilised HK$390.6 million of the Net Proceeds and unutilised Net Proceeds amounted to HK$64.1 million.

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

Use of Net Proceeds during the Year	HK$ million
Brand promotion and marketing	–
Research, design and product development	5.5
Repay a portion of our bank borrowings	–
Expand distribution network and provide storefront decoration	–
Install ERP system	–
Working capital and other general corporate purposes	–
	5.5

As at 31 December 2020, the accumulated use of the Net Proceeds is set out below:	Available for use HK$million	Utilized (as at 31 December 2020) HK$million	Unutilized (as at 31 December 2020) HK$million
Brand promotion and marketing	122.8	(122.8)	–
Research, design and product development	90.9	(52.3)	38.6
Repay a portion of our bank borrowings	90.9	(90.9)	–
Expand distribution network and provide storefront decoration	59.1	(59.1)	–
Install ERP system	45.5	(20.0)	25.5
Working capital and other general corporate purposes	45.5	(45.5)	–
	454.7	(390.6)	64.1

The proceeds not utilised were deposited into interest bearing bank accounts with licensed commercial banks in China. The unused proceeds are planned to be utilised by 2021.

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE CODE

After reviewing the Company's corporate governance practices and the CG Code contained in Appendix 14 to the Listing Rules, the Board is satisfied that the Company has complied with the CG Code provisions for the Year, except for a deviation from Code provision A.6.7.

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

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

BOARD OF DIRECTORS

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

The Board currently comprises four executive Directors, namely Mr. Kwok Kin Sun, Mr. Kwok Hon Fung, Mr. Tong Xin and Mr. Peng Zuncheng, and three independent non-executive Directors, namely, Mr. Cheung Chiu Tung, Mr. Poon Yick Pang Philip and Ms. Huang Yumin.

Mr. Steve Andrew Chen was appointed as an independent non-executive Director with effect from 31 January 2020 and he was retired on 18 June 2020.

Mr. Tong Xin was appointed as an executive Director with effect from 30 September 2020.

Mr. Peng Zuncheng was appointed as an executive Director with effect from 1 January 2021.

Ms. Mo Wei resigned as an executive Director on 31 December 2020 and the resignation took effect from 1 January 2021.

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

DIRECTORS' AND OFFICERS' INSURANCE

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

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

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

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

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

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

BOARD COMMITTEES

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

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

Audit Committee

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

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

The members of the audit committee had reviewed and discussed with the external auditors of the Company the consolidated financial statements of the Group for the year ended 31 December 2020, including the accounting principles and practices adopted by the Group and the report prepared by the external auditors covering major findings in the course of the audit. During the Year, the audit committee had held three meetings.

Remuneration Committee

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

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

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

The remuneration of the members of the senior management of the Group by band for the year ended 31 December 2020 is set out below:

Remuneration Bands (HK$)	Number of persons
Nil to HK$1,000,000	2

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

Nomination Committee

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

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

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

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

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

BOARD PROCEEDINGS

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

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

	Meetings attended/held				
	2020 AGM	Board	Audit Committee	Remuneration Committee	Nomination Committee
Executive Directors					
Mr. Kwok Kin Sun	**1/1**	**14/15**	**N/A**	**N/A**	**3/4**
Mr. Kwok Hon Fung	**1/1**	**14/15**	**N/A**	**N/A**	**N/A**
Ms. Mo Wei (resigned on 31 December 2020 and the resignation took effect from 1 January 2021)	**1/1**	**15/15**	**N/A**	**N/A**	**N/A**
Mr. Tong Xin (appointed on 30 September 2020)	**N/A**	**3/15**	**N/A**	**N/A**	**N/A**
Independent non-executive Directors					
Mr. Cheung Chiu Tung	**1/1**	**15/15**	**3/3**	**4/4**	**N/A**
Mr. Poon Yick Pang Philip	**1/1**	**15/15**	**3/3**	**4/4**	**4/4**
Ms. Huang Yumin	**1/1**	**15/15**	**3/3**	**4/4**	**4/4**
Mr. Steve Andres Chen (appointed on 31 January 2020 and retired on 18 June 2020)	**0/1**	**0/15**	**N/A**	**N/A**	**N/A**

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

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

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

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

DIVIDEND POLICY

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

— our earnings and financial condition;

— operating requirements;

— capital requirements; and

— other factors that our Directors may consider relevant.

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

BOARD DIVERSITY POLICY

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

NOMINATION POLICY

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

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

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

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

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

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the Model Code (the "Model Code") for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "Listing Rules") as the Company's code of conduct regarding Directors' securities transactions.

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

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 2019 annual results announcement (the "2019 Black-out Period"). The 2019 Black-out Period commenced on 27 January 2020 and ended on 8 May 2020 (both dates inclusive). According to code provision B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (other 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 2019 Black-out Period in the open market without prior notice to the chairman of the Board. For further details, please refer to the Company's announcement dated 28 April 2020.

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

COMPANY SECRETARY

Mr. Lai Tsz Yin, the Company Secretary, is a certified public accountant with over 29 years of accounting and auditing experience.

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

FINANCIAL REPORTING AND INTERNAL CONTROLS

Financial Reporting

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

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

Risk Management and Internal Controls

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

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

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

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

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

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

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

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

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

EXTERNAL AUDITOR

Elite Partners CPA Limited has been appointed as the external auditor of the Company. The independence of the external auditor is recognized and annually reviewed by the Board and the audit committee of the Company. During the financial year, the fees paid and payable to Elite Partners CPA Limited in respect of its audit services (including interim review) provided to the Group was RMB1.6 million.

NON-COMPETE UNDERTAKING BY CONTROLLING SHAREHOLDERS

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

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND SHAREHOLDERS' RIGHTS

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

(i) Participation at General Meetings

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

(ii) Enquiries and Proposals to the Board

The Company encourages the Shareholders to attend Shareholders' meetings and make proposals by either directly raising questions on both operational and governance matters to the Board and Board committees at the general meetings or providing written notice of such proposals for the attention of the Company Secretary at the registered office of the Company in Hong Kong currently situated at Unit 1104A, 11/F. Kai Tak Commercial Building, No. 317-319 Des Voeux Road Central, Hong Kong or via email to ir@fordoo.cn.

(iii) Convening Extraordinary General Meeting

The Directors may, whenever they think fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Directors or the Company Secretary and deposited at the registered office of the Company in Hong Kong currently situated at Unit 1104A, 11/F. Kai Tak Commercial Building, No. 317-319 Des Voeux Road Central, Hong Kong for the purpose of requiring an extraordinary general meeting to be called by the Directors for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Directors fail to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the requisitionist(s) by the Company.

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

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

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

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

CONSTITUTIONAL DOCUMENTS

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

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

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

EXECUTIVE DIRECTORS

Mr. Kwok Kin Sun (郭建新), aged 65, is the founder of our Group and an executive Director. He is also the chairman of the Board. He is the father of Mr. Kwok Hon Fung (郭漢鋒), an executive Director. He was appointed as an executive Director on 23 December 2013 and the chairman of the nomination committee of the Company on 9 June, 2014. Mr. Kwok has over 26 years of experience in the menswear industry and is responsible for the formulation of our overall corporate strategies, planning and business development. Mr. Kwok's vision, leadership and dedication to our Group's development since inception have been core to our success to date.

Mr. Kwok Hon Fung (郭漢鋒), aged 31, is the chief executive officer of our Group and an executive Director. He is responsible for the execution of corporate strategies and the overall management of our daily operations. He is the son of Mr. Kwok Kin Sun (郭建新), an executive Director. He joined our Group in January 2009 and was appointed as an executive Director on 12 February 2014. Mr. Kwok obtained a graduation certificate in business administration from East China Normal University (華東師範大學) in Shanghai in 2009.

Mr. Tong Xin (同心), aged 41, is an executive Director and a general manager of our Group. He joined our Group as an executive Director and a general manager on 30 September 2020. He has over 13 years' experience in supervision and management of listed companies in both Hong Kong and China. He acted as a supervisor in Tianjin Teda Company (天津泰達股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 652) from August 2014 to December 2017. From February 2017 to July 2018, Mr. Tong served as an executive director of China Automobile New Retail (Holdings) Limited (formerly known as Lisi Group (Holdings) Limited), a company listed on the main board of the Stock Exchange (stock code: 526). From January 2018 to September 2020, Mr. Tong served as a senior manager at Tianjin Shimao International Trade Co., Ltd.* (天津市世茂國際貿易有限公司), primarily responsible for providing strategic advice and recommendations to the company on the establishment of an innovative automobile trading platform. Mr. Tong graduated from Tianjin Normal University (天津師範大學)in 2003 with a bachelor's degree in law. He also obtained a master's degree in law from Université deSavoie in 2006. Mr. Tong is also an economist conferred by the Ministry of Human Resources and Social Security of Tianjin (天津市人力資源和社會保障局).

Mr. Peng Zuncheng (彭遵丞), aged 30, is an executive Director of our Group. He joined our Group as an executive Director on 1 January 2021. He worked in different subsidiaries within the Donghai International Financial Holding Company Limited group, whose subsidiaries are licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities), and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), during which he worked as an associate in the asset management department between December 2017 and October 2018, and as an associate in the global capital market department from October 2018 to February 2020. He obtained his Master of Science in Accounting and Finance with merit from the Business School of The University of Nottingham (United Kingdom) in December 2017 and his Bachelor of Science in Accounting and Finance with first class honors from the Management School of University of Bradford (United Kingdom) in July 2016.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Chiu Tung (張照東), aged 46, is an independent non-executive Director. Mr. Cheung joined our Group as an independent non-executive Director and the chairman of the remuneration committee of our Company on 9 June 2014. He is currently an associate professor in the law faculty in Huaqiao University (華僑大學) and has been the legislative consultant of Xiamen Municipal Government (廈門市人民政府) which carries out research on the lawmaking of Xiamen Municipal Government, implements and inspects the responsibility mechanism of administration and law execution as well as the appraisal and examination system since July 2011. He is a deputy director of the All China Lawyers Association Labor and Social Security Law Committee (中華全國律師協會勞動與社會保障法專業委員會) since January 2009. Mr. Cheung obtained his bachelor's degree in law from Xiamen University (廈門大學) in the PRC in 1996, his master's degree in economics and law from Huaqiao University (華僑大學) in the PRC in 1999, his doctorate degree in international economics and law from Xiamen University (廈門大學) in September 2003 and his post-doctoral degree in economics from Fujian Normal University (福建師範大學) in 2009 in the PRC.

Mr. Poon Yick Pang Philip (潘翼鵬), aged 51, is an independent non-executive Director. Mr. Poon joined our Group as an independent non-executive Director and the chairman of the audit committee of the Company on 16 August 2016. Mr. Poon has over 25 years of corporate finance and accounting experience. Mr. Poon was the chief financial officer and company secretary of Li Bao Ge Group Limited, a company listed on the Main Board of the Stock Exchange of Hong Kong (the "Stock Exchange") (stock code: 1869) from November 2019 to September 2020. He was an independent non-executive director of Trigiant Group Limited (stock code: 1300) from March 2012 to September 2018 and Jiangnan Group Limited (stock code: 1366) from April 2012 to March 2019, both of which are listed on the Main Board of the Stock Exchange. Mr. Poon had served senior financial positions in a number of companies listed in Hong Kong and the United States of America. He also served various positions in Advent International Corporation, a global private equity firm, Lenovo Group Limited (stock code: 992) and Sun Hung Kai Properties Limited (stock code: 16), which are both listed on the Main Board of the Stock Exchange. Mr. Poon obtained a Bachelor of Commerce degree from the University of New South Wales in 1993 and is a holder of a Chartered Financial Analyst charter of the CFA Institute, a Certified Practising Accountant (Australia) and a fellow of the Hong Kong Institute of Certified Public Accountants.

Ms. Huang Yumin (黃宇敏), aged 44, is an independent non-executive Director. Ms. Huang joined our Group on 1 February 2018. She had worked as vice president in Kunwu JiuDing Capital Co., Ltd (昆吾九鼎投資管理有限公司) from 2011 to 2012, and also served various positions in Bank of China International Capital Limited (中銀國際投資有限公司) from 2009 to 2011 and Fortis HaiTong Investment Management Co., Ltd (海富通基金管理有限公司) from 2007 to 2008. Ms. Huang obtained her bachelor's degree in Economics from Fudan University (復旦大學) in 2000, and obtained her master degree in Accounting from Macquarie University in 2004. She is a Certified Practising Accountant (Australia).

SENIOR MANAGEMENT

Mr. Chen Jianxin (陳建鑫), aged 47, is the head of the production planning department. He joined our Group in October 1996. He became a supervisor of our Group in 1996 and was responsible for the manufacture of apparel products. Between 2004 and 2008, he served as the factory manager (廠長) for the production of business formal and business casual trousers. He was appointed as the head of the production planning department of Fordoo (China) Industrial Ltd., Co* (虎都(中國)實業有限公司) in 2009, and was responsible for the management of the department.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

(i) Fashion Risk

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

(ii) Intense Competition

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

(iii) Macroeconomic Environment

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

(iv) Supply Chain

We engage independent third-party manufacturers to produce our fabrics and raw materials, all accessory products and certain apparel products for us. Any disruption in the supply of fabrics, raw materials and products from suppliers may cause problems in our supply chain. We do not have long-term contracts with any of our suppliers and we may need to compete with other companies for fabrics, raw materials and other products. Nevertheless, we have developed long-standing and good relationships with a number of our vendors so as to minimize the impact from any supply disruptions and ensure we can locate alternative suppliers of comparable quality at a reasonable price all the times. For the year ended 31 December 2020, 54.9% (2019: 65.0%) of our products were produced by our top five suppliers.

(v) Credit Risk of our Distributors

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

(vi) Reputational Risk

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

(vii) Weather

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

KEY RELATIONSHIPS

(i) Employees

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

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

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

(ii) Suppliers

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

(iii) Distributors

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

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES

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

PRINCIPAL PLACE OF BUSINESS

The Company was incorporated in the Cayman Islands and is domiciled in Hong Kong and has its registered office at Unit 1104A, 11/F, Kai Tak Commercial Building, No. 317–319 Des Voeux Road Central, Hong Kong. The Group's principal place of business is in the PRC.

PRINCIPAL ACTIVITIES

The principal activities of the Group are manufacturing and wholesaling of menswear in the mainland China. The principal activities and other particulars of the subsidiaries are set out in note 37 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, aggregate sales to the Group's largest and five largest customers accounted for approximately 17.9% (2019: 8.5%) and 50.3% (2019: 25.6%), respectively, of the Group's total revenue for the Year.

Aggregate purchases from the Group's largest and five largest raw materials suppliers accounted for approximately 10.9% (2019: 8.2%) and 43.1% (2019: 34.0%), respectively, of the Group's total purchases of raw materials for the Year.

Aggregate purchases from the Group's largest and five largest suppliers of OEM products accounted for approximately 19.6% (2019: 24.1%) and 57.3% (2019: 65.0%), respectively, of the Group's total purchases from OEM contractors for the Year.

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

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the latest five financial years is set out on page 124 of this annual report. This summary does not form part of the audited consolidated financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the Year and the state of the Company's and the Group's affairs as at that date are set out in the consolidated financial statements on pages 47 to 123 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

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

RESERVES

Details of movements in reserves of the Company and the Group are set out in note 32 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

As at 31 December 2020, the Company's reserves available for distribution amounted to approximately HK$11.0 million.

REPORT OF THE DIRECTORS

DIVIDEND

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

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2020 are set out in note 25 to the consolidated financial statements.

NON-CURRENT ASSETS

Details of acquisitions and other movements of non-current assets (including property, plant and equipment, investment properties and right-of-use assets) are set out in notes 12, 15 and 17 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the financial year are set out in note 32 to the consolidated financial statements.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules up to the date of this report.

PRE-EMPTIVE RIGHTS

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

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

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

TAX RELIEF AND EXEMPTION

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

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the financial year were:

Executive Directors

Mr. Kwok Kin Sun *(Chairman)*
Mr. Kwok Hon Fung *(Chief Executive Officer)*
Mr. Tong Xin (appointed on 30 September 2020)
Ms. Mo Wei (resigned on 31 December 2020 and the resignation took effect from 1 January 2021)

Independent Non-Executive Directors

Mr. Cheung Chiu Tung
Mr. Poon Yick Pang Philip
Ms. Huang Yumin
Mr. Steve Andrew Chen (appointed on 31 January 2020 and retired on 18 June 2020)

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

Details of the Directors' biographies have been set out on pages 28 to 29 of this annual report. In accordance with article 84 of the Articles, Mr. Kwok Kin Sun, Mr. Cheung Chiu Tung and Mr. Poon Yick Pang Philip will retire from the Board by rotation at the 2021 AGM and, being eligible, offer themselves for re-election. In addition, pursuant to article 83(3) of the Articles, Mr. Tong Xin and Mr. Peng Zuncheng shall hold office until next general meeting of the Company and be subject to re-election. As such, Mr. Tong Xin and Mr. Peng Zuncheng shall retire at the 2021 AGM and being eligible, will offer themselves for re-election at the 2021 AGM.

No Director proposed for re-election at the 2021 AGM has an unexpired service contract with the Group which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

REMUNERATION POLICY

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

MANAGEMENT CONTRACTS

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

CONFIRMATION OF INDEPENDENCE

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

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

As at 31 December 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 were as follows:

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

Name	Position	Nature of interest	Number of issued ordinary shares held	Number of underlying shares under share options held [3]	Total	Approximate percentage of shareholding
Mr. Kwok Kin Sun [1]	Long	Interest in a controlled corporation	922,900,000	–	922,900,000	47.98%
Mr. Kwok Hon Fung [2]	Long	Interest in a controlled corporation	198,667,000	–	198,667,000	10.33%
Mr. Cheung Chiu Tung	Long	Beneficial owner	–	1,200,000	1,200,000	0.0624%

Notes:

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

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

Equal Plus is an associated corporation of the Company pursuant to the SFO. Mr. Kwok Hong Fung, an executive director, in the capacity as a beneficial owner, held the entire issued share capital of Equal Plus (i.e. number of share held: one).

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

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had or were deemed to have any interests or a short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO ACQUIRE SHARE OR DEBENTURES

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

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

As at 31 December 2020, so far as the Directors are aware, having made all reasonable enquiries, the following table sets out interests of 5% or more of the issued share capital of the Company (other than the interests of the Directors and chief executive as disclosed above) as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Position	Nature of interest	Number of Shares	Approximate percentage of shareholding
Donghai International Financial Holdings Company Limited	Long	Security interest in Shares	925,000,000	48.09%
東海證券股份有限公司[(1)]	Long	Security interest in Shares	925,000,000	48.09%
Ms. Wong Tung Yam [(2)]	Long	Interest of spouse	922,900,000	47.98%
Everkept	Long	Beneficial owner	922,900,000	47.98%
Equal Plus	Long	Beneficial owner	198,667,000	10.33%
	Short	Beneficial owner	93,246,000	4.85%
Prosper Synergy Holdings Limited	Long	Beneficial owner	132,051,732	6.86%
Mr. Zhang Baoguo[(3)]	Long	Beneficial owner	132,051,732	6.86%

Note:

(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, 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) Mr. Zhang Baogao, 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.

Save as disclosed above, as at 31 December 2020, the Company was not aware of any person or corporation having an interest or a short position in the Shares and underlying Shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

CHANGE OF DIRECTORS

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

CONNECTED TRANSACTIONS

During the Year, the Group has not entered into any connected transaction that is not fully exempted under Chapter 14A of the Listing Rules. The material related party transactions entered into by the Group during the Year, as disclosed in note 35 to the consolidated financial statements (except for the remuneration of the Directors) did not constitute connected transactions (as defined under the Listing Rules).

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 35 to the consolidated financial statements, there was no contract of significance to which the Company, or any of its holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director had a material interest, subsisted for the Year.

TRANSACTIONS, ARRANGEMENT OR CONTRACTS OF SIGNIFICANCE

During the financial year, save as disclosed in note 35 to the consolidated financial statements, there had been no transaction, arrangement or contract of significance in which a Director or a controlling shareholder (or an entity connected with a Director or a controlling shareholder) is or was materially interested, either directly or indirectly.

COMPETING BUSINESS

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

SHARE OPTION SCHEME

The Company adopted a share option scheme on 9 June 2014 (the "Share Option Scheme") for the purpose of rewarding certain Eligible Persons (as defined below) for their past contributions and attracting and retaining, or otherwise maintaining on-going relationships with, such Eligible Persons (as defined below) who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group. Subject to the earlier termination of the Share Option Scheme in accordance with the rules thereof, the Share Option Scheme shall remain in force for a period of ten years commencing on 9 June 2014. As at 31 December 2020, the remaining life of the Share Option Scheme was approximately 3 years and 5 months.

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

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of the Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date, i.e. 192,360,000 Shares. Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

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

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

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

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

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

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

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

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

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

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

				Number of Share Options					
Category	Date of grant	Exercise price (HK$)	Exercisable period	As at 1 January 2020	Granted	Exercised	Cancelled	Lapsed	As at 31 December 2020
Directors									
Cheung Chiu Tung	7 October 2015	0.89	7 October 2016 to 6 October 2021	400,000	–	–	–	–	400,000
	7 October 2015	0.89	7 October 2017 to 6 October 2022	400,000	–	–	–	–	400,000
	7 October 2015	0.89	7 October 2018 to 6 October 2023	400,000	–	–	–	–	400,000
Total				1,200,000	–	–	–	–	1,200,000

The total number of Shares available for issue under the Share Option Scheme is 1,200,000, representing 0.06% of the Company's issued share capital as at 31 December 2020.

RETIREMENT SCHEMES

The Group participates in defined contribution retirement benefit schemes organized by the PRC municipal and provincial government authorities for the Group's eligible employees in the PRC, and operates a Mandatory Provident Fund scheme for the employees in Hong Kong. Particulars of these retirement plans are set out in note 29 to the consolidated financial statements.

UPDATES ON COMPLIANCE AND REGULATORY MATTERS

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

IMPORTANT EVENTS AFTER THE REPORT PERIOD

On 14 December 2020 (after trading hours), the Company and Mr. Tong Xin ("Mr. Tong"), an executive Director, entered into a Sale and Purchase Agreement ("SPA"), pursuant to which the Company has conditionally agreed to acquire and Mr. Tong has conditionally agreed to sell the entire issued share capital of Good Productive Limited ("GPL") (the "Acquisition") for a consideration to be satisfied by way of allotment and issue of consideration shares to Mr. Tong (or its nominee) credited as fully paid (the "Previous Consideration").

On 5 March 2021, the Company and Mr. Tong entered into a Supplemental Agreement ("SA") to amend and supplement the SPA, pursuant to which, among other things, the consideration is changed from the Previous Consideration to HK$9.7million ("Amended Consideration"), which shall be satisfied in cash by the Company to Mr. Tong within 10 days upon completion. Upon completion, the Company will hold the entire issued share capital of GPL which indirectly holds the entire issued capital of Tianjin Jinshen International Trade Co., Ltd. * (天津金聖國際貿易有限責任公司) (the "WOFE") and through the variable interest entity agreement ("VIE Agreement"), has effective control over the financing and operations of Tianjin Honggao Technology Co., Ltd.* (天津洪高科技有限公司) (the "OPCO"), and enjoy the economic interest and benefits of the OPCO. According to the relevant Listing Rules, the acquisition of the entire issued share capital of GPL constituted a disclosable and connected transaction and the entry of the VIE Agreements constituted a continuing connected transaction.

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the SPA (as amended and supplemented by the SA) exceeds 0.1% but all of them are below 25% and the Amended Consideration is below HK$10 million, the transactions contemplated under the SPA (as amended and supplemented by the SA) were subject to the reporting, announcement and annual review requirements but exempted from the circular and Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. The circular was published on 24 March 2021 (the "Circular").

As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the VIE Agreements exceeded 5%, the transactions contemplated under the VIE Agreements were subject to the reporting, announcement, annual review, circular and Shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. Pursuant to Rule 14A.37 of the Listing Rules, the Stock Exchange granted a waiver to the Company from the requirement to convene a Shareholders' meeting for approving the VIE Agreements, such that the written approval would be accepted in lieu of convening a general meeting.

The Acquisition was completed on 30 March 2021. For further details of the Acquisition, please refer to the Circular.

AUDITOR

The consolidated financial statements for the Year have been audited by Elite Partners CPA Limited, who shall retire and, being eligible, offer themselves for re-appointment at the 2021 AGM. A resolution for the re-appointment of Elite Partners CPA Limited as auditors of the Company is to be proposed at the 2021 AGM.

On behalf of the Board

Kwok Kin Sun
Chairman

Hong Kong
30 March 2021

INDEPENDENT AUDITOR'S REPORT

To the members of China Fordoo Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Fordoo Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 47 to 123, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 December 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the matter was addressed in our audit
Impairment assessment of intangible assets	
During the year ended 31 December 2020, the Group recognised impairment loss of intangible assets of approximately RMB16,749,000 which were belongs to multiple cash generating units ("CGUs") as detailed in note 18. For the purpose of the impairment assessment of intangible assets, the Group appointed an independent external valuer to assess the recoverable amount of the CGUs at the end of the reporting period. We had identified impairment assessment of intangible assets as a key audit matter because the balance was material and significant management judgement was required to determine the key assumptions including estimated future income, operating margins and discount rate, etc.	Our major audit procedures in relation to the impairment assessment of intangible assets included the following: — We discussed with management as to whether there was any indicator of impairment. — We obtained cash flow forecasts relating to the CGU prepared by management and approved by the directors of the Company. — We discussed with management and independent external valuer engaged by the Company in relation to the methodology, basis and assumptions used in arriving at the forecasts (e.g. estimated sales growth rate and discount rate etc.) to see whether the methodology and assumptions used were reasonable and appropriate. — We checked, on a sample basis, the accuracy and reliance of the input data used. — We evaluated the competency of the independent external valuer taking into account its experience and qualifications.

Key audit matter	How the matter was addressed in our audit
Impairment of trade receivables	
As at 31 December 2020, the Group had trade receivables of approximately RMB379,131,000 with net of allowance of approximately to RMB216,014,000. Management judgment is required in assessing and determining the recoverability of trade receivables and adequacy of allowance made using the expected credit losses ("ECL") model under IFRS 9 "Financial Instruments". We had identified impairment assessment of trade receivables as a key audit matter because the assessment of the recoverability of trade receivables and recognition of loss allowance are inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias.	Our major audit procedures relating to the impairment assessment of trade receivables included the following: — We tested the design and implementation of the relevant key controls over the assessment and monitoring of credit risks, and determination of allowance for expected credit losses. — We discussed with management and evaluated the ECL model used in determining the allowance for expected credit losses. We challenged and evaluated management's assessment on both the quantitative and qualitative information considered by them that is reasonable and supportable, including historical experience and forward-looking information such as credit ratings, trade receivables ageing analysis, collections subsequent to the end of the reporting period, local economic conditions, past collection history and trend analysis and knowledge of the businesses. — We tested subsequent settlement of trade receivables balances on a sample basis. — We assessed whether the time value of money was considered in the expected credit loss impairment model and checked the mathematical accuracy of the calculations. — We assessed the adequacy of the Group's disclosures in relation to trade receivables included in the consolidated financial statements.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Siu Edmund with Practising Certificate number P05333.

Elite Partners CPA Limited
Certified Public Accountants

10/F., 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong
30 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Renminbi)

	Notes	2020 RMB'000	2019 RMB'000
Continuing operations			
Revenue	5	**270,070**	358,987
Cost of sales		**(193,169)**	(223,770)
Gross profit		**76,901**	135,217
Other income and other gains or losses	6	**5,889**	2,683
Impairment loss of goodwill		**–**	(46,880)
Impairment loss of intangible assets		**(16,749)**	(6,457)
Impairment loss of construction in progress		**(376,700)**	(147,275)
Selling and distribution expenses		**(66,182)**	(78,780)
Administrative and other operating expenses		**(168,753)**	(166,500)
Loss from operations		**(545,594)**	(307,992)
Finance costs	7(a)	**(34,250)**	(28,810)
Loss before taxation	7	**(579,844)**	(336,802)
Income tax	8	**27,615**	33,059
Loss for the year from continuing operations		**(552,229)**	(303,743)
Discontinued operations			
Loss for the year from discontinued operations		**–**	(7,534)
Loss for the year		**(552,229)**	(311,277)
Other comprehensive income/(expenses) for the year			
Items that will not be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of subsidiaries outside the mainland of the People's Republic of China (the "PRC") to presentation currency		**1,429**	(1,309)
Exchange reserve realised on disposal of subsidiaries		**–**	245
Other comprehensive income/(expenses) for the year		**1,429**	(1,064)
Total comprehensive expenses for the year		**(550,800)**	(312,341)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020
(Expressed in Renminbi)

	Notes	2020 RMB'000	2019 RMB'000
Loss for the year attributable to equity holders of the Company			
— from continuing operations		**(552,229)**	(303,743)
— from discontinued operations		**–**	(7,178)
		(552,229)	(310,921)
Loss for the year attributable to non-controlling interest			
— from discontinued operations		**–**	(356)
		(552,229)	(311,277)
Total comprehensive expense attributable to:			
Equity holders of the Company		**(550,800)**	(311,985)
Non-controlling interest		**–**	(356)
		(550,800)	(312,341)
Loss per share (RMB cents)			
Basic and diluted	*11*		
— from continuing and discontinued operations		**(28.71)**	(16.16)
— from continuing operations		**(28.71)**	(15.79)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Renminbi)

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	12	**67,788**	245,277
Construction in progress	13	**–**	376,700
Goodwill	14	**–**	–
Deposits placed for life insurance		**–**	7,050
Investment properties	15	**280,041**	21,368
Lease prepayments	16	**–**	–
Right-of-use assets	17	**239,236**	249,000
Intangible assets	18	**57,456**	120,122
Investment in an associate	19	**–**	–
Deferred tax assets	27(a)	**85,723**	72,948
		730,244	1,092,465
Current assets			
Inventories	20	**56,702**	28,785
Trade and other receivables	21	**219,650**	185,040
Pledged bank deposits	22	**2,600**	12,708
Fixed deposits held at bank with original maturity over three months	23(a)	**–**	4,000
Cash and cash equivalents	23	**196,651**	471,354
		475,603	701,887
Current liabilities			
Trade, bills and other payables	24	**120,944**	141,307
Bank borrowings	25	**419,800**	409,800
Lease liabilities	26	**331**	2,043
Corporate bonds	28	**51,502**	28,604
Current taxation		**–**	6,711
		592,577	588,465
Net current (liabilities)/assets		**(116,974)**	113,422
Total assets less current liabilities		**613,270**	1,205,887

The notes on pages 53 to 123 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020
(Expressed in Renminbi)

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Deferred tax liabilities	*27(a)*	**31,004**	46,041
Lease liabilities	*26*	**–**	943
Corporate bonds	*28*	**38,892**	64,729
		69,896	111,713
Net assets		**543,374**	1,094,174
Capital and reserves			
Share capital	*32(a)*	**3,819**	3,819
Reserves	*32(b)*	**539,555**	1,090,355
Total equity		**543,374**	1,094,174

Approved and authorised for issue by the board of directors on 30 March 2021.

Kwok Kin Sun
Chairman

Kwok Hon Fung
Director

The notes on pages 53 to 123 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020
(Expressed in Renminbi)

		Attributable to equity owners of the Company									
	Notes	Share capital RMB'000 Note 32(a)	Share premium RMB'000 Note 32(b)(i)	Statutory reserve RMB'000 Note 32(b)(ii)	Capital reserve RMB'000 Note 32(b)(iii)	Exchange reserve RMB'000 Note 32(b)(iv)	Share-based payment reserve RMB'000 Note 32(b)(v)	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
As at 1 January 2019		3,819	136,871	128,898	39,023	(10,992)	611	1,107,929	1,406,159	3,567	1,409,726
Changes in equity for 2019:											
Loss for the year		–	–	–	–	–	–	(310,921)	(310,921)	(356)	(311,277)
Other comprehensive income for the year	32(b)(iv)										
Exchange differences on translation of foreign operations		–	–	–	–	(1,309)	–	–	(1,309)	–	(1,309)
Exchange reserve realised on disposal of subsidiaries		–	–	–	–	245	–	–	245	–	245
Total comprehensive income		–	–	–	–	(1,064)	–	(310,921)	(311,985)	(356)	(312,341)
Lapse of share options		–	–	–	–	–	(445)	445	–	–	–
Disposal of subsidiaries		–	–	–	–	–	–	–	–	(3,211)	(3,211)
As at 31 December 2019		3,819	136,871	128,898	39,023	(12,056)	166	797,453	1,094,174	–	1,094,174
As at 1 January 2020		**3,819**	**136,871**	**128,898**	**39,023**	**(12,056)**	**166**	**797,453**	**1,094,174**	**-**	**1,094,174**
Changes in equity for 2020:											
Loss for the year		**-**	**-**	**-**	**-**	**-**	**-**	**(552,229)**	**(552,229)**	**-**	**(552,229)**
Other comprehensive income for the year	32(b)(iv)										
Exchange differences on translation of foreign operations		**-**	**-**	**-**	**-**	**1,429**	**-**	**-**	**1,429**	**-**	**1,429**
Total comprehensive income		**-**	**-**	**-**	**-**	**1,429**	**-**	**(552,229)**	**(550,800)**	**-**	**(550,800)**
As at 31 December 2020		**3,819**	**136,871**	**128,898**	**39,023**	**(10,627)**	**166**	**245,224**	**543,374**	**-**	**543,374**

The notes on pages 53 to 123 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020
(Expressed in Renminbi)

	Notes	2020 RMB'000	2019 RMB'000
Operating activities			
Cash used in operations	*23(b)*	**(172,033)**	(59,058)
Income tax paid		**(17,288)**	(8,177)
Net cash used in operating activities		**(189,321)**	(67,235)
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(9,018)**	(35,720)
Prepayment for construction in progress		**(91,211)**	(14,069)
Proceeds from disposal of property, plant and equipment		**11**	171
Decrease in fixed deposit held at banks with original maturity over three months		**4,000**	8,530
Decrease in pledged bank deposits		**10,108**	57,857
Interest received		**4,190**	4,148
Deposit received from a life insurance policy		**7,061**	–
Refund of financial assets at amortised cost		**–**	2,000
Net cash inflow/(outflow) from disposal of subsidiaries		**17,000**	(4,243)
Net cash (used in)/generated from investing activities		**(57,859)**	18,674
Financing activities			
Proceeds from bank and other borrowings		**429,800**	453,800
Repayment of bank and other borrowings		**(419,800)**	(491,627)
Interest paid		**(29,040)**	(24,024)
Proceeds from issue of corporate bonds		**9,017**	42,521
Repayment of corporate bonds		**(15,580)**	–
Capital elements to lease liabilities		**(1,920)**	(2,109)
Payment for right of use asset		**–**	(5)
Net cash used in financing activities		**(27,523)**	(21,444)
Net decrease in cash and cash equivalents		**(274,703)**	(70,005)
Cash and cash equivalents at 1 January		**471,354**	541,359
Cash and cash equivalents at 31 December	*23(a)*	**196,651**	471,354

The notes on pages 53 to 123 form part of these financial statements.

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

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

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

At 31 December 2020, the directors consider the immediate parent of the Company to be Everkept Limited, which is incorporated in the BVI, and the ultimate controlling party of the Company to be Mr. Kwok Kin Sun.

In preparing these consolidated financial statements, the Directors have considered the future liquidity of the Group. As at 31 December 2020, the Group has net current liabilities and loss for the year of approximately RMB116,974,000 and RMB552,229,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

(i) The Group have guarantee contracts with certain banks to obtain maximum credit amounts of RMB1,307,690,000 and as at 31 December 2020, the unutilized facilities amount in respect of bank borrowings is approximately RMB881,390,000.

(ii) The Group is taking measures to tighten cost controls over various costs and expenses and to seek new investments and business opportunities with an aim to attain profitable and positive cash flow operations.

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

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

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

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

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

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

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

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

Impacts on application of Amendments to IAS 1 and IAS 8 Definition of Material

The Group has applied the Amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

Impacts on application of Amendments to IFRS 3 Definition of a Business

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments in the current year had no impact on the consolidated financial statements, but may impact future periods should the Group make any acquisition.

Impacts on application of Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform

The Group has applied the amendments for the first time in the current year. The amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reform. The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures.

The application of the amendments in the current year had no impact on the consolidated financial statements.

(Expressed in Renminbi unless otherwise indicated)

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

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

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

		Effective for annual periods beginning on or after
IFRS 17	Insurance Contracts and the related Amendments	1 January 2023
Amendment to IFRS 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2	1 January 2021
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	A date to be determined
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
Amendments to IFRSs	Annual Improvements to HKFRSs 2018–2020	1 January 2022

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

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

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

Amendment to IFRS 16 COVID-19 Related Rent Concessions

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a COVID-19 related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 that meets all of the following conditions:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group's financial position and performance as the Group does not intend to apply the practical expedient.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

— update a reference in IFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

— add a requirement that, for transactions and other events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC-Int 21 Levies, an acquirer applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

— add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

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

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

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform — Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

— Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRSs requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16;

— Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

— Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

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

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

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

— specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

— clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

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

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

Amendments to IFRSs Annual Improvements to IFRSs 2018–2020

The annual improvements make amendments to the following standards.

IFRS 9 Financial Instruments

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

IFRS 16 Leases

The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

IAS 41 Agriculture

The amendment ensures consistency with the requirements in IFRS 13 *Fair Value Measurement* by removing the requirement in paragraph 22 of IAS 41 to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Company and its subsidiaries.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries

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

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

In the Company's statement of financial position (see note 37), an investment in a subsidiary is stated at cost less impairment losses.

(d) Business combinations and goodwill

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Business combinations and goodwill (Continued)

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

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

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

(e) Property, plant and equipment

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

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

No depreciation is provided in respect of construction in progress.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Constructions in progress

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

(g) Investment properties

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

(h) Lease prepayments

Definition of a lease

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

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

As a lessee

Short-term leases

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

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

Right-of-use assets

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

The cost of right-of-use asset includes:

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Lease prepayments (Continued)

As a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

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

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

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

Taxation

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

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

As a lessor

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

The computer software is amortised from the date it is available for use and its estimated useful life is 10 years.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The distribution network is amortised from the acquisition date through business combination and its estimated useful life is 5 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(j) Credit losses and impairment of assets

(i) Credit losses from financial instrument

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) **Credit losses from financial instrument** (Continued)

Measurement of ECLs

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

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

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

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

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

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

ECLs are measured on either of the following bases:

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instrument (Continued)

Significant increases in credit risk

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

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

— failure to make payments of principal or interest on their contractually due dates;

— an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

— an actual or expected significant deterioration in the operating results of the debtor; and

— existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

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

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

Basis of calculation of interest income

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Credit losses from financial instrument (Continued)

Basis of calculation of interest income (Continued)

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

— significant financial difficulties of the debtor;

— a breach of contract, such as a default or past due event;

— it becoming probable that the borrower will enter into bankruptcy or other financial reorganization; or

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

Write-off policy

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

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

(ii) Impairment of other non-current assets

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Impairment of assets (Continued)

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

Calculation of recoverable amount

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

Recognition of impairment losses

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

Reversals of impairment losses

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

(k) Inventories

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Trade and other receivables

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

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

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

(m) Interest-bearing borrowings

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

(n) Trade and other payables

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

(o) Cash and cash equivalents

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

(p) Employee benefits

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Employee benefits (Continued)

(ii) Share-based payments for employees

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

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

(q) Income tax

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) **Income tax** (Continued)

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

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

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

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

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

  — the same taxable entity; or

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

(r) **Provisions and contingent liabilities**

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

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

(Expressed in Renminbi unless otherwise indicated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Revenue recognition

Revenue from contracts with customers

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

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

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

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

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

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

(t) Translation of foreign currencies

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Borrowing costs

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

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

(v) Research and development expenditure

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

(w) Dividends

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

(x) Related parties

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

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

(ii) has significant influence over the Group; or

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(x) Related parties (Continued)

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

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

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

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

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

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

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

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

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

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

(y) Financial instruments

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

(i) Amortised cost and interest income

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at amortised cost

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

Financial guarantee contracts

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

It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when and only when the Group's obligation are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognised in profit or loss.

Modification of financial liabilities such as borrowings, trade and other payables, etc.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account, all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs modification is considered as non-substantial modification when such difference is less then 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

(z) Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

4 SEGMENT INFORMATION

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

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

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

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

Segment revenue and results

For the year ended 31 December 2020

	Menswear RMB'000	Unallocated RMB'000	Sub-total RMB'000
Revenue	**270,070**	**–**	**270,070**
Segment result before the following items	**(96,741)**	**–**	**(96,741)**
Impairment of intangible assets	**(16,749)**	**–**	**(16,749)**
Allowance for ECL, net	**(51,172)**	**–**	**(51,172)**
Segment result	**(164,662)**	**–**	**(164,662)**
Other revenue and unallocated gains		**2,129**	**2,129**
Corporate and other unallocated expenses		**(417,311)**	**(417,311)**
Loss before tax			**(579,844)**
Tax expenses	**27,615**	**–**	**27,615**
			(552,229)

(Expressed in Renminbi unless otherwise indicated)

4 SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

For the year ended 31 December 2019

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

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

4 SEGMENT INFORMATION (Continued)

Segment assets and liabilities (Continued)

(a) Geographical information

The following table presents the Group's geographical information in terms of revenue for the years ended 31 December 2020 and 2019:

	Continuing operations		Discontinued operations		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
China	**270,070**	349,487	**–**	19,960	**270,070**	369,447
Hong Kong	**–**	9,500	**–**	–	**–**	9,500
	270,070	358,987	**–**	19,960	**270,070**	378,947

(b) Non-current assets

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

Information about major customers

Revenue from customers of the current year contributing over 10% of the Group's total revenue are as follows:

	2020	2019
	RMB'000	RMB'000
Customer A	**48,333**	–*
Customer B	**32,154**	–*
Customer C	**28,622**	–*

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

5 REVENUE

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

For sales of products to retail customers, revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the retail shop. Payment of the transaction price is due immediately at the point the customer purchases the goods.

5 REVENUE (Continued)

For the manufacturing and wholesaling of menswear, revenue is recognised when control of the goods has transferred, being at the point the products are delivered to the customer's premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been delivered to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

All revenue are recognised at a point in time.

Revenue by product type is as follows:

	2020 **RMB'000**	2019 RMB'000
Men's trousers	**141,940**	189,758
Men's tops	**125,058**	168,508
Accessories	**3,072**	721
	270,070	358,987
Timing of revenue recognition		
At a point of time	**270,070**	358,987

6 OTHER INCOME AND OTHER GAINS OR LOSSES

	2020 **RMB'000**	2019 RMB'000
Interest income	**4,190**	4,758
Rental income from investment properties less direct outgoings	**2,542**	1,415
Service income	**855**	1,380
Government grants	**406**	353
Net foreign exchange loss	**(157)**	(947)
Net loss on disposal of property, plant and equipment	**(2,479)**	(4,447)
Net gain on termination of lease liabilities	**21**	–
Loss on modification of corporate bonds	**(262)**	–
Others	**773**	171
	5,889	2,683

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

7 LOSS BEFORE TAXATION

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

		2020 RMB'000	2019 RMB'000
(a)	Finance costs:		
	Interest on corporate bonds	**11,335**	7,836
	Interest on bank borrowings	**22,830**	20,896
	Interest on lease liabilities	**85**	78
		34,250	28,810
(b)	Staff costs (including directors' remuneration):		
	Contributions to defined contribution retirement plans	**651**	956
	Salaries, wages and other benefits	**31,390**	42,515
		32,041	43,471
(c)	Other items:		
	Amortisation of intangible assets	**45,917**	44,164
	Depreciation of property, plant and equipment	**11,213**	17,449
	Depreciation of investment properties	**5,343**	1,188
	Depreciation of right-of-use assets	**8,935**	8,496
	Auditors' remuneration	**1,602**	1,936
	Research and developments expenses *(note i)*	**7,181**	8,534
	Cost of inventories *(note (ii))*	**193,169**	223,770
	Allowance for ECL, net	**51,172**	62,745
	Written-off of trade receivable	**560**	857
	Expense related to short-term leases	**41**	631

Notes:

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

(ii) Included in cost of inventories are RMB13,269,000 of staff costs, depreciation and amortisation charges for the year ended 31 December 2020 (2019: RMB20,601,000). The staff costs are also included in the respective amounts disclosed in note 7(b).

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

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

	2020 RMB'000	2019 RMB'000
Current tax		
Provision for PRC enterprises income tax for the year	**197**	6,226
Deferred tax credit	**(27,812)**	(39,285)
	(27,615)	(33,059)

Notes:

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

(ii) No provision has been made for Hong Kong Profits Tax as none of the members of the Group earned any income that was subject to Hong Kong Profits Tax for the years ended 31 December 2020 and 2019.

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

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

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

	2020 RMB'000	2019 RMB'000
Continuing operations		
Loss before taxation	**(579,844)**	(336,802)
Notional tax on loss before taxation, calculated at the rates applicable to loss in the tax jurisdictions concerned	**(137,986)**	(78,402)
Effect of non-deductible expenses	**380**	335
Effect of income not taxable for tax purposes	**(11,515)**	(16,233)
Effect of tax losses not recognised	**121,506**	61,241
Actual tax credit	**(27,615)**	(33,059)

9 DIRECTORS' REMUNERATION

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

Year ended 31 December 2020

	Directors' fees RMB'000	Salaries, allowances and benefit in kind RMB'000 *(note i)*	Retirement scheme contributions RMB'000	2020 Total RMB'000
Executive Directors				
Mr. Kwok Kin Sun	–	534	16	550
Mr. Kwok Hon Fung	–	534	16	550
Ms. Mo Wei *(note (iv))*	–	534	13	547
Mr. Tong Xin *(note (iii))*	–	134	4	138
Sub-total	–	1,736	49	1,785
Independent Non-executive Directors				
Mr. Cheung Chiu Tung	110	–	–	110
Mr. Poon Yick Pang Philip	196	–	–	196
Ms. Huang Yumin	107	–	–	107
Mr. Steve Andrew Chen *(note (ii))*	36	–	–	36
Sub-total	449	–	–	449
Total	449	1,736	49	2,234

9 DIRECTORS' REMUNERATION (Continued)

Year ended 31 December 2019

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

Notes:

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

(ii) Mr. Steve Andrew Chen was appointed as an independent non-executive director of the Company on 31 January 2020 and retired as independent non-executive director on 18 June 2020.

(iii) Mr. Tong Xin was appointed as an executive director of the Company on 30 September 2020.

(iv) Ms. Mo Mei resigned as an executive director of the Company on 31 December 2020.

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

10 INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, three (2019: three) are directors whose remuneration is disclosed in note 9 above. The aggregate of the emoluments in respect of the remaining two individuals for 2020 (2019: two) are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries and other emoluments	**825**	900
Discretionary bonuses	**36**	90
Retirement scheme contributions	**32**	4
	893	994

The emoluments of the two individuals (2019: two) with the highest emoluments fall within the following bands:

	2020 **Number of individuals**	2019 Number of individuals
Nil to HK$1,000,000	**2**	2

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

11 LOSS PER SHARE

(a) Basic loss per share

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

	2020 RMB'000	2019 RMB'000
Loss		
Loss for the year for the purposes of computation of basic loss per share		
— from continuing operations	**(552,229)**	(303,743)
— from discontinued operations	**–**	(7,178)
	(552,229)	(310,921)

	Number of shares '000	 '000
Number of shares		
Weighted average number of ordinary shares in issue	**1,923,600**	1,923,600

(b) Diluted loss per share

The computation of diluted loss per share for the years ended 31 December 2019 and 2020 did not assume the exercise of outstanding share options of the Company since their assumed conversion would result in a decrease in loss per share.

(Expressed in Renminbi unless otherwise indicated)

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
Cost:					
As at 1 January 2019	361,745	103,884	6,623	32,335	504,587
Additions	35,342	257	10	61	35,670
Disposal of subsidiaries	(14,953)	(4,596)	(842)	(2,603)	(22,994)
Disposals	(2,105)	(31,898)	(9)	(8,210)	(42,222)
Exchange adjustment	–	–	–	3	3
As at 31 December 2019 and 1 January 2020	380,029	67,647	5,782	21,586	475,044
Additions	8,981	34	–	3	9,018
Transfer to investment properties	(277,378)	–	–	–	(277,378)
Disposals	(1,053)	(28,391)	(170)	(2,277)	(31,891)
Exchange adjustment	–	–	–	(2)	(2)
At 31 December 2020	**110,579**	**39,290**	**5,612**	**19,310**	**174,791**
Accumulated depreciation:					
As at 1 January 2019	127,974	88,043	5,270	28,824	250,111
Charge for the year	15,662	2,136	346	1,092	19,236
Disposal of subsidiaries	(708)	(636)	(198)	(435)	(1,977)
Written back on disposals	(830)	(28,572)	(8)	(8,194)	(37,604)
Exchange adjustment	–	–	–	1	1
As at 31 December 2019 and 1 January 2020	142,098	60,971	5,410	21,288	229,767
Charge for the year	10,116	821	69	207	11,213
Transfer to investment properties	(104,573)	–	–	–	(104,573)
Written back on disposals	(456)	(26,526)	(147)	(2,272)	(29,401)
Exchange adjustment	–	–	–	(3)	(3)
As at 31 December 2020	**47,185**	**35,266**	**5,332**	**19,220**	**107,003**
Carrying amount:					
As at 31 December 2020	**63,394**	**4,024**	**280**	**90**	**67,788**
As at 31 December 2019	237,931	6,676	372	298	245,277

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

(b) Certain buildings with carrying value of RMB63,394,000 (2019: RMB237,931,000) have been pledged to a bank as security for bank borrowings as at 31 December 2020 (see note 25).

13 CONSTRUCTION IN PROGRESS

	2020 RMB'000	2019 RMB'000
Cost:		
As at 1 January	**376,700**	359,906
Additions	**–**	164,069
Written off/Impairment *(note)*	**(376,700)**	(147,275)
As at 31 December	**–**	376,700
Net book value:		
As at 31 December	**–**	376,700

Note: As at 31 December 2020, the amount of RMB376,700,000 has been written off due to the suspension of the construction of commercial centre. As at 31 December 2019, the Group assessed the recoverable amount of construction in progress and the carrying amount of which were written down to their recoverable amount of approximately RMB376,700,000. Accordingly, an impairment loss of approximately RMB147,275,000 was recognised during the year ended 31 December 2019. The estimates of recoverable amount were based on the replacement cost approach carried out by an independent qualified valuer, International Valuation Limited.

14 GOODWILL

	2020 RMB'000	2019 RMB'000
As at 1 January	**–**	46,976
Impairment	**–**	(46,880)
Disposal of subsidiaries	**–**	(96)
As at 31 December	**–**	–

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

Accordingly, impairment on goodwill allocated to the Chameleon Group of RMB46,880,000 was recognised during the year ended 31 December 2019.

15 INVESTMENT PROPERTIES

	2020 **RMB'000**	2019 RMB'000
Cost:		
As at 1 January	**35,613**	35,613
Transfer from property, plant and equipment	**277,378**	–
Addition	**91,211**	–
As at 31 December	**404,202**	35,613
Accumulated depreciation:		
As at 1 January	**14,245**	13,057
Charge for the year	**5,343**	1,188
Transfer from property, plant and equipment	**104,573**	–
As at 31 December	**124,161**	14,245
Net book value:		
As at 31 December	**280,041**	21,368
Classify as:		
Construction in progress	**91,211**	–
Investment properties *(Note b)*	**188,830**	21,368
	280,041	21,368

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

b. The fair value of the Group's investment properties at 31 December 2020 was RMB258,400,000 (2019: RMB35,975,000). The fair value has been arrived at based on a valuation carried out by Ascent Partners Valuation Service Limited, an independent valuer, who is not connected with the Group.

c. The investment properties were pledged as security for bank borrowings.

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

(Expressed in Renminbi unless otherwise indicated)

16 LEASE PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Cost:		
As at 1 January	–	292,283
Transfer to right-of-use assets upon IFRS 16	–	(292,283)
As at 31 December	–	–
Accumulated amortisation:		
As at 1 January	–	38,374
Transfer to right-of-use assets upon IFRS 16	–	(38,374)
As at 31 December	–	–
Carrying amount:		
As at 31 December	–	–

17 RIGHT-OF-USE ASSETS

	Land use rights RMB'000 *Notes*	Leasehold properties RMB'000	Total RMB'000
Cost			
As at 1 January 2019	–	–	–
Transfer upon IFRS 16	253,938	960	254,898
Additions	5	4,583	4,588
Disposal of subsidiaries	(814)	(1,325)	(2,139)
Exchange realignment	–	59	59
As at 31 December 2019 and 1 January 2020	253,129	4,277	257,406
Additions	–	–	–
Termination of lease	–	(2,420)	(2,420)
Exchange realignment	–	(36)	(36)
As at 31 December 2020	**253,129**	**1,821**	**254,950**
Accumulated amortisation			
As at 1 January 2019	–	–	–
Amortisation for the year	7,213	1,842	9,055
Disposal of subsidiaries	(104)	(559)	(663)
Exchange realignment	–	14	14
As at 31 December 2019 and 1 January 2020	7,109	1,297	8,406
Amortisation for the year	7,109	1,826	8,935
Termination of lease	–	(1,610)	(1,610)
Exchange realignment	–	(17)	(17)
As at 31 December 2020	**14,218**	**1,496**	**15,714**
Net carrying value			
As at 31 December 2020	**238,911**	**325**	**239,236**
As at 31 December 2019	246,020	2,980	249,000

Notes:

a. All the Group's land use rights on leasehold land are located in the PRC. As at 31 December 2020, the remaining period of land use rights range from 32 to 35 years (2019: 33 to 36 years).

b. At 31 December 2020, the land use rights with carrying value of RMB238,911,000 (2019: RMB246,020,000) were pledged as security for bank borrowings (see note 25).

18 INTANGIBLE ASSETS

	ERP system RMB'000	Distribution network RMB'000	Total RMB'000
Cost:			
As at 1 January 2019	4,618	217,000	221,618
Addition	12,967	–	12,967
Disposal of subsidiaries	(241)	–	(241)
As at 31 December 2019, 1 January 2020 and 31 December 2020	**17,344**	**217,000**	**234,344**
Accumulated amortisation and impairment:			
As at 1 January 2019	2,123	61,483	63,606
Charge for the year	809	43,400	44,209
Impairment	–	6,457	6,457
Disposal of subsidiaries	(50)	–	(50)
As at 31 December 2019 and 1 January 2020	2,882	111,340	114,222
Charge for the year	2,517	43,400	45,917
Impairment	–	16,749	16,749
As at 31 December 2020	**5,399**	**171,489**	**176,888**
Net book value			
As at 31 December 2020	**11,945**	**45,511**	**57,456**
As at 31 December 2019	14,462	105,660	120,122

For the year ended 31 December 2020, an impairment loss of approximately RMB16,749,000 (2019: RMB6,457,000) on intangible assets that relates to the Chameleon Group, which constitutes a cash generating unit, has been recognised as a result of an impairment assessment made by the management.

19 INVESTMENT IN AN ASSOCIATE

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

	2020 RMB'000	2019 RMB'000
Cost of investment in an associate	**2,000**	2,000
Share of post-acquisition loss and other comprehensive expense	**(2,000)**	(2,000)
	–	–

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

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

	2020 RMB'000	2019 RMB'000
The unrecognised shares of loss of an associate for the year	**–**	–
Cumulative unrecognised shares of loss of an associate	**(4,406)**	(4,406)

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

20 INVENTORIES

Inventories in the consolidated statement of financial position comprise:

	2020 RMB'000	2019 RMB'000
Raw materials	**52**	3,987
Work in progress	**–**	1,024
Finished goods	**56,650**	23,774
	56,702	28,785

21 TRADE AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Trade receivables	**512,565**	433,897
Less: Loss allowance for expected credit loss	**(216,014)**	(207,532)
Written-off	**(133,434)**	(90,185)
Trade receivables	**163,117**	136,180
Prepayments to suppliers	**6,729**	1,731
Other deposits, prepayments and receivables	**49,804**	47,129
	219,650	185,040

As at 31 December 2020, included in the Group other receivables were fixed-rate short-term receivables of approximately RMB29,472,000 due from independent third parties with interest-bearing rate range 5%–15% per year, certain of other receivables were guaranteed by independent third parties and a other receivable was secured by securities account.

Aging analysis

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

	2020 RMB'000	2019 RMB'000
Within 3 months	**114,572**	122,952
More than 3 months but within 6 months	**24,297**	11,419
More than 6 months but within 1 year	**21,513**	1,589
Over 1 year	**2,735**	220
	163,117	136,180

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

22 PLEDGED BANK DEPOSITS

As at 31 December 2020 and 2019, bank deposits have been pledged as security for bank borrowings, which were repayable within 1 year from the end of the reporting period (see note 25). The pledged bank deposits will be released upon the settlement of relevant bank borrowings and were reclassified as current assets.

23 CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS

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

	2020 **RMB'000**	2019 RMB'000
Fixed deposit held at bank with original maturity within three months	**–**	8,708
Cash at bank and in hand	**196,651**	462,646
Cash and cash equivalents in the consolidated statements of financial position and consolidated cash flow statement	**196,651**	471,354
Fixed deposits held at bank with original maturity over three months	**–**	4,000
	196,651	475,354

At 31 December 2020, cash and cash equivalents in the PRC amounted to approximately RMB195,060,000 (2019: RMB463,814,000). Remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

23. CASH AND CASH EQUIVALENTS AND FIXED DEPOSITS HELD AT BANKS (Continued)

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

	2020 **RMB'000**	2019 RMB'000
Loss before taxation		
— Continuing operations	**(579,844)**	(336,802)
— Discontinued operations	**–**	(7,534)
Adjustments for:		
— Premium charged on life insurable policies	**–**	572
— Depreciation of property, plant and equipment	**11,213**	19,236
— Depreciation of investment properties	**5,343**	1,188
— Depreciation of right-of-use assets	**8,935**	9,055
— Amortisation of intangible assets	**45,917**	44,209
— Interest expense	**34,250**	28,810
— Interest income	**(4,190)**	(4,758)
— Gain from termination of leases	**(21)**	–
— Fair value change of biological assets	**–**	(5)
— Impairment of goodwill	**–**	46,880
— Impairment of intangible asset	**16,749**	6,457
— Written off/impairment of construction in progress	**376,700**	147,275
— Written off of trade receivable	**560**	857
— Loss on disposal of property, plant and equipment	**2,479**	4,447
— Foreign exchange (gain)/loss, net	**(53)**	660
— Allowance for ECL	**78,276**	81,296
— Reversal of allowance for ECL	**(27,104)**	(18,551)
— Reversal of inventory	**(631)**	3,486
— Gain on disposal of subsidiaries	**–**	(5,405)
— Modification of corporate bonds	**262**	–
Changes in working capital:		
— (Increase)/decrease in inventories	**(27,286)**	610
— Increase in trade and other receivables	**(93,065)**	(23,279)
— Decrease in trade and other payables	**(20,523)**	(57,762)
Cash used in operations	**(172,033)**	(59,058)

24 TRADE, BILLS AND OTHER PAYABLES

	2020	2019
	RMB'000	RMB'000
Trade payables	**16,248**	11,282
Bills payable	**6,500**	36,500
Other payables	**45,412**	36,864
Accruals	**52,784**	56,661
	120,944	141,307

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

	2020	2019
	RMB'000	RMB'000
Within 1 month or on demand	**7,289**	4,216
After than 1 month but within 3 months	**15,250**	7,066
Over 3 months but within 6 months	**129**	36,500
Over 6 months but within 1 year	**80**	–
	22,748	47,782

25 BANK BORROWINGS

(a) The bank borrowings were repayable as follows:

	2020	2019
	RMB'000	RMB'000
Within 1 year or on demand	**419,800**	409,800
	419,800	409,800

25 BANK BORROWINGS (Continued)

(b) Analysed as follows:

	2020 **RMB'000**	2019 RMB'000
Bank borrowings		
— secured	**349,800**	349,800
— unsecured	**70,000**	60,000
	419,800	409,800

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

	2020 **RMB'000**	2019 RMB'000
Property, plant and equipment *(note 12(b))*	**63,394**	237,931
Investment properties *(note 15(c))*	**280,041**	21,368
Right-of-use assets *(note 17)*	**238,911**	246,020
Pledge bank deposits *(note 22)*	**2,600**	12,708
	584,946	518,027

As at 31 December 2020 and 2019 certain bank borrowings were guaranteed by Mr. Kwok Kin Sun, who is the ultimate controlling party of the Group.

25 BANK BORROWINGS (Continued)

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

	2020 RMB'000	2019 RMB'000
Movement of bank and other borrowings is as follows:		
As at 1 January	**409,800**	484,800
Proceeds from bank and other borrowings	**429,800**	453,800
Repayments of bank and other borrowings	**(419,800)**	(491,627)
Disposal of subsidiaries	**–**	(37,173)
As at 31 December	**419,800**	409,800

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

	2020 RMB'000	2019 RMB'000
Facility amount	**1,307,690**	917,690
Utilised facilities amount in respect of bank borrowings	**419,800**	409,800

Certain of the Group's banking borrowings amounted to RMB349,800,000 (2019: RMB349,800,000) are subject to the fulfilment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2020 and 2019, none of the covenants relating to drawn down facilities had been breached.

(Expressed in Renminbi unless otherwise indicated)

26 LEASE LIABILITIES

	2020 RMB'000	2019 RMB'000
Lease liabilities		
Current	**331**	2,043
Non-current	**–**	943
	331	2,986
Minimum lease payments due		
— Within one year	**338**	2,134
— More than one year but not more than two years	**–**	959
	338	3,093
Future finance charges	**(7)**	(107)
Present value of lease liabilities	**331**	2,986
Amounts due for settlement within one year	**331**	2,043
Amounts due for settlement after one year	**–**	943
	331	2,986
Present value of minimum lease payments		
— Within one year	**331**	2,043
— More than one year but not more than two years	**–**	943
	331	2,986
Future finance charges	**–**	–
Present value of lease liabilities	**331**	2,986
Amounts due for settlement within one year	**331**	2,043
Amounts due for settlement after one year	**–**	943
	331	2,986

26 LEASE LIABILITIES (Continued)

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

	2020 RMB'000	2019 RMB'000
As at 1 January	**2,986**	942
Additions	**–**	4,583
Interest expense	**85**	111
Repayment	**(1,920)**	(2,109)
Disposal of subsidiaries	**–**	(586)
Termination of lease	**(831)**	–
Exchange realignment	**11**	45
As at 31 December	**331**	2,986

27 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

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

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

Deferred tax arising from:	Withholding tax on dividends RMB'000	Intangible assets recognised at the dates of business combinations RMB'000	Impairment on trade receivable RMB'000	Total RMB'000
As at 1 January 2019	(37,740)	(32,485)	58,469	(11,756)
Disposal of subsidiaries	–	–	(622)	(622)
Credited to consolidated statement of profit or loss and other comprehensive income	–	24,184	15,101	39,285
As at 31 December 2019 and 1 January 2020	(37,740)	(8,301)	72,948	26,907
Credited to consolidated statement of profit or loss and other comprehensive income	–	15,037	12,775	27,812
As at 31 December 2020	**(37,740)**	**6,736**	**85,723**	**54,719**

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

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

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**85,723**	72,948
Deferred tax liabilities recognised in the consolidated statement of financial position	**(31,004)**	(46,041)

(b) Deferred tax assets not recognised

At 31 December 2020, certain subsidiaries of the Group have not recognised deferred tax assets in respect of cumulative tax losses carried forward of RMB319,245,000 (2019: RMB263,550,000), of which RMB228,274,000 (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 31 December 2020, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of RMB1,219,579,000 (2019: RMB1,312,393,000) 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.

28 CORPORATE BONDS

	2020 RMB'000	2019 RMB'000
Unsecured corporate bonds	**90,394**	93,333

The Group's corporate bonds are repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**51,502**	28,604
After 1 year but within 2 years	**11,417**	36,500
After 2 years but within 5 years	**21,532**	13,245
After 5 years	**5,943**	14,984
	90,394	93,333

28 CORPORATE BONDS (Continued)

The movement of corporate bonds is as follows:

	2020 RMB'000	2019 RMB'000
As at 1 January	**93,333**	44,494
Proceeds from issuance of corporate bonds	**9,017**	42,521
Modification of corporate bonds	**262**	–
Repayment of corporate bonds	**(15,580)**	–
Imputed interests	**5,125**	4,481
Exchange realignment	**(1,763)**	1,837
As at 31 December	**90,394**	93,333

During the year ended 31 December 2020, the Group issued bonds with a principal amount in a total of RMB117,617,000 carried interest at 0.1%–15% per annum (2019: RMB111,390,000 carried interest at 0.1%–7.5% per annum). Total transaction cost attributable to the issuance of the bond amounted to RMB15,519,000 (2019: RMB9,436,000). The bonds are unsecured with maturity date falling on 2–8 years (2019: 2–8 years) of the issue date.

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

29 EMPLOYEE RETIREMENT BENEFITS

Defined contribution retirement plans

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

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

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

30 DISPOSAL OF SUBSIDIARIES

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

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

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

(Expressed in Renminbi unless otherwise indicated)

31 EQUITY-SETTLED SHARE-BASED PAYMENTS FOR EMPLOYEES

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

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

Date of grant		Exercise price	Number of options granted	Vesting period	Exercisable period
Options granted to directors of the Company:					
7 October 2015	Batch 1	HK$0.89*	400,000	one year from the date of grant	From 7 October 2016 to 6 October 2021
7 October 2015	Batch 2	HK$0.89*	400,000	two year from the date of grant	From 7 October 2017 to 6 October 2022
7 October 2015	Batch 3	HK$0.89*	400,000	three year from the date of grant	From 7 October 2018 to 6 October 2023
		HK$0.89*	1,200,000		

* 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

	2020 Weighted average exercise price	**2020** Number of options	2019 Weighted average exercise price	2019 Number of options
Outstanding at the 1 January	**HK$0.89**	**1,200,000**	HK$3.56	700,000
Lapsed during the year	**–**	**–**	HK$3.56	(400,000)
Adjustment on share subdivision	**–**	**–**	HK$0.89	900,000
Outstanding at 31 December	**HK$0.89**	**1,200,000**	HK$0.89	1,200,000
Exercisable at the end of the year	**HK$0.89**	**1,200,000**	HK$0.89	1,200,000

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

The share options outstanding as at 31 December 2020 had an exercise price of HK$0.89 (2019: HK$0.89) and a weighted average remaining contractual life of 1.5 (2019: 2.5) years.

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

(c) Fair value of share options and assumptions

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

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

Fair value at measurement date (HK$)	0.67–0.68
Share price (HK$)	0.89
Exercise price (HK$)	0.89
Expected volatility (expressed as average volatility used in the modelling under binomial model)	43%
Option life	6–8 years
Expected dividends	10.11%
Risk-free interest rate (based on Hong Kong Government Bond yield)	1.03%–1.30%

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

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

32 CAPITAL, RESERVE AND DIVIDENDS

(a) Share capital

	Number of ordinary shares of HK$0.01	Number of ordinary shares of HK$0.0025	Amount HK$'000
Authorised:			
As at 1 January 2019	1,000,000,000	–	10,000
Share subdivision *(note)*	(1,000,000,000)	4,000,000,000	–
As at 31 December 2019, 1 January 2020 and 31 December 2020	**–**	**4,000,000,000**	**10,000**

32 CAPITAL, RESERVE AND DIVIDENDS (Continued)

(a) Share capital (Continued)

	Number of ordinary shares of HK$0.01	Number of ordinary shares of HK$0.0025	Amount HK$'000	Amount RMB'000
Issued and fully paid:				
As at 1 January 2019	480,900,000		4,809	3,819
Share subdivision *(note)*	(480,900,000)	1,923,600,000	–	–
As at 31 December 2019, 1 January 2020 and 31 December 2020	**–**	**1,923,600,000**	**4,809**	**3,819**

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

(b) Nature and purpose of reserves

(i) Share premium

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

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

(ii) Statutory reserve

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

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

32 CAPITAL, RESERVE AND DIVIDENDS (Continued)

(b) 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 foreign operations outside the PRC.

(v) Share-based payment reserve

Share-based payment reserve comprises the following:

— The fair value of services provided by parties other than employees to the Group in connection with the listing of the Company and the services were settled by equity instrument of the Company. The relevant services are recognised in accordance with IFRS 2, *Share-based payment*. Share-based payment was vested pursuant to the listing of the Company on 16 July 2014. Nil has been transferred from the share-based reserve to the share premium account during the years of 2020 and 2019.

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

(c) Distributable reserve

At 31 December 2020, the aggregate amount of reserves (including share premium and accumulated losses) available for distribution to the shareholders of the Company was RMB11,031,000 (2019: RMB38,973,000).

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure with reference to its debt position. The Group's strategy is to maintain the equity and debt in a balanced position and ensure there are adequate working capital to service its debt obligations. The Group's debt to asset ratio, being the Group's total liabilities (excluding deferred tax liabilities) over its total assets (excluding deferred tax assets), at 31 December 2020 were 56% (2019: 37%).

Neither the Company nor its subsidiaries are subject to externally imposed capital requirements.

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Categories of financial instruments

	2020 **RMB'000**	2019 RMB'000
Financial assets		
Deposit placed for life insurance	**–**	7,050
Trade and other receivables	**206,241**	183,309
Pledged bank deposits	**2,600**	12,708
Fixed deposits held at bank with original maturity over three months	**–**	4,000
Cash and bank balances	**196,651**	471,354
Financial assets at amortised cost	**405,492**	678,421
Financial liabilities		
Trade, bills and other payables	**118,856**	141,307
Bank borrowings	**419,800**	409,800
Corporate bonds	**90,393**	93,333
Financial liabilities at amortised cost	**629,049**	644,440

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligations by the counterparties is arising from the carrying amount of respective recognised financial assets as stated in the consolidated statement of financial position of the Group.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for the determination of credit limits, credit approvals and other monitoring procedures over the customers to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

(i) Trade receivables

As at 31 December 2020, the Group has concentration of credit risk as 14% (2019: 3%) and 41% (2019: 20%) of the total trade receivable was due from the Group's largest debtor and the top five largest debtors respectively. Taking into accounts the creditworthiness of the customers, the credit risk measures and the historical levels of default, the directors consider that such concentration of credit risk would not result in significant credit default exposure to the Group.

As part of the Group's credit risk management, the Group applied internal credit rating for its customers. The Group's trade receivables are assessed individually by reference to past default experience and current past due exposure of each of the debtor. The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2020 and 2019:

For the year ended 31 December 2020

	Expected loss	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 3 months	**0%**	**114,572**	**–**
More than 3 months but within 6 months	**6%**	**25,945**	**1,648**
More than 6 months with 1 year	**62%**	**56,594**	**35,081**
Over 1 year	**98%**	**182,020**	**179,285**
		379,131	**216,014**

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk (Continued)

(i) Trade receivables (Continued)

For the year ended 31 December 2019

	Expected loss	Gross carrying amount RMB'000	Loss allowance RMB'000
Within 3 months	0%	122,952	–
More than 3 months but within 6 months	63%	31,145	19,726
More than 6 months with 1 year	95%	34,131	32,542
Over 1 year	100%	155,484	155,264
		343,712	207,532

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and other receivables
Good	The counterparty has a low risk of default	Lifetime ECL — not credit-impaired
Low risk	Debtor frequently repays after due dates but usually settles in full	Lifetime ECL — not credit-impaired
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

(Expressed in Renminbi unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk (Continued)

The table below details the credit risk exposures of the Group's trade receivables, which are subject to ECL assessment:

At 31 December 2020	**External credit rating**	**Internal credit rating**	**12 m or lifetime ECL**	**Gross carrying amount RMB'000**
Financial assets at amortised cost				
Trade receivables		**Good**	**Lifetime ECL — (not credit-impaired)**	**13,713**
		Low risk	**Lifetime ECL — (not credit-impaired)**	**113,798**
		Doubtful	**Lifetime ECL — (not credit-impaired)**	**35,606**
		Loss	**Lifetime ECL — (credit-impaired)**	**216,014**
		Written-off	**Amount is written off**	**133,434**
Other receivables		**Doubtful**	**Lifetime ECL — (not credit-impaired)**	**56,533**
Cash and cash equivalents	**Aa1–Baa3**	**N/A**	**12m ECL**	**196,651**

At 31 December 2019	External credit rating	Internal credit rating	12 m or lifetime ECL	Gross carrying amount RMB'000
Financial assets at amortised cost				
Trade receivables		Good	Lifetime ECL — (not credit-impaired)	34,830
		Low risk	Lifetime ECL — (not credit-impaired)	101,350
		Doubtful	Lifetime ECL — (not credit-impaired)	–
		Loss	Lifetime ECL — (credit-impaired)	207,532
		Written-off	Amount is written off	90,185
Other receivables		Doubtful	Lifetime ECL — (not credit-impaired)	48,860
Cash and cash equivalents	Aa1–Baa3	N/A	12m ECL	475,354

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(b) Credit risk (Continued)

(i) Trade receivables (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. Such forward-looking information is used by the management of the Group to assess both the current as well as the forecast direction of conditions at the reporting date. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL — (credit-impaired) RMB'000	Lifetime ECL — (not credit-impaired) RMB'000	Total RMB'000
As at 1 January 2019	–	234,115	234,115
Change due to financial instruments recognised as at 1 January 2019			
— Transfer to credit-impaired	89,328	(89,328)	–
— Impairment loss recognised	857	81,296	82,153
— Impairment loss reversed	–	(18,551)	(18,551)
As at 31 December 2019 and 1 January 2020	90,185	207,532	297,717
Change due to financial instruments recognised as at 1 January 2020			
— Transfer to credit-impaired	42,690	(42,690)	–
— Impairment loss recognised	559	78,276	78,835
— Impairment loss reversed	–	(27,104)	(27,104)
As at 31 December 2020	**133,434**	**216,014**	**349,448**

The Group does not hold any collateral over these balances.

(ii) Cash and cash equivalents

The credit risk on cash and cash equivalents is limited because the major counterparties are reputable banks operating in Hong Kong and in the PRC. Other than the concentration of cash and cash equivalents which are deposited with several reputable banks in Hong Kong and in the PRC, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

(Expressed in Renminbi unless otherwise indicated)

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining scheduled maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

	Contractual undiscounted cash flows			
	Within 1 year or on demand RMB'000	More than 1 year RMB'000	Total RMB'000	Carrying amount RMB'000
As at 31 December 2020				
Current liabilities				
Bank borrowings	**433,316**	**–**	**433,316**	**419,800**
Trade, bills and other payables	**129,944**	**–**	**129,944**	**129,944**
Lease liabilities	**338**	**–**	**338**	**331**
Corporate bonds	**54,043**	**–**	**54,043**	**51,502**
Non-current liabilities				
Corporate bonds	**–**	**55,888**	**55,888**	**38,891**
	617,641	**55,888**	**673,529**	**640,468**
As at 31 December 2019				
Current liabilities				
Bank borrowings	424,487	–	424,487	409,800
Trade, bills and other payables	141,307	–	141,307	141,307
Lease liabilities	2,134	–	2,134	2,043
Corporate bonds	30,208	–	30,208	28,604
Non-current liabilities				
Lease liabilities	–	959	959	943
Corporate bonds	–	89,205	89,205	64,729
	598,136	90,164	688,300	647,426

33 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate risk

The Group's interest rate risk arises primarily from bank borrowings. Bank borrowings issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profiles as monitored by management are set out below.

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period.

	2020		2019	
	Effective interest rate	**Amount RMB'000**	Effective interest rate	Amount RMB'000
Fixed rate borrowings:				
Bank and other borrowings	**5.26%**	**419,800**	5.35%	409,800
Total bank and other borrowings		**419,800**		409,800
Net fixed rate borrowings as a percentage of total borrowings		**100%**		100%

(ii) Sensitivity analysis

At 31 December 2020, it is estimated that a general increase/decrease of 100 basis point in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB Nil (2019: Nil). Other components of equity would not be affected by the changes in interest rates.

The sensitivity analysis above indicates the instantaneous change in the group's profit after tax (and retained profits) and other components of consolidated equity that would arise assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to re-measure those financial instruments held by the group which expose the group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the group at the end of the reporting period, the impact on the group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis as 2019.

(e) Fair value

All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December 2020 and 2019.

34 COMMITMENTS

(a) Capital commitments

Capital commitments of the Group in respect of construction in progress as at 31 December 2020 that were not provided for in the consolidated financial statements were as follows:

	2020 **RMB'000**	2019 RMB'000
Contracted for	**281,934**	169,506

(b) Operating leases

None of the leases include contingent rentals.

The Group is the lessee in respect of a number of properties held under leases which were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases from 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position.

35 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into the following material related party transactions.

a. Key management personnel compensation

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2020 **RMB'000**	2019 RMB'000
Short-term employee benefits	**2,495**	2,846
Retirement scheme contributions	**50**	52
	2,545	2,898

The above remuneration is included in "staff costs" (note 7(b)).

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment in a subsidiary		**–**	–
Right-of-use assets		**–**	1,598
		–	1,598
Current assets			
Other receivables		**20,758**	25,046
Amounts due from subsidiaries		**215,173**	229,438
Cash and cash equivalents		**1,222**	9,757
		237,153	264,241
Current liabilities			
Accrual and other payables		**8,011**	2,436
Amounts due to subsidiaries		**109,154**	107,849
Lease liabilities		**–**	1,001
Corporate bonds		**51,502**	28,604
		168,667	139,890
Net current assets		**68,486**	124,351
Total assets less current liabilities		**68,486**	125,949
Non-current liabilities			
Lease liabilities		**–**	606
Corporate bonds		**38,892**	64,729
		38,892	65,335
Net assets		**29,594**	60,614
Capital and reserves			
Share capital	*32(a)*	**3,819**	3,819
Reserves	*32(b)*	**25,775**	56,795
Total equity		**29,594**	60,614

Approved and authorised for issue by the board of directors on 30 March 2021.

Kwok Kin Sun	**Kwok Hon Fung**
Chairman	*Director*

36 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (Continued)

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Notes	Share capital RMB'000 *Note 32(a)*	Share premium RMB'000 *Note 32(b)(i)*	Exchange reserve RMB'000 *Note 32(b)(iv)*	Share-based payment reserve RMB'000 *Note 32(b)(v)*	Accumulated losses RMB'000	Total RMB'000
As at 1 January 2019		3,819	136,871	13,570	611	(67,675)	87,196
Total comprehensive income for the year		–	–	4,086	–	(30,668)	(26,582)
Lapse of share option	*31(b)(v)*	–	–	–	(445)	445	–
As at 31 December 2019 and 1 January 2020		3,819	136,871	17,656	166	(97,898)	60,614
Total comprehensive income for the year		**–**	**–**	**(3,078)**	**–**	**(27,942)**	**(31,020)**
As at 31 December 2020		**3,819**	**136,871**	**14,578**	**166**	**(125,840)**	**29,594**

(Expressed in Renminbi unless otherwise indicated)

37 PARTICULARS OF INVESTMENTS IN SUBSIDIARIES

Details of the Group's subsidiaries are as follows. The class of shares held is ordinary unless otherwise stated.

Name of Company	Place of incorporation/ establishment and business	Issued and fully paid up capital	Proportion of equity interest attributable to the Company				
			2020		2019		
			Direct	Indirect	Direct	Indirect	
Bigtime Global Limited ("Bigtime Global")	BVI	US$10	**100%**	**–**	100%	–	Investment holding
Tiger Capital Fashion (Holdings) Company Limited ("Tiger Capital HK")	Hong Kong	HK$100,000	**–**	**100%**	–	100%	Investment holding
Tiger Capital (China) Fashion Co., Ltd. *(note (i) and (ii))* ("Tiger Capital Fashion") (虎都(中國)服飾有限公司)	PRC	HK$100,000,000	**–**	**100%**	–	100%	Wholesale of menswear
Fordoo (China) Industrial Ltd., Co *(note (i) and (ii))* ("Fordoo Industrial") (虎都(中國)實業有限公司)	PRC	HK$353,436,677	**–**	**100%**	–	100%	Manufacture and wholesale of menswear
Huian Tiger Capital Technology Company Limited *(note (i) and (ii))* ("Tiger Capital Technology") (惠安虎都科技有限公司)	PRC	RMB30,000,000	**–**	**100%**	–	100%	Research and development
Quanzhou Fordoo Commercial and Trading Company Limited *(note (i), (ii) and (iv))* (泉州虎都商貿有限公司)	PRC	–	**–**	**100%**	–	100%	Trading of menswear
Chameleon Ventures Limited (嘉龍投資有限公司)	BVI	US$1	**–**	**100%**	–	100%	Investment holding
Asia Advance Inc Limited (雋煌有限公司)	Hong Kong	HK$100	**–**	**100%**	–	100%	Investment holding
Quanzhou Baoying Fashion Co., Ltd. *(note (i), (ii) and (v))* (泉州百盈服飾有限公司)	PRC	–	**–**	**100%**	–	100%	Investment holding
Quanzhou Fordoo Creative Park Management Limited *(note (i) and (vi))* (泉州虎都創意園管理有限公司)	PRC	–	**–**	**100%**	–	–	Research and development
Beijing Haoyin Clothing Co., Ltd. *(note (i) and (ii))* (北京浩垠服飾有限公司)	PRC	RMB5,000,000	**–**	**100%**	–	100%	Retail of menswear

Notes:

(i) The English translation of the companies' names is for reference only. The official names of these companies are in Chinese.

(ii) All of the subsidiaries established in the PRC are wholly foreign owned enterprises.

(iii) The Directors are of the opinion that a complete list of the particulars of all subsidiaries of the company is of exercise length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or finance position of the Group.

(iv) This subsidiary was established in 2016, the capital has not been paid up as at 31 December 2019 and 2020.

(v) These subsidiaries were established in 2017, the capital have not been paid up as at 31 December 2019 and 2020.

(vi) This subsidiary was established in 2020, the capital has not been paid up as at 31 December 2020.

38 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in condition and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in note 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the consolidated financial statements.

(a) Depreciation

Property, plant and equipment and investment properties are depreciated on a straight-line basis over the estimated useful lives. The Group reviews at the end of the reporting period the useful life of an asset and its residual value, if any, based on the Group's experience with similar assets and taking into account anticipated technology changes. The depreciation expenses for future periods are adjusted if there are significant changes from previous estimation.

(b) Impairments

If circumstances indicate that the carrying value of an asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in profit or loss. The carrying amounts of assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, sales revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, sales revenue and amount of operating costs.

(c) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. These estimates are based on the current market conditions and the experience of selling products with similar nature. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net assets value. The Group reassesses these estimates at the end of the reporting period.

38 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on last due aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 33(b) respectively.

39 EVENT AFTER THE REPORTING PERIOD

Impact arising from Coronavirus Disease 2019 (the "COVID-19 outbreak")

Since early 2020, the epidemic of the COVID-19 outbreak has spread across China and other countries, and it has affected business and economic activities to some extent. The market's demand for the Group's products may be affected. Up to the date on which this set of financial statements were authorised for issue, the impacts of the COVID-19 outbreak on the market demand of the Group's products and the financial position of the Group's customers are still uncertain, the Group is unable to quantify the related financial effects. The Group will pay close attention to the development of the COVID-19 outbreak, perform further assessment of its impact and take relevant measures.

Disclosable and connected transaction in relation to acquisition of a company and continuing connected transaction in relation to the entry of the variable interest entity agreement ("VIE Agreement")

On 14 December 2020 (after trading hours), the Company and Mr. Tong Xin ("Mr. Tong"), an executive director of the Company, entered into a Sale and Purchase Agreement ("SPA"), pursuant to which the Company has conditionally agreed to acquire and Mr. Tong has conditionally agreed to sell the entire issued share capital of Good Productive Limited ("GPL") (the "Acquisition") for a consideration to be satisfied by way of allotment and issue of consideration shares to Mr. Tong (or its nominee) credited as fully paid (the "Previous Consideration").

On 5 March 2021, the Company and Mr. Tong entered into a Supplemental Agreement ("SA") to amend and supplement the SPA, pursuant to which, among other things, the consideration is changed from the Previous Consideration to HK$9.7million ("Amended Consideration"), which shall be satisfied in cash by the Company to Mr. Tong within 10 days upon Completion. Upon Completion, the Company will hold the entire issued share capital of GPL which indirectly holds the entire issued capital of Tianjin Jinshen International Trade Co., Ltd. * (天津金聖國際貿易有限責任公司) (the "WOFE") and through the VIE Agreement, has effective control over the financing and operations of Tianjin Honggao Technology Co., Ltd.* (天津洪高科技有限公司) (the "OPCO"), and enjoy the economic interest and benefits of the OPCO. According to the relevant Listing Rules, the acquisition of the entire issued share capital of GPL constituted a disclosable and connected transaction and the entry of the VIE Agreements constituted a continuing connected transaction.

40 APPROVAL OF THE CONSOLIDATION FINANCIAL STATEMENTS

The consolidation financial statements were approved and authorised for issue by the board of directors on 30 March 2020.

FIVE YEARS SUMMARY

	2020 RMB'000	2019 RMB'000	2018 RMB'000 (Re-presented)	2017 RMB'000	2016 RMB'000
Revenue	**270,070**	358,987	611,049	1,129,418	1,185,830
(Loss)/Profit from operations	**(545,594)**	(307,992)	(24,721)	63,937	215,486
Finance costs	**(34,250)**	(28,810)	(26,414)	(21,400)	(22,271)
(Loss)/Profit before taxation	**(579,844)**	(336,802)	(51,135)	42,537	193,215
Share loss of an associate	**–**	–	–	(2,000)	–
Income tax	**27,615**	33,059	6,996	(18,411)	(61,626)
(Loss)/Profit for the year	**(552,229)**	(303,743)	(44,139)	22,126	131,589
(Loss)/Earnings per share (RMB cents)					
From continuing and discontinued operations					
Basic and diluted	**(28.71)**	(16.16)	(2.31)	4.6	27.41
From continuing operation					
Basic and diluted	**(28.71)**	(15.79)	(2.35)	4.6	27.41
Assets and liabilities					
Non-current assets	**730,244**	1,092,465	1,368,494	1,363,605	854,775
Current assets	**475,603**	701,887	893,874	916,040	1,449,509
Current liabilities	**592,577**	588,465	687,923	739,907	846,889
Net current assets/(liabilities)	**(116,974)**	113,422	205,951	176,133	602,620
Total assets less current liabilities	**613,270**	1,205,887	1,574,445	1,539,738	1,457,395
Non-current liabilities	**69,896**	111,713	164,719	87,469	36,440
NET ASSETS	**543,374**	1,094,174	1,409,726	1,452,269	1,420,955
Capital and reserves					
Share Capital	**3,819**	3,819	3,819	3,819	3,819
Reserves	**539,555**	1,090,355	1,402,340	1,448,450	1,417,136
Equity attributable to equity holders of the Company	**543,374**	1,094,174	1,406,159	1,452,269	1,420,955
Non-controlling interest	**–**	–	3,567	–	–
Total equity	**543,374**	1,094,174	1,409,726	1,452,269	1,420,955