CHINA TING GROUP HOLDINGS LIMITED
華 鼎 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3398)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2019	2018	
	HK$ million	*HK$ million*	*Change*
Revenue			
OEM Business	**1,459.5**	1,784.0	(18.2)
Fashion Retail Business	**420.2**	479.6	(12.4)
Property Investment Business	**19.3**	11.2	72.3
	1,899.0	2,274.8	(16.5)
Operating (loss)/profit	**(29.7)**	49.0	N/A
(Loss)/profit attributable to the Company's equity holders	**(54.7)**	21.0	N/A
Equity attributable to the Company's equity holders	**2,514.5**	2,611.3	
Equity per share *(HK$)*	**1.20**	1.24	

The board (the "**Board**") of directors (the "**Directors**") of China Ting Group Holdings Limited (the "**Company**") wishes to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**1,899,011**	2,274,818
Cost of sales		**(1,524,650)**	(1,711,636)
Gross profit		**374,361**	563,182
Other income, net	*4*	**33,846**	21,476
Other gains, net	*5*	**62,886**	52,115
Net reversal of/(provision for) impairment loss of financial assets	*11*	**9,425**	(19,025)
Selling, marketing and distribution costs		**(228,630)**	(258,431)
Administrative expenses		**(281,598)**	(310,324)
Operating (loss)/profit		**(29,710)**	48,993
Finance income	*7*	**8,997**	7,342
Finance costs	*7*	**(15,241)**	(10,603)
Share of (losses)/profits of associates		**(585)**	146
Share of losses of joint ventures		**(573)**	(4,603)
(Loss)/profit before income tax		**(37,112)**	41,275
Income tax expense	*8*	**(18,547)**	(14,067)
(Loss)/profit for the year		**(55,659)**	27,208
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(41,893)**	(144,098)
Fair value gains on transfers of owner-occupied properties to investment properties, net of tax		**—**	207,638
Item that will not be reclassified subsequently to profit or loss:			
Fair value gain on financial assets at fair value through other comprehensive income		**301**	—
Other comprehensive (loss)/income, net of tax		**(41,592)**	63,540
Total comprehensive (loss)/income		**(97,251)**	90,748

	Note	2019 HK$'000	2018 HK$'000
(Loss)/profit attributable to:			
Equity holders of the Company		**(54,686)**	21,045
Non-controlling interests		**(973)**	6,163
		(55,659)	27,208
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(96,762)**	85,349
Non-controlling interests		**(489)**	5,399
		(97,251)	90,748
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
— basic	*9*	**(2.60)**	1.00
— diluted	*9*	**(2.60)**	1.00

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**480,208**	469,646
Right-of-use assets	*10*	**189,768**	—
Investment properties		**371,232**	363,711
Land use rights		—	76,384
Intangible assets		**14,574**	10,623
Interests in associates		**1,236**	1,846
Interests in joint ventures		—	14,690
Promissory note	*11*	**24,227**	—
Prepayments	*11*	—	15,526
Deferred income tax assets		**86,417**	78,463
		1,167,662	1,030,889
Current assets			
Inventories		**982,023**	995,661
Trade and other receivables	*11*	**647,615**	746,107
Financial assets at fair value through profit or loss ("FVPL")	*12*	**310,505**	304,269
Financial assets at fair value through other comprehensive income ("FVOCI")		**9,087**	—
Promissory note	*11*	**12,380**	38,124
Entrusted loans	*11*	**5,643**	166,022
Tax recoverable		**6,413**	9,939
Pledged bank deposits		**4,815**	50,957
Fixed deposits		**10,020**	20,553
Cash and bank balances		**455,596**	448,547
		2,444,097	2,780,179
Assets held for sale	*13*	**8,590**	8,674
		2,452,687	2,788,853
Total assets		**3,620,349**	3,819,742

	Note	2019 HK$'000	2018 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**209,982**	209,982
Reserves		**2,304,541**	2,401,303
		2,514,523	2,611,285
Non-controlling interests		**22,967**	28,724
Total equity		**2,537,490**	2,640,009
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**87,293**	83,136
Lease liabilities	*10*	**18,539**	—
		105,832	83,136
Current liabilities			
Trade and other payables	*14*	**513,056**	694,161
Contract liabilities	*3*	**22,791**	29,534
Lease liabilities	*10*	**10,885**	—
Bank borrowings		**424,855**	367,057
Current income tax liabilities		**5,440**	5,845
		977,027	1,096,597
Total liabilities		**1,082,859**	1,179,733
Total equity and liabilities		**3,620,349**	3,819,742

NOTES

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong). They have been prepared under the historical cost convention, as modified by the revaluation of FVPL, FVOCI and investment properties, which are carried at fair value and assets held for sale which are carried at fair value less cost to sell.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) New and amended standards and interpretations adopted by the Group

The following new and amended standards and interpretations have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

HK (IFRIC) 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Prepayment features with negative compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs standards 2015–2017 cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 1.2. Most of the other new and amended standards and interpretations listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards and interpretations not yet adopted

		Effective for annual periods beginning on or after
Amendments to HKFRS 3	Business combinations	1 January 2020
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest rate benchmark reform	1 January 2020
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor, associate or joint venture	To be determined

None of the above new standards and amendments is expected to have a significant effect on the consolidated financial statements of the Group.

1.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's consolidated financial statements.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was at 4.70%.

(i) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

(ii) Measurement of lease liabilities

	2019
	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**22,792**
Discounted at the date of initial application	**22,160**
Less:	
Exemption for short term and low value leases	**(10,219)**
Lease liabilities recognised as at 1 January 2019	**11,941**
Current lease liabilities	**7,801**
Non-current lease liabilities	**4,140**
	11,941

(iii) Measurement of right-of-use assets

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at 1 January 2019
	HK$'000
Leasehold land and land use rights	153,838
Properties	11,629
Office equipment	312
	165,779

(iv) Adjustments recognised in the consolidated balance sheet on 1 January 2019

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- property, plant and equipment— decreased by approximately HK$77,454,000
- land use rights — decreased by approximately HK$76,384,000
- right-of-use assets — increased by approximately HK$165,779,000
- lease liabilities — increased by approximately HK$11,941,000

The net impact on retained earnings on 1 January 2019 was nil.

(v) Lessor accounting

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

2 FINANCIAL RISK FACTORS

Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

— Trade receivables

— Other financial assets at amortised costs

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss is immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, except for those individually significant trade receivables or trade receivables at default which are tested individually.

Measurement of expected credit loss on individual basis

Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2019, the balances of such individually assessed trade receivables and the loss allowance in respect of these receivables are HK$29,719,000 (2018: HK$50,664,000) and HK$29,715,000 (2018: HK$23,271,000), respectively.

Measurement of expected credit loss on collective basis

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2019 or 2018, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables:

	Up to 30 days *HK$'000*	**31 to 60 days** *HK$'000*	**61 to 90 days** *HK$'000*	**91 to 120 days** *HK$'000*	**Over 120 days** *HK$'000*	**Total** *HK$'000*
At 31 December 2019						
Expected loss rate	2.5%	2.8%	5.2%	6.4%	47.8%	
Gross carrying amount	190,614	65,353	30,951	49,456	65,166	401,541
Loss allowance	4,831	1,858	1,618	3,157	31,124	42,589
At 31 December 2018						
Expected loss rate	1.9%	2.4%	5.1%	5.7%	50.9%	
Gross carrying amount	231,397	62,304	47,255	77,631	59,459	478,046
Loss allowance	4,315	1,473	2,402	4,404	30,272	42,866

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other financial assets at amortised cost

Other financial assets at amortised cost include promissory note, entrusted loans and other receivables (except for prepayments). Management assesses the credit quality of the counterparties, taking into account the historical risk of default and capacity to meet its contractual cash flow obligations in the near term.

An impairment loss has been provided for the Group's entrusted loans as at 31 December 2018, which was full reversed during the year ended 31 December 2019. See Note 11 for details.

As at 31 December 2019, other financial assets at amortised cost are considered to be of low credit risk primarily because historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term (2018: Same). No impairment losses are provided for such financial assets as at 31 December 2019 (2018: Same).

3 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors assess the performance of the operating segments based on profit before income tax, which is consistent with that in the financial statements. Other information, as noted below, is also provided to the executive directors. The executive directors consider the Group has four reportable segments: (1) manufacturing and sale of garments on an original equipment manufacturer basis ("**OEM**"); (2) manufacturing and retailing of branded fashion apparel ("**Retail**"); (3) property development in the PRC ("**Property development**"); and (4) property investment in the PRC ("**Property investment**").

Total segment assets exclude certain investment properties located in Hong Kong, corporate assets, listed equity securities at FVPL, FVOCI and entrusted loans, all of which are managed on a central basis. These are part of the reconciliation to total condensed consolidated balance sheet assets.

Turnover comprises sale of goods and rental income. Sales between segments are carried out based on terms agreed. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	OEM *HK$'000*	**Retail** *HK$'000*	**Property development** *HK$'000*	**Property investment** *HK$'000*	**Total** *HK$'000*
Year ended 31 December 2019					
Total revenue	**1,471,793**	**420,169**	—	**23,172**	**1,915,134**
Inter-segment revenue	**(12,222)**	—	—	**(3,901)**	**(16,123)**
Revenue (from external customers)	**1,459,571**	**420,169**	—	**19,271**	**1,899,011**
Timing of revenue recognition					
At a point in time	**1,459,571**	**420,169**	—	—	**1,879,740**
Over time	—	—	—	**19,271**	**19,271**
	1,459,571	**420,169**	—	**19,271**	**1,899,011**
Segment (loss)/profit before income tax	**(22,725)**	**(47,353)**	**21,361**	**11,686**	**(37,031)**
Fair value gains on investment properties	—	—	—	**11,803**	**11,803**
Fair value gain on FVPL	—	—	**21,361**	—	**21,361**
Depreciation of property, plant and equipment	**(66,572)**	**(21,528)**	—	—	**(88,100)**
Depreciation of right-of-use assets	**(9,205)**	**(9,784)**	—	—	**(18,989)**
Amortisation of intangible assets	**(4,103)**	**(775)**	—	—	**(4,878)**
Finance income	**8,796**	**201**	—	—	**8,997**
Finance costs	**(12,984)**	**(2,257)**	—	—	**(15,241)**
Share of losses of associates	**(585)**	—	—	—	**(585)**
Share of losses of joint ventures	—	**(573)**	—	—	**(573)**
Income tax (expense)/credit	**(20,912)**	**5,287**	—	**(2,922)**	**(18,547)**

	OEM *HK$'000*	Retail *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Year ended 31 December 2018				
Total revenue	1,799,594	479,604	14,842	2,294,040
Inter-segment revenue	(15,553)	—	(3,669)	(19,222)
Revenue (from external customers)	1,784,041	479,604	11,173	2,274,818
Timing of revenue recognition				
At a point in time	1,784,041	479,604	—	2,263,645
Over time	—	—	11,173	11,173
	1,784,041	479,604	11,173	2,274,818
Segment profit/(loss) before income tax	105,664	(58,688)	4,825	51,801
Fair value gains on investment properties	—	—	5,433	5,433
Depreciation of property, plant and equipment	(71,135)	(25,016)	—	(96,151)
Amortisation of land use rights	(1,514)	(32)	—	(1,546)
Amortisation of intangible assets	(4,256)	(2,442)	—	(6,698)
Impairment loss on goodwill	(4,930)	—	—	(4,930)
Finance income	7,129	213	—	7,342
Finance costs	(8,637)	(1,966)	—	(10,603)
Share of losses of joint ventures	—	(4,603)	—	(4,603)
Income tax (expense)/credit	(22,059)	9,198	(1,206)	(14,067)

	OEM HK$'000	Retail HK$'000	Property development HK$'000	Property investment HK$'000	Total HK$'000
As at 31 December 2019					
Total segment assets	**1,909,885**	**1,012,849**	**304,858**	**342,432**	**3,570,024**
Total segment assets include:					
Interests in associates	**1,236**	**—**	**—**	**—**	**1,236**
FVPL	**—**	**—**	**304,858**	**—**	**304,858**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**230,227**	**23,488**	**—**	**—**	**253,715**
Tax recoverable	**3,116**	**3,297**	**—**	**—**	**6,413**
Deferred income tax assets	**17,898**	**68,519**	**—**	**—**	**86,417**
As at 31 December 2018					
Total segment assets	1,977,042	992,556	288,876	336,711	3,595,185
Total segment assets include:					
Interests in associates	1,846	—	—	—	1,846
Interests in joint ventures	—	14,690	—	—	14,690
FVPL	—	—	288,876	—	288,876
Additions to non-current assets (other than financial instruments and deferred income tax assets)	52,039	18,778	—	—	70,817
Tax recoverable	8,555	1,384	—	—	9,939
Deferred income tax assets	15,676	62,787	—	—	78,463

A reconciliation of reportable segments' (loss)/profit before income tax to total (loss)/profit before income tax is provided as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Total segment (loss)/profit before income tax	**(37,031)**	51,801
Net fair value gains/(losses) of FVPL	**4,160**	(3,822)
Corporate overhead	**(6,621)**	(6,100)
Fair value gain/(loss) on investment properties	**1,800**	(1,300)
Rental income	**580**	696
(Loss)/profit before income tax per consolidated statement of comprehensive income	**(37,112)**	41,275

A reconciliation of reportable segments' assets to total assets is provided as follows:

	2019	2018
	HK$'000	*HK$'000*
Total segment assets	**3,570,024**	3,595,185
FVPL	**5,647**	15,393
FVOCI	**9,087**	—
Corporate assets	**1,148**	16,142
Investment properties	**28,800**	27,000
Entrusted loans	**5,643**	166,022
Total assets per consolidated balance sheet	**3,620,349**	3,819,742

The Company is domiciled in the Cayman Islands. The results of its revenue from external customers based on the destination where the products are delivered as follows:

	2019	2018
	HK$'000	*HK$'000*
The PRC	**942,921**	1,216,129
North America	**683,230**	820,163
European Union	**219,406**	196,928
Hong Kong	**36,021**	25,556
Other countries	**17,433**	16,042
	1,899,011	2,274,818

The total of non-current assets other than interests in associates, interests in joint ventures, promissory note and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the following geographical areas are as follows:

	2019	2018
	HK$'000	*HK$'000*
The PRC	**840,397**	774,616
Hong Kong	**197,765**	144,545
North America	**17,620**	2,613
	1,055,782	921,774

For the year ended 31 December 2019, revenues of approximately HK$235,839,000 (2018: HK$316,404,000) are derived from a single external customer (2018: Same). These revenues are attributable to the OEM reportable segment and accounted for greater than 10% of the Group's revenue. There are no other customers which individually accounted for more than 10% of the Group's total revenue (2018: Same).

The contract liabilities represent the advance payments received from counterparties for goods or services that have not yet been transferred or provided to the counterparties. As at 31 December 2019, the Group has recognised the following liabilities related to contracts with customers:

	2019	2018
	HK$'000	*HK$'000*
Current contract liabilities	**22,791**	29,534

The following table shows the amount of the revenue recognised during the year ended 31 December 2019 relates to contract liabilities carried forward:

	2019	2018
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**23,618**	23,718

The Group expects their performance obligations under the contracts with customers to be satisfied primarily over the period of one year.

4 OTHER INCOME, NET

	2019	2018
	HK$'000	*HK$'000*
Compensation received *(Note 11(iii))*	**14,106**	—
Government grants	**10,628**	2,846
Rental income	**5,393**	6,210
Investment income	**1,732**	2,556
(Reversal of over-stated)/commission income	**(168)**	4,953
Others	**2,155**	4,911
	33,846	21,476

5 OTHER GAINS, NET

	2019	2018
	HK$'000	*HK$'000*
Net exchange gains	**7,689**	31,637
Fair value gain/(loss) on FVPL — unrealised	**21,717**	(3,869)
Fair value gain on FVPL — realised	**3,804**	47
Fair value gains on investment properties	**13,603**	4,133
Gain on requisition and demolition of property, plant and equipment and land use rights *(Note)*	**8,915**	27,071
Gain/(loss) on disposal of property, plant and equipment	**5,481**	(3,959)
Reversal of provision for customer claims	**522**	1,985
Fair value gain on interest in a joint venture	**1,155**	—
Impairment loss on goodwill	**—**	(4,930)
	62,886	52,115

Note: During the year ended 31 December 2019, the Group's property, plant and equipment and land use rights located in Hangzhou, of a net book value of HK$15,533,000 (2018: HK$13,278,000), were made requisition of by local government to be demolished and/or relocated. Relevant compensation amounted to HK$24,448,000 (2018: HK$40,349,000) were granted by local government with this regard, resulting in a net gain of HK$8,915,000 (2018: HK$27,071,000). Such compensation has been fully received by the Group during the year ended 31 December 2019 (2018: Same).

6 OPERATING PROFIT

	2019	2018
	HK$'000	*HK$'000*
Amortisation of land use rights	**—**	1,546
Amortisation of intangible assets	**4,878**	2,442
Depreciation of property, plant and equipment	**88,100**	96,151
Depreciation of right-of-use assets *(Note 10)*	**18,989**	—
Employee benefit expenses	**431,198**	537,969
Provision for impairment for inventories	**39,263**	30,441

7 FINANCE INCOME AND COSTS

	2019	2018
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**5,601**	4,265
— promissory notes	**3,396**	3,077
	8,997	7,342
Finance costs		
— interest expense on bank borrowings	**(13,653)**	(10,149)
— interest expense on lease liabilities	**(857)**	—
— loss on modification of promissory note *(Note 11(ii))*	**(2,877)**	—
— other interest expense	**—**	(454)
	(17,387)	(10,603)
— amount capitalised *(Note)*	**2,146**	—
	(15,241)	(10,603)
Finance cost, net	**(6,244)**	(3,261)

Note: The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 3.54% (2018: Not applicable).

8 INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax *(Note (a))*	**4,296**	8,663
— PRC enterprise income tax *(Note (b))*	**9,904**	16,077
— Under/(over)-provision in prior years	**114**	(4,005)
Withholding tax	**8,348**	—
Deferred income tax	**(4,115)**	(6,668)
	18,547	14,067

Notes:

(a) Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profit up to HK$2,000,000 and 16.5% on any part of estimated assessable profit over HK$2,000,000 for the year ended 31 December 2019 (2018: Same).

(b) The PRC enterprise income tax is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations. The standard PRC enterprise income tax rate is 25% during the years ended 31 December 2019 and 2018.

During the years ended 31 December 2019 and 2018, a subsidiary of the Group, Hangzhou Fuxi Fashion Co. Ltd., is qualified for a preferential income tax rate of 15% under the tax breaks to small and micro business. The remaining PRC subsidiaries of the Group are subject to standard PRC enterprise income tax rate of 25%.

9 (LOSS)/EARNINGS PER SHARE

(a) The calculation of basic loss/earnings per share is based on the Group's loss/profit attributable to equity holders of the Company of approximately HK$54,686,000 (2018: HK$21,045,000) and weighted average number of ordinary shares in issue during the year of 2,099,818,000 (2018: 2,099,818,000).

(b) Diluted loss/earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

During the years ended 31 December 2019 and 2018, there were no dilutive potential ordinary shares deemed to be issued under the share option scheme as there are no outstanding options as at 31 December 2019 and 2018.

10 LEASES

(i) Amounts recognised in the consolidated balance sheet

	As at 31 December 2019 ***HK$'000***	As at 1 January 2019 *HK$'000*
Right-of-use assets		
Leasehold land and land use rights	**161,431**	153,838
Properties	**28,099**	11,629
Office equipment	**238**	312
	189,768	165,779
Lease liabilities		
— Current portion	**10,885**	7,801
— Non-current portion	**18,539**	4,140
	29,424	11,941

Additions to the right-of-use assets during the year ended 31 December 2019 were approximately HK$44,301,000.

As at 31 December 2019, leasehold land and land use rights with net book amount of approximately HK$98,818,000 were pledged as securities for the Group's bank borrowings.

(ii) Amounts recognised in the consolidated statements of comprehensive income

	2019	2018
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets		
Properties	**13,261**	—
Leasehold land and land use rights	**5,655**	—
Office equipment	**73**	—
	18,989	—
Interests on lease liabilities	**857**	—
Expenses relating to short-term leases	**10,704**	—

The total cash outflow for leases during the year ended 31 December 2019 was approximately HK$23,804,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various properties and office equipment. Rental contracts are typically made for fixed deposits of 1 to 3 years, but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants.

(iv) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(v) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

11 TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade and bill receivables *(Note (i))*	**431,260**	528,710
Less: Loss allowance *(Note 2)*	**(72,304)**	(66,137)
Trade and bill receivables, net	**358,956**	462,573
Amounts due from related parties	**42,008**	45,649
Promissory note *(Note (ii))*	**36,607**	38,124
Entrusted loans *(Note (iii))*	**5,643**	166,022
Prepayments	**143,213**	143,075
Deposits and other receivables	**103,438**	110,336
	689,865	965,779
Non-current portion		
— Promissory note *(Note (ii))*	**24,227**	—
— Prepayments for property, plant and equipment	**—**	15,526
Current portion	**665,638**	950,252
	689,865	965,778

The amounts due from related parties are unsecured, interest-free and repayable on demand.

(i) Trade and bill receivables

The ageing analysis of gross trade and bill receivables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Up to 30 days	**190,614**	239,711
31 to 60 days	**65,354**	71,560
61 to 90 days	**30,951**	58,526
91 to 120 days	**63,952**	94,501
Over 120 days	**80,389**	64,412
	431,260	528,710

For OEM garment sales, the Group's trade receivables from its customers are generally settled by way of letters of credit or telegraphic transfer with credit periods of not more than 90 days.

For sales of branded fashion apparel to franchisees, the Group normally requests payments in advance or deposits from such customers, with the remaining balances settled immediately upon delivery of goods. The Group also grants open account terms of 30 credit days to long-established customers with good repayment history.

Retail sales are settled in cash, by credit cards, through internet payment service providers or collected by department stores/online retailers on behalf of the Group. The agreed credit terms with credit card companies are usually within 14 days. Department stores and online retailers are normally required to settle the proceeds to the Group within 2 months from the date of sale.

Bill receivables are with average maturity dates of within 2 months.

The carrying amounts of trade and other receivables approximate their fair values.

As at 31 December 2019, the trade receivables from five customers accounted for 32% (2018: 28%) of the total trade receivables. The loss allowance increased by HK$6,691,000 (2018: HK$19,025,000) for trade receivables during the current year. Information about the Group's exposure to credit risk and the impairment of trade receivables can be found in Note 2.

Movements on the allowance for impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**66,137**	48,650
Charged to the consolidated profit or loss	**6,691**	19,025
Exchange differences	**(524)**	(1,538)
At 31 December	**72,304**	66,137

(ii) Promissory note

The promissory note represents a senior unsecured promissory note with principal amounted to US$10,000,000 (approximately HK$77,350,000) converted from trade receivables due from a major customer which will be payable in various instalments until July 2019. The promissory note is interest bearing at 5.25% per annum.

On 1 July 2019, an amendment was reached with this major customer pursuant to which the repayment schedule of the then outstanding principal of US$5,000,000 is changed from 24 July 2019 to as follows:

— principal amount of US$500,000 plus accrued interest to be due and payable on 24 January 2020;

— principal amount of US$1,000,000 plus accrued interest to be due and payable on 24 July 2020;

— principal amount of US$500,000 plus accrued interest to be due and payable on 24 July 2021; and

— remaining principal amount of US$3,000,000 plus accrued interest to be due and payable by three equal instalments on 24 January and 24 July 2022 and 24 January 2023, respectively.

Other terms and conditions remain unchanged under the amendment. Such an amendment resulted in a loss of approximately HK$2,877,000 in the consolidated profit or loss for the year ended 31 December 2019 and approximately HK$24,227,000 of the promissory note were classified as non-current assets as at 31 December 2019.

(iii) Entrusted loans

On 24 December 2012, the Group entered into three secured entrusted loans ("**Entrusted Loan A**") with total principals amounting to RMB30,000,000 (approximately HK$33,561,000) due from a company established in the PRC ("**Borrower A**") through a lending agent, a commercial bank in the PRC. Entrusted Loan A is interest-bearing at 18% per annum payable on a quarterly basis and the principal would be payable on or before 25 December 2014. An affiliate of Borrower A pledged to the lending agent certain number of properties located at Yuhang District in Hangzhou as collaterals.

Further on 5 February 2013, the Group entered into another eight secured entrusted loans ("**Entrusted Loan B**") with total principals amounting to RMB130,000,000 (approximately HK$145,430,000) due from a company established in the PRC, an affiliate of Borrower A ("**Borrower B**"), through a lending agent which is also a commercial bank in the PRC. Entrusted Loan B is interest-bearing at 18% per annum payable on a monthly basis and the principal would be payable on or before 5 February 2014. An affiliate of Borrower B pledged to the lending agent a parcel of land located at Lin'an City in Hangzhou as collateral.

Entrusted Loans A and B became default in 2014 and on 18 November 2014, Borrower A and B filed voluntary bankruptcy at the People's Court of Yuhang District (the "**Yuhang Court**") which then approved the appointment of the administrator and accepted the petition for bankruptcy proceedings.

Two rounds of open tenders were held by the administrator in November 2017 and March 2018, respectively, to identify potential restructuring investors, which were both terminated with no qualified investor identified.

As at 31 December 2018, the fair value of pledged collaterals held by the Group for entrusted loans was determined based on the valuation performed by an independent qualified valuer using market based valuation techniques. Based on the valuation results, Entrusted Loan A of approximately HK$16,169,000 was impaired as at 31 December 2018 while the fair value of the pledged collaterals for Entrusted Loan B is higher than its principal amounts and the directors are of the opinion that there is no impairment for Entrusted Loan B as at 31 December 2018.

In June 2019, a restructuring investor was successfully identified through open tender with the restructuring plan approved by the Yuhang Court in July 2019. Up to 31 December 2019, the Group has received the loan principals of Entrusted Loans A and B of RMB24,956,000 (approximately HK$28,324,000) and RMB130,000,000 (approximately HK$147,543,000), respectively, with compensation of interests for Entrusted Loan A of RMB12,430,000 (approximately HK$14,106,000). Such interests have been recorded as "Other income, net" (Note 4) in the Group's consolidated profit or loss for the year ended 31 December 2019. The carrying amount of the outstanding loan principals of Entrusted Loan A as at 31 December 2019 was of RMB5,044,000 (approximately HK$5,643,000), which was determined based on the amount provided in the court-approved restructuring documents and such outstanding loan balances have been fully received by the Group as of the date of this report.

Movements of the entrusted loans are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**166,022**	174,443
Reversal of impairment loss for Entrusted Loan A	**16,116**	—
Settlement received during the year	**(175,867)**	—
Exchange differences	**(628)**	(8,421)
At 31 December	**5,643**	166,022

12 FVPL

	2019	2018
	HK$'000	*HK$'000*
Listed equity securities *(Note (i))*	**5,647**	15,393
FVPL in Zhejiang Haoran *(Note (ii))*		
— Equity interests	**61,838**	41,511
— Shareholder's loans	**226,631**	230,683
— Advances	**16,389**	16,682
	304,858	288,876
	310,505	304,269

Movement of the Group's FVPL for the year ended 31 December 2019 is as follows:

	Listed equity securities	**FVPL in Zhejiang Haoran**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2019	**15,393**	**288,876**	**304,269**
Additions	**142**	**—**	**142**
Disposals	**(10,111)**	**—**	**(10,111)**
Fair value gain — unrealised *(Note 5)*	**356**	**21,361**	**21,717**
Exchange differences	**(133)**	**(5,379)**	**(5,512)**
At 31 December 2019	**5,647**	**304,858**	**310,505**

Movement of the Group's FVPL for the year ended 31 December 2018 is as follows:

	Listed equity securities *HK$'000*	FVPL in Zhejiang Haoran *HK$'000*	Total *HK$'000*
At 1 January 2018	19,967	—	19,967
Additions	136	—	136
Disposals	(12)	—	(12)
Reclassified from available-for-sale financial assets on adoption of HKFRS 9	—	286,002	286,002
Reclassified from other receivables on adoption of HKFRS 9	—	17,528	17,528
Fair value loss — unrealised *(Note 5)*	(3,869)	—	(3,869)
Exchange differences	(829)	(14,654)	(15,483)
At 31 December 2018	15,393	288,876	304,269

Notes:

(i) The fair value of all equity securities is based on their current bid prices in an active market.

(ii) FVPL in Zhejiang Haoran

Zhejiang Haoran is a company engaged in commercial property development in Hangzhou. The principal asset of Zhejiang Haoran is a commercial property project located in Hangzhou (the "**Property**").

As at 31 December 2019, FVPL in Zhejiang Haoran represented the Group's 29% equity interest in, shareholders' loans and advances granted to Zhejiang Haoran totalled RMB272,511,000 (approximately HK$304,858,000) (31 December 2018: RMB253,690,000 (approximately HK$288,876,000)).

Repayment of the shareholder's loans of RMB211,285,000 (approximately HK$236,363,000) has been in default since 2014. In March 2017 and August 2017, the Group issued two legal letters to Zhejiang Haoran to demand for repayment of a portion of the shareholder's loans of RMB172,700,000 (approximately HK$193,198,000) and part of the advances of RMB7,250,000 (approximately HK$8,111,000), respectively. In June and August 2018, the aforesaid legal claims were overruled by the Hangzhou Intermediate People's Court and the People's Court of Yuhang District (collectively the "Courts"), respectively. While the judgements from the Courts stated that the Group has the legal right to recover such shareholder loans and advances, it was ruled that the Group would not be able to exercise such right to demand for repayment until such time when Zhejiang Haoran winds up and has repaid all third party debts. Management disagreed with the Courts' judgments on the basis that there is no legal evidence indicating such shareholder's loans and advances are subordinated to other creditors and the Group's legal right to recover such loans shall be well before Zhejiang Haoran is wound up. In July and August 2018, the Group lodged appeals to the relevant courts in the PRC for the repayment claims regarding such shareholder's loans and advances, respectively, which were dismissed by the relevant courts in February 2019 and the original judgements made by the Courts were sustained.

On 12 August 2019, the Group applied for retrial of the judgment in relation to the shareholder's loans before the Supreme People's Court of the People's Republic of China (the "**Supreme People's Court**"). In October 2019, the Supreme People's Court organised mediation for the Group and Zhejiang Haoran in order to solve the disputes. Accordingly, the Group and Zhenjiang Haoran have submitted mediation proposals to the Supreme People's Court since October 2019. The mediation process is still ongoing as of the date of this report.

During the years ended 31 December 2018 and 2019, the Group took further legal actions against Zhejiang Haoran, including petitions to enforce its right as a shareholder of Zhejiang Haoran to access to its books and records and specific financial information which the relevant courts ruled favourable to the Group in August and December 2019, respectively. The Group is currently in the process of enforcing execution of accessing the Zhejiang Haoran's books and records, including the sales contracts of the Property. The Group planned to enforce execution of accessing to Zhejiang Haoran's specific financial information but such plan was postponed due to the coronavirus outbreak. Management plans to apply for enforce execution of such court orders in the near future.

The Group was unable to obtain sufficient financial information of Zhejiang Haoran as at and for the year ended 31 December 2019. As such, the fair value of FVPL in Zhejiang Haoran as at 31 December 2019 was estimated by management using the Adjusted NAV approach based on Zhejiang Haoran's financial information as at 31 December 2016. The fair value of the Property and construction costs incurred for the Property subsequent to 31 December 2016 have been adjusted to take into account certain more up to date financial information and other information made available in the process of court proceedings in late 2019. No interest expense has been accrued subsequent to 31 December 2016. A minority interest discount rate of 40% was applied in the valuation as at 31 December 2019.

As a result, a fair value gain of HK$21,361,000 was recorded in the Group's consolidated profit or loss for the year for the FVPL in Zhejiang Haoran.

Having obtained advice from the Group's legal counsel and considering the latest progress of the legal proceedings, the directors of the Company considered the Group has adequate merits and basis on the ongoing proceedings. Thus, the directors of the Company considered that the assumptions and basis applied in the fair value assessment of the FVPL in Zhejiang Haoran are appropriate and continued to represent their best estimates and believe such financial assets will be realised in the coming twelve months from 31 December 2019.

13 ASSETS HELD FOR SALE

As at 31 December 2019, property, plant and equipment and right-of-use assets of approximately HK$8,590,000 (2018: HK$8,674,000) have been presented as held for sale following the decision of the Group's management to sell such assets in the near term. Several rounds of open tender have been arranged with the assistance of local government to sell such assets since late 2018. Due to the changes of local property market and urban planning, the Group and the local government are still in the process of identifying appropriate potential buyers as the date of this report. Such assets held for sale are currently open to tender through public auction platforms.

14 TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade and bill payables	**316,615**	503,088
Accrued employee benefit expenses	**43,893**	48,474
Customer deposits	**29,982**	27,389
Value-added tax and other tax payables	**23,440**	16,864
Other payables and accruals	**97,867**	97,077
Amounts due to related parties	**1,259**	1,269
	513,056	694,161

The ageing analysis of trade and bill payables based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Up to 30 days	**228,231**	304,335
31 to 60 days	**41,071**	65,514
61 to 90 days	**12,155**	32,570
Over 90 days	**35,158**	100,669
	316,615	503,088

Bill payables are with average maturity dates of within 2 months.

The amounts due to related parties are unsecured, interest-free and repayable on demand.

15 SUBSEQUENT EVENT

Following the outbreak of Coronavirus Disease 2019 ("the COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holidays nationwide, postponement of work resumption after the Chinese New Year holidays in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing.

Certain retail stores and overseas OEM customers of the Group experienced difficulty in resuming their normal operations in the short term. Consequently, shipment schedules of certain goods have been postponed and the Group has been closely monitoring the status of the shipment. Certain cancellation of orders has taken place as of the date of this report. Based on the latest market situation, management expects the Group's business performance for the six months ending 30 June 2020 to be unfavorable.

In preparing the consolidated financial statements, the Group tested non-current assets including but not limited to intangible assets and property, plant and equipment for impairment and the recoverable amount of the relevant CGUs exceeds its carrying amount, thus no provision for impairment is made. In performing this assessment, the Group estimated the present value of future cash flows of the CGUs based on the conditions as at 31 December 2019. In the asset impairment tests to be performed in 2020, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs will be considered. As of the date of this report, the Group is still in the process of assessing the impacts of the COVID-19 on the performance of the relevant CGUs and is currently unable to estimate the quantitative impacts to the Group.

Following the COVID-19 outbreak, the Group also expects to experience longer trade receivable turnover time, which may lead to an increase in the expected credit loss on trade receivables. As of the date of this report, the impacts of the COVID-19 outbreak on the Group's customers' financial positions and the macro-economic conditions as a whole 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 where needed.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

The China-US trade tensions throughout 2019 and the slowdown of the global economy, together with the tightening external environment, have resulted in considerably greater negative impact on the Group because of its main focus on foreign trade. Meanwhile, domestic market orders in the PRC, which have been beneficial to the Group's performance in recent years, have taken on a "synchronous deceleration" trend with international orders due to the downward pressure on the domestic economy. Against the background of the slowdown in both international and domestic businesses, the Group's performance was undoubtedly affected, showing a trend of significant decline.

In 2019, the Group's OEM/ODM business recorded a decrease of 18.2% in total sales against the continued decline of World Economic Climate Index and continuous geo-economic tensions. In order to address this unfavorable situation, the Group started the construction of new production facilities. After a year of preparation, the Group's Jiangxi Base and Guizhou Base in China have been substantially completed and put into use, and the overseas production facilities in Vietnam have also been put into production. Domestic production bases except the one in Hangzhou can help us reduce costs and improve the profitability, and the overseas bases can help us to avoid the risks caused by geo-economic tensions and strengthen the customer relationships. The Group believes that the OEM/ODM business after the above adjustments will definitely turn loss to a stable growth.

With regards to the retail business, the Group continued to focus on the development of associate channels and the exploration implementation of new retail models in 2019, expanded online and offline market presence simultaneously, and achieved substantial growth in the e-commerce business. At the same time, the Group continued to introduce new trendy brands and successfully launched the Sprayground brand in the second half of 2019, which quickly gained market recognition by virtue of its unique trendy features. With retail business being one of the Group's core businesses in the future, the Group will continue to improve its operating capabilities, product development and design capabilities, production support capabilities and logistics service capabilities.

With regards to the weaving business, especially the woolen textile business, the Group went through the radical changes in market demand and the impact of climatic conditions such as warm winter in 2019, imposing a heavy burden in terms of inventory. In response, the Group made internal adjustments to its product mix and the research and development of new products to adapt to the drastic changes in the market. With regards to the printing and dyeing segment, the Group fully completed site relocation in 2019, fully restored production capacity and operated in good condition.

(2) Financial Review

Review of operations

During the year ended 31 December 2019, the Group's revenue amounted to HK$1,899.0 million, representing a decrease of 16.5% when compared with the total revenue of the Group of HK$2,274.8 million in 2018. The gross profit for the year ended 31 December 2019 was HK$374.4 million, representing a decrease of 33.5% as compared with HK$563.2 million in 2018. As a result, the net loss attributable to equity holders of the Company for the year ended 31 December 2019 was HK$54.7 million and the net asset value per share as at 31 December 2019 was HK$1.2.

OEM and ODM business

During the year ended 31 December 2019, the revenue derived from our OEM/ODM business recorded a decrease of 18.2% from HK$1,784.0 million in 2018 to HK$1,459.5 million in 2019. Products made from silk, cotton and synthetic fabrics continue to be the major products which contributed HK$1,234.2 million (2018: HK$1,402.3 million), representing 84.5% (2018: 78.6%) of the total turnover of our OEM/ODM business for the year ended 31 December 2019.

In respect of market concentration, sales to the market in the United States of America ("**US**") amounted to HK$683.2 million in 2019 (2018: HK$820.2 million), which accounted for 46.8% (2018: 46.0%) of the OEM/ODM revenue. Sales to European Union and other markets in 2019 were HK$219.4 million (2018: HK$196.9 million) and HK$557.6 million (2018: HK$767.0 million), respectively.

Fashion retail business

During the year ended 31 December 2019, the retail sales of the Group amounted to HK$420.2 million, representing a decrease of 12.4% when compared with the revenue of HK$479.6 million in 2018. Finity, the major brand of the Group, contributed HK$220.4 million to the retail business, representing an increase of 10.0% as compared with HK$200.4 million for the year 2018.

In terms of retail revenue analysis by sales channels, sales from concessionary counters amounted to HK$175.2 million (2018: HK$232.7 million), accounting for 41.8% of total retail turnover for the year ended 31 December 2019. Sales from e-commerce, freestanding stores and franchisees for the year ended 31 December 2019 amounted to HK$152.9 million (2018: HK$119.8 million), HK$15.6 million (2018: HK$35.5 million) and HK$75.8 million (2018: HK$91.7 million), respectively.

Property Investment Business

In 2019, the Group has changed part of the industrial complex to the China Ting International Fashion Base ("華鼎國際時尚產業基地") in order to facilitate the regional development, fashion expert localisation and e-commerce development for the fashion industry. All these provide significant contribution to the fashion industry in Yu Hang District, Hangzhou, while allowing the Group to develop diversified business models and enhance revenue.

During the year ended 31 December 2019, the revenue from our property investment business amounted to HK$19.3 million (2018: HK$11.2 million).

Liquidity and financial resources

The Group continues to retain a solid financial position. During the year, the Group's working capital needs were principally supported by the financial resources generated from its ordinary course of business. As of 31 December 2019, the cash and cash equivalents were HK$455.6 million, representing an increase of 1.6% from HK$448.5 million as of 31 December 2018. The Group had bank borrowings of HK$424.9 million as of 31 December 2019 (2018: HK$367.1 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 16.7% (2018: 13.9%). The Directors consider that the Group has adequate financial resources to support its working capital requirement and future expansion.

Entrusted loans to Zhongdou Group and Zhongdou Shopping Centre

The Company announced the updated status of the NBC Entrusted Loans and the BOCOM Entrusted Loans in its announcements dated 10 February 2015, 10 December, 3 November, 19 August, 23 June 2014 and 5 February 2013 (the "**Entrusted Loans Announcements**"). The total amount of these two entrusted loans is RMB160.0 million (equivalent to HK$191.4 million). The borrowers of these two entrusted loans have failed to make repayments, and the borrowers and the related companies, namely 中都控股集團有限公司 (Zhongdou Group Holdings Limited*), 浙江中都房地產集團有限公司 (Zhejiang Zhongdou Property Group Company Limited*), 浙江中都百貨有限公司 (Zhejiang Zhongdou Department Store Company Limited*), 杭州中都購物中心有限公司 (Hangzhou Zhongdou Shopping Centre Company Limited*) have filed voluntary bankruptcy at the People's Court of Yuhang District, Hangzhou City. A creditor served a petition for bankruptcy proceedings against 浙江臨安中都置業有限公司 (Zhejiang Linan Zhongdou Property Company Limited*) which has pledged a parcel of land to secure due performance of obligations under the NBC Entrusted Loan, at the People's Court of Yuhang District, Hangzhou City.

In respect of such proceedings, the People's Court of Yuhang District, Hangzhou City, approved the appointment of the administrator and accepted the petition for bankruptcy proceedings. The first creditors' meetings were held on 19, 20 March and 2 April 2015.

Pursuant to the order, each of the Bank of Communications Limited, Zhejiang Branch and Ningbo Bank Corporation lodged a proof of debt to the administrator in respect of the claims under the BOCOM Entrusted Loans and NCB Entrusted Loans in the amount of RMB33.6 million (equivalent to HK$40.2 million) and RMB141.8 million (equivalent to HK$169.7 million) on 9 February 2015 and 16 February 2015, respectively.

Two rounds of open tender were held by the administrator in November 2018 and March 2019, respectively, to identify potential restructuring investors, which were both terminated with no qualified investor identified.

In June 2019, a restructuring investor was successfully identified through open tender with the restructuring plan approved by the Yuhang Court in July 2019. Up to 31 December 2019, the Group has received the loan principals of Entrusted Loans A and B of RMB24,956,000 (approximately HK$28,324,000) and RMB130,000,000 (approximately HK$147,543,000), respectively, with compensation of interests for Entrusted Loan A of RMB12,430,000 (approximately HK$14,106,000). Such interests have been recorded as "Other income, net" (Note 4) in the Group's consolidated profit or loss for the year ended 31 December 2019. The carrying amount of the outstanding loan principals of Entrusted Loan A as at 31 December 2019 was of RMB5,044,000 (approximately HK$5,643,000), which was determined based on the amount provided in the court-approved restructuring documents and such outstanding loan balances have been fully received by the Group as of the date of this report.

(3) Outlook

In consideration of the complexity and persistence of China-US trade tensions, and the indisputable fact that the labour costs of the Group's production base in Hangzhou, China are much higher than other parts in the PRC, and in order to reduce costs and lower the risks caused by geopolitical tensions, the Group adjusted the production capacity allocation by opening up production bases in Hangzhou, Jiangxi, Guizhou and Vietnam, with a monthly production capacity of more than 2 million pieces and will continue to grow. Diversified production bases have ensured the continuous expansion and comparative competitive advantages of the Group's OEM/ODM business.

Hangzhou Base will also face large-scale upgrading and renovation in 2020 due to the construction of urban roads. After completion of renovation, Hangzhou Base will greatly increase the concentration of production capacity, the uniformity of management, the utilisation rate of intelligent equipment, and the level of information-based management, marking the most thorough production capacity renovation and upgrade since the park was completed and put into operation in 2002, which is bound to inject new vitality into China Ting's Hangzhou Base and make it the most modern and intelligent production base of the Group.

With the Group successfully selected as a licensed manufacturer of garments and accessories for the 2022 Hangzhou Asian Games at the end of 2019, the Group will also try to expand its business into the field of team costume customization. According to incomplete statistics, the scale of China's customised costume market had exceeded RMB150 billion in 2018. China Ting will take the Asian Games as an opportunity to try new business fields and business models to explore new paths for the performance growth of the Group.

With the branded retail business as the development focus, the Group will further expand the presence in brand retail market, focus on the development of new retail business, effectively control inventory, and take advantage of big data to promote the development of the Group's brand retail business, while taking more active measures to introduce premium international brands. At the same time, the Group and Zhejiang University of Science and Technology will also jointly invest in the establishment of an enterprise-level fashion research institute in 2020, dedicated to the incubation of new designer brands, forward-looking research on fashion trends, and scientific research projects for fashion technologies and new fabrics, to promote the all-round development of the Group's brand retail business.

With regards to the weaving business and printing and dyeing business, the Group will continuously increase the efforts on the research and development of new products to meet the changing needs in the market, while further improving the risk management and control over the inventories of raw materials and grey fabrics to ensure the healthy existence and development of the Company.

China Ting Fashion Industrial Park will be expanded by new industrial plants and supporting apartments of approximately 75,000 square meters in June 2020. By then, China Ting Fashion Industrial Park will have an area of nearly 200,000 square meters. Great building conditions, mature park facilities and the geographical location as the core block in the development zone have made China Ting Fashion Industrial Park the most competitive industrial lease space in the block. Meanwhile, the Group will actively cooperate with governmental authorities on investment invitation to realize the property value of the industrial park as soon as possible.

Hangzhou has provided the Group with good foundation for the operations of its industrial park. Despite the economic pressure from various neighboring industrial parks, the Group's industrial park still managed to deliver outstanding performance because of its location and infrastructure. With the advancement of urbanization, the Group's industrial park will enjoy a more prominent advantage in terms of transport location, thus providing more favorable conditions for the Group to further the operations of our industrial park in greater depth.

(4) Human Resources

As of 31 December 2019, the Group had approximately 5,200 full-time employees. Staff costs for 2019 stand at HK$431.2 million, remaining stable when compare with previous year.

The Group recognises the importance of good relationships with its employees and has adopted an incentive bonus scheme for them, under which bonuses are determined every year based on the performance of individual employees and with reference to the Group's annual profits and performance. Our Directors believe that a competitive remuneration package, a safe and comfortable workplace, and career development opportunities are incentives for employees to excel in their areas of responsibilities.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the Chinese government authorities for the Group's employees in China. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements set forth under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are duly implemented. There is no mandatory retirement schemes under the applicable laws and regulations in the US. The Group has not implemented retirement schemes for the Group's employees in the US.

QUALIFIED AUDIT OPINION IN RELATION TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS WITH RESPECT OF ZHEJIANG HAORAN PROPERTY COMPANY LIMITED ("ZHEJIANG HAORAN")

Background information

Since 2009, Zhejiang China Ting Group Company Limited ("**Zhejiang China Ting Group**"), a subsidiary of the Company, has acquired 100.0% equity interest in Zhejiang Huize Investment Company Limited (currently known as Hangzhou China Ting Industrial Investment Limited) ("**Hangzhou China Ting**") (which holds 29% of the equity interest in Zhejiang Haoran) and shareholder's loan of RMB172.7 million and accrued interest and tax payment of RMB29.88 million for cash consideration of RMB60.0 million. The original purpose of such investment was to participate in the development of an office building in Hangzhou, the People's Republic of China (the "**PRC**") to which the Group planned to relocate its headquarters. However, there are disagreements between the Group and the other shareholders of Zhejiang Haoran as to the financing to the project, the repayment of the shareholder's loans and allocation of certain units in the office building development project as and when it is completed. As of 31 December 2019, the book value of the Group's equity investment in Zhejiang Haoran and the amount of the advances and shareholder's loans, which are treated as financial assets at fair value through profit or loss ("**FVPL**"), were HK$304.9 million.

Repayment of the shareholder's loans of RMB211,285,000 (approximately HK$236,363,000) has been in default since 2014. In March 2017 and August 2017, the Group issued two legal letters to Zhejiang Haoran to demand for repayment of a portion of the shareholder's loans of RMB172,700,000 (approximately HK$193,198,000) and part of the advances of RMB7,250,000 (approximately HK$8,111,000), respectively. In June and August 2018, the aforesaid legal claims were overruled by the Hangzhou Intermediate People's Court and the People's Court of Yuhang District (collectively the "**Courts**"), respectively. While the judgements from the Courts stated that the Group has the legal right to recover such shareholder loans and advances, it was ruled that the Group would not be able to exercise such right to demand for repayment until such time when Zhejiang Haoran winds up and has repaid all third party debts. Management disagreed with the Courts' judgments on the basis that there is no legal evidence indicating such shareholder's loans and advances are subordinated to other creditors and the Group's legal right to recover such loans shall be well before Zhejiang Haoran is wound up. In July and August 2018, the Group lodged appeals to the relevant courts in the PRC for the repayment claims regarding such shareholder's loans and advances, respectively, which were dismissed by the relevant courts in February 2019 and the original judgements made by the Courts were sustained.

On 12 August 2019, the Group applied for retrial of the judgment in relation to the shareholder's loans before the Supreme People's Court of the People's Republic of China (the "**Supreme People's Court**"). In October 2019, the Supreme People's Court organised mediation for the Group and Zhejiang Haoran in order to solve the disputes. Accordingly, the Group and Zhenjiang Haoran have submitted mediation proposals to the Supreme People's Court since October 2019. The mediation process is still ongoing as of the date of this report.

During the years ended 31 December 2018 and 2019, the Group took further legal actions against Zhejiang Haoran, including petitions to enforce its right as a shareholder of Zhejiang Haoran to access to its books and records and specific financial information which the relevant courts ruled favourable to the Group in August and December 2019, respectively. The Group is currently in the process of enforcing execution of accessing the Zhejiang Haoran's books and records, including the sales contracts of the property project of Zhejiang Haoran. The Group planned to enforce execution of accessing to Zhejiang Haoran's specific financial information but such plan was postponed due to the coronavirus outbreak. Management plans to apply for enforce execution of such court orders in the near future.

The Group was unable to obtain sufficient financial information of Zhejiang Haoran as at and for the year ended 31 December 2019. As such, the fair value of FVPL in Zhejiang Haoran as at 31 December 2019 was estimated by management using the Adjusted NAV approach based on Zhejiang Haoran's financial information as at 31 December 2016. The fair value of the property project and construction costs incurred for such property project subsequent to 31 December 2016 have been adjusted to take into account certain more up to date financial information and other information made available in the process of court proceedings in late 2019. No interest expense has been accrued subsequent to 31 December 2016. A minority interest discount rate of 40% was applied in the valuation as at 31 December 2019.

As a result, a fair value gain of HK$21,361,000 was recorded in the Group's consolidated profit or loss for the year for the FVPL in Zhejiang Haoran.

Having obtained advice from the Group's legal counsel and considering the latest progress of the legal proceedings, the directors of the Company considered the Group has adequate merits and basis on the ongoing proceedings. Thus, the directors of the Company considered that the assumptions and basis applied in the fair value assessment of the FVPL in Zhejiang Haoran are appropriate and continued to represent their best estimates and believe such financial assets will be realised in the coming twelve months from 31 December 2019.

As at the date of this report, the outcomes of legal proceedings between Zhejiang Haoran and the Group are uncertain. The auditor of the Company was unable to obtain sufficient appropriate audit evidences they considered necessary to assess management's valuation and classification of the FVPL in Zhejiang Haoran as at 31 December 2019, including a written opinion from the Group's legal counsel in relation to the likelihood of different outcomes of the legal proceedings, the latest financial information of Zhejiang Haoran, a valuation report from an independent valuer on the relevant property owned by Zhejiang Haoran, and access to the management of Zhejiang Haoran to assess the appropriateness and accuracy of the financial information, assumptions and basis adopted by Group's management in their assessment of the fair value and classification of FVPL in Zhejiang Haoran. There were no other satisfactory audit procedures that the auditor of the Company could perform to determine whether any adjustments to the carrying value of the FVPL in Zhejiang Haoran and the related exchange reserve balances as at 31 December 2018 and 2019 and to the fair value gain and exchange loss in relation to the FVPL in Zhejiang Haoran for the year ended 31 December 2019 were necessary, and whether the classification of FVPL in Zhejiang Haoran as current assets was appropriate.

As a result, the auditor of the Company issued a qualified opinion on the carrying value of the FVPL in Zhejiang Haoran and the related exchange reserve balances as at 31 December 2018 and 2019, the fair value gain and exchange loss in relation to the FVPL in Zhejiang Haoran for the year ended 31 December 2019, and the classification of FVPL in Zhejiang Haoran as current assets, in the auditor's report for the consolidated financial statements for the year ended 31 December 2019. Similar qualified audit opinion was contained in the auditor's report for the consolidated financial statements for the years ended 31 December 2017 and 2018.

The views of the audit committee (the "Audit Committee") of the Board on the qualified audit opinion

At the meeting of the Audit Committee held on 24 March 2020, the independent non-executive Directors, being members of the Audit Committee, reviewed the bases of determining the fair value of the Group's equity investment in Zhejiang Haoran and discussed with the management of the Group and the auditor of the Company any alternative that may be adopted in determining such fair value. The Audit Committee agreed on the fair value estimation approach and the determination of the fair value as it represented the best estimates available to the Group. The Audit Committee also agreed that the auditor of the Company was not able to verify certain parameters/assumptions/information adopted in the valuation and thus the issuance of a qualified audit opinion is understandable.

The Audit Committee also requested the management of the Group to take all necessary actions to the effect that no such qualified audit opinion will need to be made in the forthcoming audited financial statements.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group exercised careful control over capital expenditure. The Group incurred capital expenditures of HK$200.6 million for the year ended 31 December 2019 which was primarily used in the expansion of the China Ting International Fashion Base and the leasehold improvement of the Group's retail outlets and factories. Capital commitments contracted for but not incurred by the Group as at 31 December 2019 amounted to HK$101.6 million, which were mainly related to the construction of the China Ting International Fashion Base and the purchase of new office premises.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

There was no significant investment, material acquisition and disposal of subsidiaries during the year ended 31 December 2019.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

The Company uses Hong Kong dollars ("**HK$**") as its functional currency and the Group's presentation currency. Since HK$ was pegged against United Sates dollars ("**USD**"), the Directors consider the Group's foreign currency exchange exposure arising from USD transactions to be minimal during the period.

The sales and purchase of raw materials of the Group are mainly denominated in USD and Renminbi ("**RMB**"). During the period, approximately 50.3% and 49.7% of revenue were denominated in USD and RMB respectively, and approximately 4.10% and 95.90% of purchase of raw materials were denominated in USD and RMB respectively.

As at 31 December 2019, approximately 19.7%, 79.5% and 0.7% of cash and bank balances were denominated in USD, RMB and HK$, respectively, and approximately 27.2%, 53.2% and 19.6% of bank borrowings were denominated in USD, HK$ and RMB, respectively.

Regarding the trade disputes between China and the United States, it is expected that on-going currency fluctuation of RMB against USD is unavoidable. To minimise the impact, we will monitor the foreign currency risk closely to ensure the net exposure is at an acceptable level. The Directors may consider using financial instruments to reduce the currency risk exposure when necessary.

SUBSEQUENT EVENT AFTER BALANCE SHEET DATE

Following the outbreak of Coronavirus Disease 2019 ("the COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the PRC, including extension of the Chinese New Year holidays nationwide, postponement of work resumption after the Chinese New Year holidays in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements, quarantine of certain residents, heightening of hygiene and epidemic prevention requirements in factories and offices and encouraged social distancing.

Certain retail stores and overseas OEM customers of the Group experienced difficulty in resuming their normal operations in the short term. Consequently, shipment schedules of certain goods have been postponed and the Group has been closely monitoring the status of the shipment. Certain cancellation of orders has taken place as of the date of this report. Based on the latest market situation, management expects the Group's business performance for the six months ending 30 June 2020 to be unfavorable.

In preparing the consolidated financial statements, the Group tested non-current assets including but not limited to intangible assets and property, plant and equipment for impairment and the recoverable amount of the relevant CGUs exceeds its carrying amount, thus no provision for impairment is made. In performing this assessment, the Group estimated the present value of future cash flows of the CGUs based on the conditions as at 31 December 2019. In the asset impairment tests to be performed in 2020, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs will be considered. As of the date of this report, the Group is still in the process of assessing the impacts of the COVID-19 on the performance of the relevant CGUs and is currently unable to estimate the quantitative impacts to the Group.

Following the COVID-19 outbreak, the Group also expects a longer period of time to collect the trade receivables, which may lead to an increase in the expected credit loss on trade receivables. As of the date of this report, the impacts of the COVID-19 outbreak on the Group's customers' financial positions and the macro-economic conditions as a whole remain uncertain, the Group is at the present stage not able to determine 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 where needed.

CORPORATE GOVERNANCE

The Board is committed to enhancing the corporate governance of the Group in internal control and compliance; adhere to business code of ethics and advocate environmental awareness. The Group periodically reviews, updates and improve all such necessary measures with reference to the latest corporate governance developments in order to promote good corporate governance.

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") for the year ended 31 December 2019.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set forth in the Model Code for the year ended 31 December 2019.

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive Directors are independent.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, the Board has established an audit committee (the "**Audit Committee**") to review the financial reporting procedures and risk management and internal control matters with management and our Group's auditors and provide guidance thereto. The members of the Audit Committee comprise all the three independent non-executive Directors namely, Mr. CHENG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit. Mr. WONG Chi Keung is the chairman of the Audit Committee. The Audit Committee has considered and reviewed the annual results of the Group for the financial year ended 31 December 2019 and the accounting principles and practices adopted by the Group and discussed matters in relation to risk management and internal control and financial reporting with the management and the independent auditor.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's external auditor, PricewaterhouseCoopers Hong Kong ("**PwC**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC on this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares during the year ended 31 December 2019.

ANNUAL REPORT AND DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2019 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company (the "**Shareholders**") and available on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in June 2019. A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2019.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all Shareholders, customers, suppliers, banks, professional parties, business partners, management team and employees of the Company for their continuous support and contribution to the Group.

GENERAL INFORMATION

As of the date of this announcement, the Board comprises the following Directors:

Executive Directors

Mr. TING Man Yi *(Chairman)*
Mr. TING Hung Yi *(Chief Executive Officer)*
Mr. DING Jianer
Mr. CHEUNG Ting Yin, Peter

Independent non-executive Directors

Mr. CHENG Chi Pang
Mr. WONG Chi Keung
Mr. LEUNG Man Kit

By Order of the Board
CHINA TING GROUP HOLDINGS LIMITED
CHENG Ho Lung, Raymond
Company Secretary

Hong Kong, 25 March 2020

* *for identification purpose only*