CHINA CREATIVE GLOBAL HOLDINGS LIMITED

中 創 環 球 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1678)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS OF THE ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

- Revenue decreased by 24.5% from RMB152.5 million for the year ended 31 December 2018 to RMB115.2 million for the year ended 31 December 2019.

- Gross profit increased by 79.7% from RMB17.7 million for the year ended 31 December 2018 to RMB31.8 million for the year ended 31 December 2019, while gross profit margin increased from 11.6% to 27.6%.

- Loss for the year attributable to owners of the Company increased by 1,048.7% from RMB145.9 million for the year ended 31 December 2018 to RMB1,676.0 million for the year ended 31 December 2019.

- Basic loss per share increased from RMB7 cents per share for the year ended 31 December 2018 to RMB77 cents for the year ended 31 December 2019.

- The Board does not recommend the payment of a final dividend in respect of the year ended 31 December 2019 (2018: Nil).

The Board of the Directors (the "Board") of China Creative Global Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively, the "Group" or "China Creative Global") for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 *RMB'000*
Revenue	3	**115,223**	152,501
Cost of sales		**(83,393)**	(134,782)
Gross profit		**31,830**	17,719
Other income	6	**10,207**	12,227
Other gains or (losses) – net	7	**293**	(22,342)
Selling and distribution expenses		**(222,534)**	(17,160)
Administrative and other operating expenses		**(134,631)**	(67,362)
Impairment losses on property, plant and equipment		**—**	(10,831)
Impairment losses on prepayments		**—**	(22,360)
Impairment losses on goodwill and intangible asset		**(5,286)**	(15,650)
Fair value gain on investment property		**—**	300
(Loss allowance) reversal of loss allowance for trade receivables		**(1,980)**	582
Loss from operations		**(322,101)**	(124,877)
Finance costs	8	**(23,947)**	(20,224)
Net loss arising on deconsolidation of subsidiaries	16	**(1,329,144)**	—
Loss before tax		**(1,675,192)**	(145,101)
Income tax expense	9	**(792)**	(792)
Loss and total comprehensive expense for the year	5	**(1,675,984)**	(145,893)
Loss per share	10		
Basic (RMB)		**(0.77)**	(0.07)
Diluted (RMB)		**(0.77)**	(0.07)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Non-current assets			
Property, plant and equipment		**—**	495,010
Investment property		**—**	70,300
Land use rights		**—**	174,990
Right-of-use assets		**—**	—
Goodwill and intangible asset		**—**	6,154
Deposits, prepayments and other receivables		**—**	32,104
		—	778,558
Current assets			
Land use rights		**—**	3,981
Inventories	12	**—**	7,367
Trade receivables	13	**—**	55,894
Deposits, prepayments and other receivables		**624**	432,364
Bank and cash balances		**58**	889,760
		682	1,389,366
Current liabilities			
Trade and other payables	14	**10,358**	30,528
Borrowings	15	**139,443**	159,724
Current tax liabilities		**3,671**	5,794
		153,472	196,046
Net current (liabilities) assets		**(152,790)**	1,193,320
Total assets less current liabilities		**(152,790)**	1,971,878

	Note	**2019**	2018
		RMB'000	*RMB'000*
Non-current liabilities			
Borrowings	15	**—**	8,890
Deferred tax liabilities		**—**	6,133
		—	15,023
NET (LIABILITIES) ASSETS		**(152,790)**	1,956,855
Capital and reserve			
Share capital		**171**	171
Reserves		**(152,961)**	1,956,684
TOTAL (DEFICIT) EQUITY		**(152,790)**	1,956,855

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS OF PREPARATION FOR THE CONSOLIDATED FINANCIAL STATEMENTS

GOING CONCERN BASIS

The Group incurred a net loss of approximately RMB1,675,984,000 and a net operating cash outflow of approximately RMB282,022,000 during the year ended 31 December 2019. As at 31 December 2019, the Group's deficit attributable to shareholders of the Company amounted to approximately RMB152,790,000 and the total indebtedness was (comprising bond payables in Hong Kong) amounted to approximately RMB139,443,000, while the Group's cash and cash equivalents was only approximately RMB58,000.

In respect of the bond payables in Hong Kong, during the year ended 31 December 2019 and up tp the date of this report. The Company failed to repay the principals and related interests of the bonds in accordance with the repayment schedule of the bond contracts, thereby triggered the default redemption clause of the bond contracts. As a result, all the outstanding bond borrowings amounting to RMB139,443,000 as at 31 December 2019 became immediately repayable if requested by the bond holder creditors as at the date of this report. Therefore, all of the bonds were classified as current liabilities as at 31 December 2019. In addition, the Company received several writs of summons and a statutory demand from the bond holder creditors in relation to the overdue payments of the bonds' principals and related interests. Further details are set out in note 15 to this announcement.

These conditions indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. A number of measures have been taken to mitigate the liquidity pressure and to improve the financial position, to finance its operation and to restructure its debts. These include the followings:

(i) On 31 October 2021, the Company announced a proposed subscription of new shares of the Company ("Shares Subscription"). The Shares Subscription is subject to fulfillment of the conditions under the subscription agreement entered between the Company and the subscribers dated 28 October 2021 (Please refer to the Company's announcement dated 31 October 2021 for details of the subscription agreement).

(ii) Active negotiations with the bond holders to obtain an extension for repayment of the bonds and not to demand for repayment even if any event of default or potential event of default might occur.

(iii) Active negotiations with potential investors to obtain financial support to the Group for its operation on a going concern basis and to undertake all the liabilities that may arise.

(iv) The Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

The Directors are of the opinion that, taking into account of the successful implementation of measures of the Group as described above, the uncertainty will not have significant impact to the Group and the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

Should the Group fail to achieve the abovementioned plans and measures, it might not be able to continue to operate as a going concern, adjustments would have to be made to write down the carrying amounts of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of the adjustments have not been reflected in the consolidated financial statements.

BASIS OF DECONSOLIDATION

On 7 May 2021, the Company announced that, based on public available records, the Company noted that the Group's certain subsidiaries, including Allen China Co., Ltd. (亞倫(中國)有限公司), Allen Electronics Co., Ltd. Fujian (福建亞倫電子電器科技有限公司), Quanzhou Allen Light Industry Co., Ltd. (泉州亞倫輕工有限公司) and Allen Electronics Co., Ltd. Anhui (安徽亞倫電子科技有限公司) (collectively the ("Deconsolidated Subsidiaries") located in the PRC were disposed of on 20 November 2020, without any prior approval of or notice to the Company's board of directors and, being the transfer of the Group's substantial assets, without approval by the Company's shareholders. Therefore, the Company was unable to obtain the complete books and records and relevant accounting and supporting documents (the "Books and Records") from the Deconsolidated Subsidiaries located in the PRC. All books and records and operations of the Deconsolidated Subsidiaries were at all material time maintained and controlled by the senior management personnel of the Deconsolidated Subsidiaries.

The Company has engaged a legal adviser in Hong Kong to perform a due diligence investigation so as to obtain more information about the above situation and the present situations in relation to the Deconsolidated Subsidiaries and to provide necessary assistance in relation to the preparation and the audit of the Group's consolidated financial statements. Nevertheless, the Company was still unable to obtain any information and documents thereabout and the Company was unable to exercise its control over the Deconsolidated Subsidiaries.

In light of the above, the Company has engaged an independent professional firm ("Forensic Accountants") to investigate and prepare a forensic report (the "Investigation Report") on the Deconsolidated Subsidiaries. Based on the findings in the Investigation Report, it was noted, among others, that the transfer of the Deconsolidated Subsidiaries was effected and registered in the PRC authorities on 20 November 2020 and the Group had disposed of the Deconsolidated Subsidiaries on the same date. Notwithstanding that the following actions being taken, including searches of publicly available information and review of relevant information documents provided by the board of directors of the Company, the Forensic Accountants opined that they were unclear whether the Deconsolidated Subsidiaries had relocated its office and/or whether the business of the Deconsolidated Subsidiaries was still in operation. Based on the findings in the Investigation Report and after careful consideration, the Directors were of the view that the Company no longer has: (a) power over the Deconsolidated Subsidiaries; (b) exposure, or rights to variable returns from its involvement with the Deconsolidated Subsidiaries; or (c) the ability to use its power over the Deconsolidated Subsidiaries to affect the amount of the Company's returns.

Due to the situation described above, the Directors considered that the Group was unable to exercise its rights as the shareholder either to control the assets and operations of the Deconsolidated Subsidiaries or to exercise the decision-making rights over the Deconsolidated Subsidiaries and also had not obtained completed and reliable information and documents from the Deconsolidated Subsidiaries for the purpose of the audit of the Group's consolidated financial statements for the year ended 31 December 2019. As such, the Directors further considered that it is inappropriate to consolidate the financial results of the Deconsolidated Subsidiaries into the Group's consolidated financial statements. The Directors have resolved to deconsolidate the Deconsolidated Subsidiaries with effect from 31 December 2019, the date when the Directors considered that it had effectively lost control over the Deconsolidated Subsidiaries. In addition, the Directors were of the view that the recoverability of the amounts due from the Deconsolidated Subsidiaries was remote and do not expect to be able to recover the outstanding balances in the foreseeable future. The resulting loss arising from the deconsolidation of the Deconsolidated Subsidiaries of approximately RMB1,329,144,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

FINANCIAL IMPACT ON DECONSOLIDATION

The deconsolidation had resulted in a net loss arising on deconsolidation of subsidiaries of approximately RMB1,329,144,000 for the year ended 31 December 2019 as the Directors were of the view that the carrying amounts of the investments in the Deconsolidated Subsidiaries were not recoverable in the foreseeable future.

Engagement of an independent professional firm to undertake forensic investigation

On 29 December 2020, the Company made an announcement that the Company was informed that the Allen Group had already been disposed of (the "Incident"). On 7 May 2021, the Company made an announcement that, based on a preliminary legal study on the Incident carried out by the Company's legal adviser appointed by the Directors, considered that the Incident may involve illegal and unauthorised transfers of the Group's substantial assets. In consequence of the investigation conducted, the Company suspended all duties of three executive directors and one independent non-executive director with effect from 7 May 2021.

The Company further announced on 11 May 2021 that, the special investigation committee ("SIC") was established for the purposes of addressing the matters of the Incident.

On 30 June 2021, the Company engaged a Forensic Accountants to undertake an Investigation into the matters on the Incident. On 5 October 2021, the Forensic Accountants submitted an Investigation Report to the SIC. Up to the date of this report, no assets of the Deconsolidated Subsidiaries have been recovered. On 8 October 2021, the Directors considered that the preliminary findings in the Investigation Report and availability of the Group's financial statements are lastly made up to 31 December 2019, the Directors agreed and approved the date of deconsolidation of the subsidiaries was 31 December 2019.

On 3 December 2021, the Company also announced that, based on the preliminary findings of the Investigation Report, the Directors were of the view that the transfer was effected without acknowledge and proper approval by the Directors and considered that the Company lost the control over the Deconsolidated Subsidiaries involved in the unauthorised and illegal transfer. The Company's management will take further actions to recover the losses from the deconsolidation of subsidiaries. On 7 January 2022, the Company engaged a PRC lawyer to perform a professional due diligence on the Deconsolidated Subsidiaries in PRC. Up to the date of this report, the due diligence was still in process.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs and an interpretation issued by the HKICPA for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Payment Features with Negative Compensation
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 2015-2017 Cycle

Except as described below, the application of above new and amendments to HKFRSs and an interpretation in the current year have had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

HKFRS 16 Leases

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

New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed as "right-of-use assets".

At the date of transition to HKFRS 16, the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates.

As a lessee

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

So far as the impact of the adoption of HKFRS 16 on leases previously classified as land use rights is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "land use rights", these amounts are included within "right-of-use assets". There is no impact on the opening balance of equity.

Upfront payments for leasehold lands in the PRC for own used properties were classified as land use rights as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of land use rights amounting to approximately RMB3,981,000 and RMB174,990,000 respectively were reclassified to right-of-use assets.

On transition, the Group has not made any adjustments on lease liabilities upon application of HKFRS 16 because the Group elected not to recognise right-of-use assets and liabilities for lease with lease as the outstanding term ends within 12 months of the date of initial application of HKFRS 16.

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

	Carrying amounts previously reported at 31 December 2018 RMB'000	Adjustments RMB'000	Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000
Non-current assets			
Land use rights	174,990	(174,990)	—
Right-of-use assets	—	178,971	178,971
Current assets			
Land use rights	3,981	(3,981)	—

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments[7]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[5]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[8]

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[7]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[7]
Amendments to HKAS 8	Definition of Accounting Estimates[7]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[7]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[6]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[6]
Amendments to HKFRSs	Annual improvements to HKFRSs 2018–2020[6]

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

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

3 Effective for annual periods beginning on or after 1 June 2020

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

5 Effective for annual periods beginning on or after 1 April 2021

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

7 Effective for annual periods beginning on or after 1 January 2023

8 Effective date to be determined

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptial Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all above new and amendments to HKFRSs and an interpretation will have no material impact on consolidated financial statements in the foreseeable future.

3. REVENUE

The Group manufactures and sells electric fireplaces, air purifiers, home decor products and humidifiers to the customers. Sales are recognised when control of the products has transferred, being when the products are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the products and the customer has obtained legal titles to the products.

Sales to customers are normally made with credit terms of 60 to 90 days. For new customers, deposits or cash on delivery may be required. Deposits received are recognised as a contract liability.

A receivable is recognised when the products are delivered to the customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Disaggregation of revenue from contracts with customers:

	2019	2018
	RMB'000	*RMB'000*
Major products		
Electric fireplaces and air purifiers	**70,626**	105,782
Home decor products	**44,597**	46,719
	115,223	152,501
Geographical markets		
PRC	**33,578**	66,935
France	**55,381**	77,615
America	**20,661**	4,878
Others	**5,603**	3,073
	115,223	152,501
Timing of revenue recognition		
At a point in time	**115,223**	152,501

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decisions.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of revenue and segment results.

The Group has two reportable segments as follows:

Electric fireplaces and air purifiers	—	Design, development, manufacturing and sales of electric fireplaces and air purifiers
Home decor products	—	Design, development, manufacturing and sales of home decor products and humidifiers

Other activities primarily relate to holding corporate assets and liabilities. Corporate assets and liabilities mainly include investment property, plant and equipment and land use rights for corporate use. These activities are excluded from the reportable operating segments.

Segment assets consist primarily of certain property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables and cash and cash equivalents. Investment property and other assets for corporate functions are grouped under "others".

Segment liabilities consist primarily of trade and other payables. They exclude current tax liabilities, deferred tax liabilities, borrowings and other liabilities for corporate functions are grouped under "others".

All non-current assets of the Group are located in the PRC.

Information about reportable segment profit or loss, assets and liabilities:

	Electric fireplaces and air purifiers *RMB'000*	Home decor products *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2019				
Segment revenue				
– PRC	**18,867**	**15,071**	**—**	**33,938**
– International	**52,036**	**29,609**	**—**	**81,645**
	70,903	**44,680**	**—**	**115,583**
Less: Inter-segment revenue	**(277)**	**(83)**	**—**	**(360)**
Revenue from external customers	**70,626**	**44,597**	**—**	**115,223**
Segment results	**(281,521)**	**(34,464)**	**(5,851)**	**(321,836)**
Unallocated expense				**(265)**
Finance costs				**(23,947)**
Net loss arising on deconsolidation of subsidiaries				**(1,329,144)**
Loss before tax				**(1,675,192)**
Income tax expense				**(792)**
Loss for the year				**(1,675,984)**
Other segment items:				
Additions to:				
Property, plant and equipment	**207**	**3**	**—**	**210**
Depreciation and amortisation	**26,907**	**477**	**—**	**27,384**
Impairment losses on goodwill and intangible asset	**5,286**	**—**	**—**	**5,286**
Loss allowance for trade receivables	**1,980**	**—**	**—**	**1,980**
Interest income	**597**	**885**	**1,675**	**3,157**
As at 31 December 2019				
Segment assets	**—**	**—**	**682**	**682**
Segment liabilities	**—**	**—**	**153,472**	**153,472**

Information about reportable segment profit or loss, assets and liabilities:

	Electric fireplaces and air purifiers *RMB'000*	Home decor products *RMB'000*	Others *RMB'000*	Total *RMB'000*
For the year ended 31 December 2018				
Segment revenue				
– PRC	28,328	39,115	—	67,443
– International	77,616	7,950	—	85,566
	105,944	47,065	—	153,009
Less: Inter-segment revenue	(162)	(346)	—	(508)
Revenue from external customers	105,782	46,719	—	152,501
Segment results	(110,135)	(6,793)	(7,332)	(124,260)
Unallocated expense				(617)
Finance costs				(20,224)
Loss before tax				(145,101)
Income tax expense				(792)
Loss for the year				(145,893)
Other segment items:				
Additions to:				
Intangible asset	15,126	—	—	15,126
Property, plant and equipment	268	—	—	268
Depreciation and amortisation	28,022	1,033	617	29,672
Impairment losses on property, plant and equipment	10,831	—	—	10,831
Impairment losses on prepayments	22,360	—	—	22,360
Impairment losses on goodwill and intangible asset	15,650	—	—	15,650
Fair value gain on investment property	—	—	300	300
Interest income	768	622	2,956	4,346
As at 31 December 2018				
Segment assets	1,523,509	390,626	253,789	2,167,924
Segment liabilities	17,170	7,650	186,249	211,069

Revenue from major customers:

	2019	2018
	RMB'000	*RMB'000*
Electric fireplaces and air purifiers segment		
Customer A	**6,824**	23,619
Customer B	**52,256**	77,615
Customer C	**10,840**	3,752
Home decor products segment		
Customer A	**12,166**	23,006
Customer C	**2,436**	15,779

During the year ended 31 December 2019, the Group's revenue are derived from three (2018: three) individual external customers which contributed more than 10% revenue of Group's revenue. These revenues are attributed to the electric fireplaces and air purifiers segment and home decor segment.

5. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging (crediting) the following:

	2019	2018
	RMB'000	*RMB'000*
Auditor's remuneration	**1,700**	1,680
Cost of inventories sold	**83,235**	133,552
Depreciation of property, plant and equipment	**22,535**	22,860
Depreciation of right-of-use assets	**3,981**	—
Amortisation of land use rights	**—**	3,981
Amortisation of intangible asset	**868**	2,831
Loss allowance (reversal of loss allowance) for trade receivables	**1,980**	(582)
Impairment losses on property, plant and equipment	**—**	10,831
Impairment losses on prepayments	**—**	22,360
Impairment losses on goodwill and intangible asset	**5,286**	15,650
Fair value gain on investment property	**—**	(300)
Write-off of inventories	**158**	7,074
Operating lease expenses in respect of office premises	**1,679**	1,717
Staff costs (including directors' remuneration):		
Salaries, bonuses and allowances	**53,276**	42,944
Retirement benefit scheme contributions	**6,498**	13,143
	59,774	56,087

6. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Bank interest income	**3,157**	4,346
Rental income	**7,050**	7,881
	10,207	12,227

7. OTHER GAINS OR (LOSSES) - NET

	2019	2018
	RMB'000	*RMB'000*
Net foreign exchange gain (loss)	**1,546**	(2,770)
Loss on disposal/write-off of property, plant and equipment	**(1,253)**	(19,616)
Others	**—**	44
	293	(22,342)

The amounts of loss on disposal/write-off of property, plant and equipment mainly represent the write-off of a plant and equipment located in the PRC. During the year ended 31 December 2018, management of the Group had assessed the usability of the show room and the Group decided to write-off the show room with carrying amount of RMB19,593,000.

8. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest expense on borrowings	**21,185**	12,922
Net foreign exchange loss	**2,762**	7,302
	23,947	20,224

9. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax — PRC Enterprise Income Tax:		
Withholding tax	**792**	792

10. LOSS PER SHARE

Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for the year attributable to owners of the Company of approximately RMB1,675,984,000 (2018: RMB145,893,000) and the weighted average number of ordinary shares of 2,170,000,000 (2018: 2,161,863,000) in issue during the year.

Diluted loss per share

No diluted loss per share are presented as the Company did not have any dilutive potential ordinary shares during the years ended 31 December 2019 and 2018.

11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the year ended 31 December 2019 (2018: Nil).

12. INVENTORIES

	2019	2018
	RMB'000	*RMB'000*
Raw materials and consumables	—	1,893
Work in progress	—	1,468
Finished goods	—	4,006
	—	7,367

13. TRADE RECEIVABLES

The Group's trading terms with customers are mainly on credit. The credit terms generally range from 60 to 90 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**—**	58,064
Provision for loss allowance	**—**	(2,170)
	—	55,894

The aging analysis of trade receivables, based on the invoice date, and net of allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
0–30 days	**—**	9,364
31–60 days	**—**	13,082
61–90 days	**—**	7,859
Over 90 days	**—**	25,589
	—	55,894

Reconciliation of loss allowance for trade receivables:

	2019	2018
	RMB'000	*RMB'000*
At 1 January	**2,170**	2,752
Increase (decrease) in loss allowance for the year	**1,980**	(582)
Deconsolidation of subsidiaries (Note 16)	**(4,150)**	—
At 31 December	**—**	2,170

14. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	—	14,997
Other tax payable	—	1,876
Salary and welfare payables	**1,204**	4,589
Retention fee payables	—	2,790
Interest payables	**5,915**	2,244
Others	**3,239**	4,032
	10,358	30,528

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019	2018
	RMB'000	*RMB'000*
0–30 days	—	3,687
31–60 days	—	2,235
61–90 days	—	3,662
Over 90 days	—	5,413
	—	14,997

15. BORROWINGS

	2019	2018
	RMB'000	*RMB'000*
Bonds (Note (a))	**139,443**	138,614
Bank borrowings (Note (b))	**—**	30,000
	139,443	168,614

An analysis of the Group's borrowings into principal amounts is as follows:

	2019	2018
	RMB'000	*RMB'000*
On demand or within one year	**139,443**	159,724
In the third to fifth years, inclusive	**—**	8,890
	139,443	168,614
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(139,443)**	(159,724)
Amount due for settlement after 12 months	**—**	8,890

Notes

(a) Bonds comprise principal amounts of:

  (i) HKD7,000,000 (equivalent to approximately RMB5,722,000) due in 2023 issued by the Company to an independent third party in March 2016. The bond is unsecured and bears interest at a fixed rate of 6% per annum. Subsequent to the reporting date, the Company failed to pay the bond interests. As a result, the bond became immediately repayable if requested by the bond holder as at the date of this report. Therefore, the bond was classified as current liabilities as at 31 December 2019;

  (ii) HKD148,200,000 (equivalent to approximately RMB129,724,000) due in 2019 issued by the Company to independent third parties in April 2016. The bond is unsecured and bears interest at a fixed rate of 7% per annum. On 18 April 2019, the Company and serveral bond holders entered into an additional subscription agreement, pursuant to which the parties agreed that the maturity date of the bond with principal of HKD128,700,000 (equivalent to approximately RMB115,052,000 to be extended from 19 April 2019 to 18 April 2020. During the year and subsequent to the reporting date, the Company failed to pay the principals and related interests of the bond. As a result, the bond became immediately repayable if requested by the bond holder as at the date of this report. Therefore, the bond was classified as current liabilities as at 31 December 2019; and

  (iii) HKD4,000,000 (equivalent to approximately RMB3,168,000) due in 2023 issued by the Company to an independent third party in July 2016. The bond is unsecured and bears interest at a fixed rate of 6% per annum. Subsequent to the reporting date, the Company failed to pay the bond interests. As a result, the bond became immediately repayable if requested by the bond holder as at the date of this report. Therefore, the bond was classified as current liabilities as at 31 December 2019.

(b) As at 31 December 2018, the bank borrowings were either repayable within one year or repayable on demand and with fixed interest rate.

  As at 31 December 2018, the Group's bank borrowings were secured by land use rights with aggregate net book value of approximately RMB71,260,000.

As at 31 December 2019, the weighted average interest of the Group's borrowings is 6.92% (2018: 8.19%).

In addition, subsequent to the reporting period, the Company received several writs of summons and a statutory demand from the bond holder creditors in relation to the overdue payments of the bonds' principals and interests.

16. DECONSOLIDATION OF SUBSIDIARIES

Due to the obstructions faced by the Company in exercising control over, and gathering information and documents from, the Deconsolidated Subsidiaries, the Company regards that it has lost control over the Deconsolidated Subsidiaries. Under these circumstances, the Directors have not been able to obtain complete Books and Records of the Deconsolidated Subsidiaries to satisfy themselves regarding the accounting treatments and carrying values in respect of those transactions for the year ended 31 December 2019. As such, the assets and liabilities of the Deconsolidated Subsidiaries have not been included in the consolidated financial statements of the Group on 31 December 2019. The aggregate amounts of the assets and liabilities of the Deconsolidated Subsidiaries as at 31 December 2019 (immediate before deconsolidation) were set out below:

	Immediate before deconsolidation on 31 December 2019
	RMB'000
Net assets deconsolidated:	
Property, plant and equipment	**471,432**
Investment property	**70,300**
Right-of-use assets	**174,990**
Inventories	**9,822**
Trade receivables	**35,654**
Deposits, prepayments and other receivables	**457,856**
Bank and cash balances	**942,015**
Trade and other payables	**(25,651)**
Borrowings	**(363,888)**
Current tax liabilities	**(3,592)**
Deferred tax liabilities	**(6,133)**
Net assets deconsolidated	**1,762,805**
Release of capital reserve	**(287,841)**
Release of statutory reserves	**(144,178)**
Release of revaluation reserve	**(1,642)**
Net loss arising on deconsolidation of subsidiaries	**1,329,144**
Analysis of net outflow of cash and cash equivalents arising from deconsolidation of subsidiaries	**942,015**

The results of the Deconsolidated Subsidiaries for the year ended 31 December 2019, which have been included in the consolidated statement of profit or loss and other comprehensive income, were as follow:

	Year ended 31 December 2019 RMB'000
Revenue	115,223
Cost of sales	(83,393)
Gross profit	31,830
Other income	10,207
Other losses - net	(1,364)
Selling and distribution expenses	(222,534)
Administrative and other operating expenses	(127,983)
Loss allowance for trade receivables	(1,980)
Loss from operations	(311,824)
Finance cost	(10,924)
Loss before tax	(322,748)
Income tax expense	—
Loss for the year	(322,748)

EXTRACTS FROM INDEPENDENT AUDITOR'S REPORT

The followings are extracted from independent auditor's report on the consolidated financial statements of the Group for the year ended 31 December 2019.

BASIS FOR DISCLAIMER OF OPINION

1. Deconsolidation of subsidiaries

As described in note 2 to the consolidated financial statements, on 7 May 2021, the Company announced that, based on public available records, the Company noted that the Group's certain subsidiaries, including Allen China Co., Ltd. (亞倫(中國)有限公司), Allen Electronics Co., Ltd. Fujian (福建亞倫電子電器科技有限公司), Quanzhou Allen Light Industry Co., Ltd. (泉州亞倫輕工有限公司) and Allen Electronics Co., Ltd. Anhui (安徽亞倫電子科技有限公司) (collectively the "Deconsolidated Subsidiaries") located in the People's Republic of China ("PRC") were disposed of on 20 November 2020, without any prior approval of or notice to the Company's board of directors and, being the transfer of the Group's substantial assets, without approval by the Company's shareholders. Therefore, the Company was unable to obtain complete books and records and relevant accounting and supporting documents (the "Books and Records") from the Deconsolidated Subsidiaries located in the PRC. All books and records and operations of Deconsolidated Subsidiaries were at all material time maintained and controlled by the senior management personnel of the Deconsolidated Subsidiaries.

The Company has engaged a legal adviser in Hong Kong to perform a due diligence investigation so as to obtain more information about the above situation and the present situations in relation to the Deconsolidated Subsidiaries and to provide necessary assistance in relation to the preparation and the audit of the Group's consolidated financial statements. Nevertheless, the Company was still unable to obtain any information and documents thereabout and the Company was unable to exercise its control over the Deconsolidated Subsidiaries.

In light of the above, the Company has engaged an independent professional firm ("Forensic Accountants") to investigate and prepare a forensic report (the "Investigation Report") on the Deconsolidated Subsidiaries. Based on the findings in the Investigation Report, it was noted, among others, that the transfer of the Deconsolidated Subsidiaries was effected and registered in the PRC authorities on 20 November 2020 and the Group had disposed of the Deconsolidated Subsidiaries on the same date. Notwithstanding that the following actions being taken, including searches of publicly available information and review of relevant information documents provided by the board of directors of the Company, the Forensic Accountants opined that they were unclear whether the Deconsolidated Subsidiaries had relocated its office and/or whether the business of the Deconsolidated Subsidiaries was still in operation. Based on the findings in the Investigation Report and after careful consideration, the directors of the Company (the "Directors") were of the view that the Company no longer has: (a) power over the Deconsolidated Subsidiaries; (b) exposure or rights to variable returns from its involvement with the Deconsolidated Subsidiaries; or (c) the ability to use its power over the Deconsolidated Subsidiaries to affect the amount of the Company's returns.

Due to the situation described above, the Directors considered that the Group was unable to exercise its rights as the shareholder either to control the assets and operations of the Deconsolidated Subsidiaries or to exercise the decision-making rights over the Deconsolidated Subsidiaries and also had not obtained completed and reliable information and documents from the Deconsolidated Subsidiaries for the purpose of the audit of the Group's consolidated financial statements for the year ended 31 December 2019. As such, the Directors further considered that it is inappropriate to consolidate the financial results of the Deconsolidated Subsidiaries into the Group's consolidated financial statements. The Directors have resolved to deconsolidate the Deconsolidated Subsidiaries with effect from 31 December 2019, the date when the Directors considered that it had effectively lost control over the Deconsolidated Subsidiaries. In addition, the Directors were of the view that the recoverability of the amounts due from the Deconsolidated Subsidiaries was remote and do not expect to be able to recover the outstanding balances in the foreseeable future. The resulting loss arising from the deconsolidation of the Deconsolidated Subsidiaries of approximately RMB1,329,144,000 has been recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2019.

Under HKFRS 10 “Consolidated Financial Statements”, the carrying amounts of the assets and liabilities of the Deconsolidated Subsidiaries should be derecognised from the consolidated financial statements of the Group at the date when control over the Deconsolidated Subsidiaries was lost. Since we were unable to gain access to the Books and Records and management personnel of the Deconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence to assess the appropriateness of the accounting treatment and amounts adopted by the Group of not treating the Deconsolidated Subsidiaries as subsidiaries of the Group on 31 December 2019. We were also unable to obtain sufficient appropriate audit evidence and explanation to satisfy ourselves as to the date when the Group lost control over the Deconsolidated Subsidiaries. There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the resulting loss arising from the deconsolidation of the Deconsolidated Subsidiaries of approximately RMB1,329,144,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income are free from material misstatement. Any adjustments that would be required may have a consequential significant effect on the net liabilities of the Group and loss and cash flows of the Group for the year ended 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

During the audit, due to the absence of complete Books and Records of the Deconsolidated Subsidiaries, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves about the occurrence, completeness, accuracy, cut-off, classification and presentation, commercial substance, business rationale and related disclosure of the results and any related party transactions of the Deconsolidated Subsidiaries for the year ended 31 December 2019 which have been included in the consolidated statement of profit or loss and other comprehensive income and which have been summarised and disclosed in note 32 to the consolidated financial statements.

Any adjustments found to be necessary in respect of the abovementioned matters might have significant consequential significant effects on the net assets of the Group as at 31 December 2019 and the loss and cash flows of the Group for the year ended 31 December 2019 and the related disclosure thereof in the consolidated financial statements.

In addition, due to circumstances described above, we were unable to obtain sufficient appropriate audit evidence and explanations as to whether the contingent liabilities and commitments committed by the Group were properly recorded and accounted for and in compliance with the requirements of applicable Hong Kong Financial Reporting Standards, including HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets". There were no alternative audit procedures that we could perform to satisfy ourselves as to whether the contingent liabilities and commitments of the Group as at 31 December 2019 were free from material misstatements. Any adjustments that would be required may have a consequential significant effect on the net liabilities of the Group as at 31 December 2019 and loss and cash flows of the Group for the year ended 31 December 2019, and the related disclosures thereof in the consolidated financial statements.

2. Material uncertainties relating to the forensic investigations from special investigation committee of the Company

As disclosed in note 4 to the consolidated financial statements, on 29 December 2020, the Company made an announcement that the Company was informed the Deconsolidated Subsidiaries had already been disposed of (the "Incident"). On 7 May 2021, the Company made an announcement that, based on a preliminary legal study on the Incident carried out by the Company's legal adviser appointed by the Directors, considered that the Incident may involve illegal and unauthorised transfers of the Group's substantial assets. In consequence of the investigation conducted, the Company suspended all the duties of three executive directors and one independent non-executive director with effect from 7 May 2021.

The Company further announced on 11 May 2021 that, the special investigation committee ("SIC") was established for the purposes of addressing the matters of the Incident.

On 30 June 2021, the Company engaged Forensic Accountants to undertake a forensic investigation ("Investigation") into matters on the Incident. On 5 October 2021, the Forensic Accountants submitted an Investigation Report to the SIC. Up to the date of this report, no assets of the Deconsolidated Subsidiaries have been recovered. On 8 October 2021, the Directors considered that the preliminary findings in the Investigation Report and the availability of the Group's financial statements are lastly made up to 31 December 2019, the Directors approved and agreed the date of deconsolidation of the subsidiaries was 31 December 2019.

On 3 December 2021, the Company also announced that, based on the preliminary findings of the Investigation Report, the Directors were of the view that the transfer was effected without acknowledge and proper approval by the Directors and considered that the Company lost the control over the Deconsolidated Subsidiaries involved in the unauthorised and illegal transfer. The Company's management will take further actions to recover the losses from the deconsolidation of subsidiaries. On 7 January 2022, the Company engaged a PRC lawyer to perform a professional due diligence on the Deconsolidated Subsidiaries in PRC. Up to the date of the auditor's report, the due diligence was still in process.

The findings in the Investigation Report and result of the actions taken by the Company's management to recover losses from the Deconsolidated Subsidiaries showed that there may have a significant impact on the Group's substantial assets and liabilities as at 31 December 2019. In light of the above, we consider that there are material uncertainties as to whether the preliminary findings by the Forensic Accountants may have a significant impact on the Group's consolidated results for the year ended 31 December 2019 and the consolidated financial position as at that date and the related disclosures thereof in the consolidated financial statements.

3. Multiple uncertainties relating to going concern

The Group incurred a net loss of approximately RMB1,675,984,000 and a net operating cash outflow of approximately RMB282,022,000 during the year ended 31 December 2019. As at 31 December 2019, the Group's equity attributable to shareholders of the Company amounted to approximately RMB152,790,000 and the total indebtedness was (comprising bond payables in Hong Kong) amounted to approximately RMB139,443,000, while the Group's cash and cash equivalents was only approximately RMB58,000.

In respect of the bond payables in Hong Kong, during the year ended 31 December 2019, the Company failed to pay the principals and related interests of the bonds that were due in 2019, thereby triggered the default redemption clause of the bond contracts. As a result, all the outstanding bond borrowings amounting to RMB139,443,000 as at 31 December 2019 became immediately repayable if requested by the bond holder creditors as at the date of this report. Therefore, all of the bonds were classified as current liabilities as at 31 December 2019. In addition, the Company received several writs of summons and a statutory demand from the bond holder creditors in relation to the overdue payments of the bonds' principals and related interests. Further details are set out in note 28 to the consolidated financial statements.

As further explained in note 2 to the consolidated financial statements, the Directors have given careful consideration to the future liquidity and performance of the Group and its available resources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. A number of measures have been taken to mitigate the liquidity pressure and to improve the financial position, to finance its operation and to restructure its debts. These include (i) proposed subscription of shares to raise additional working capital; (ii) active negotiation with the bond holders to obtain an extension for repayment of the bonds and not demand for repayment even if any event of default or potential event of default might occur; (iii) active negotiations with potential investors to obtain financial support to the Group for its operation on a going concern basis and undertake all the liabilities that may arise; and (iv) the Directors will continue to implement measures aiming at improving the working capital and cash flows of the Group including closely monitoring general administrative expenses and operating costs.

As at the date of approval of the consolidated financial statements, the implementations of these measures are still in progress. The Company continues to seek new business opportunities to improve its profitability and business prospects, consolidate or streamline its existing business, enhance its future business development and strengthen its revenue base, and may diversify into other businesses should suitable opportunities arise. The validity of the going concern assumption on which the consolidated financial statements are prepared is dependent on the successful and favourable outcomes of the measures taken by the Directors. The consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern and, therefore, do not include any adjustments relating to the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at amounts other than those currently recorded in the consolidated statement of financial position. In addition, the Group may have to provide for further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities.

4. Scope limitation of trade and other payables and current tax liabilities

As at 31 December 2019, included in trade and other payables and current tax liabilities were approximately RMB2,000,000 and approximately RMB3,671,000 respectively. We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves whether the aforesaid balances were free from material misstatements, and whether the effects of these transactions, including the related cash flows, have been properly accounted for and disclosed in the consolidated financial statements as at and for the year ended 31 December 2019. Consequently, we were unable to determine whether any adjustments to these amounts and related disclosures was necessary.

5. Opening balances and corresponding figures

Our audit opinion on the consolidated financial statements of the Group for the year ended 31 December 2018, which forms the basis for the corresponding figures presented in the current year's consolidated financial statements, was disclaimed because of the significance of the possible effect of the limitations on the scope of our audit of opening balances and corresponding figures during our audit.

During the course of the audit, due to the limitations described in Point (1) and (4) above, we were not provided with the complete Books and Records of the Deconsolidated Subsidiaries, and sufficient information of trade and other payables and current tax liabilities of the Group for the purpose of our audit.

Therefore, we were unable to obtain sufficient appropriate audit evidence and there were no alternative audit procedures that we could perform to satisfy ourselves about the opening balances as at 1 January 2019 and corresponding figures for the year ended 31 December 2018 were free from material misstatements.

Any adjustments to the opening balances as at 1 January 2019 found to be necessary may affect the balance of retained profits as at 1 January 2019 and the results and related disclosures in the notes to the consolidated financial statements of the Group for the year ended 31 December 2019. The comparative figures shown in the consolidated financial statements may not be comparable with the figures for the current year.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2019, the world economy showed signs of recovery yet the rebound is still masked with uncertainties. As for the PRC, it picked up GDP growth rate gradually after 6 years of declining speed. While the PRC is developing and reforming on its path of economic new normal, domestic demand and consumer market pose more and more importance to its future growth.

Information from the National Bureau of Statistics of China indicates that per capita disposable income in the PRC in 2019 was RMB30,733, representing an increase of 8.9% as compared with that of last year. Per capita consumption expenditure also increased 8.6% to RMB21,559, while the Engel coefficient, i.e. the proportion of income spent on food, continued to fall, indicating an increasing living standard in the country.

After rapid growth in previous two decades, the PRC has become the largest home furniture production base and exporter. With the growing wealth of the PRC population, people are more willing to purchase and replace home furnishing products. However, the home furnishing manufacturers in the PRC are much less concentrated than in other industries, posing pressures on many of the market players.

BUSINESS REVIEW

China Creative Global is principally engaged in the business of design, development, manufacture and sales of home decor products and electric fireplaces. The Group sells its products domestically in the PRC under its “Allen”(亚伦) brand and export its products on ODM/OEM basis to countries including the U.S., Germany, Canada, France and the U.K..

The revenue of the Group for the year ended 31 December 2019 decreased by 24.5% to RMB115.2 million from RMB152.5 million for the year ended 31 December 2018. The loss attributable to the equity holders of the Company was RMB1,676 million, representing an increase of 1,048.7% as compared to the loss of RMB145.9 million for the year ended 31 December 2018. This was mainly due to (1) increases in selling and distribution expenses, and administrative and other operating expenses; and (2) the net loss arising on deconsolidation of subsidiaries of RMB1,329.1 million.

The Group's products are under two major categories, namely (1) electric fireplaces and (2) home decor products. Revenue distribution by the two categories for the year ended 31 December 2019 were 61.3% and 38.7% respectively, while the proportions were 69.4% and 30.6% respectively last year.

During the year ended 31 December 2019, overseas market contributed RMB81.6 million (2018: RMB85.6 million), or 70.8% (2018: 56.1%) to the Group's total revenue. Revenue from the PRC market decreased from RMB66.9 million in the year ended 31 December 2018 to RMB33.6 million in the year ended 31 December 2019, taking up 29.2% (2018: 43.9%) of the total revenue.

The Group considers innovation as the core element of its development. The design team consists of 39 staff as at 31 December 2019.

DECONSOLIDATION OF SUBSIDIARIES LOST CONTROL

As noted in the Company's announcement dated 7 May 2021, the PRC subsidiaries held by Allen International Holdings Limited ("Allen International"), namely 福建亞倫電子電器科技有限公司, 亞倫(中國)有限公司 and 泉州亞倫輕工有限公司 were transferred to 泉州大東敏盛健康發展有限公司 on 20 November 2020, without any prior approval or notice to the Company's Board of Directors and, being the transfer of the Company's substantial assets, without approval by the Company's Shareholders. The Company has set up an Investigation Committee to study and take actions against these transfers and this Committee has then appointed Manivest Asia Limited ("Manivest") to conduct investigations in these respect. Upon the First Report produced by Manivest, it was noted that the Company has already lost of the controlling in the subsidiaries as at 31 December 2019 and hence, the Group no longer consolidated the financial position and performance of the Deconsolidated Subsidiaries starting from 31 December 2019. The deconsolidation had resulted in a net loss on deconsolidation of subsidiaries of approximately RMB1,329.1 million as the directors were of the view that the recoverability of the amounts due from Deconsolidated Subsidiaries was remote and do not expect to be able to recover the outstanding balances in the foreseeable future.

FINANCIAL ANALYSIS

Revenue

Our revenue decreased by RMB37.3 million from RMB152.5 million to RMB115.2 million, represented a decrease of 24.5% compared with last year. The decrease was mainly driven by the lower market demand.

Revenue analysis by product type is as follows:

	2019		2018	
	RMB'000	***% of revenue***	*RMB'000*	*% of revenue*
Electric fireplaces				
Frame electric fireplaces	**7,436**	**6.5**	13,077	8.6
Non-framed electric fireplaces	**10,948**	**9.5**	15,086	9.9
Heater and others	**52,242**	**45.3**	77,619	50.9
	70,626	**61.3**	105,782	69.4
Home decor products				
Polyresin series	**44,597**	**38.7**	46,719	30.6
	115,223	**100**	152,501	100

The decrease in the sales of electric fireplaces and home decor products was primarily due to the decrease in sales volume due to the lower market demand in the PRC.

Gross Profit And Gross Profit Margin

Our gross profit increased from RMB17.7 million for the year ended 31 December 2018 to RMB31.8 million for the year ended 31 December 2019, represented an increase of 79.7% compared with last year mainly due to the increase in gross profit margin.

The gross profit margin increased from 11.6% for the year ended 31 December 2018 to 27.6% for the year ended 31 December 2019. The increase was primarily due to the increase in average selling prices.

Other Income

Other income decreased by RMB2.0 million or approximately 16.4%, from RMB12.2 million for the year ended 31 December 2018 to RMB10.2 million for the year ended 31 December 2019 primarily due to the decreases in interest income and rental income.

Other Gains Or (Losses) — Net

The Group's other gains or losses mainly consists of loss on disposal/write-off of property, plant and equipment of RMB1.3 million and set off by the net foreign exchange gain of RMB1.5 million for the year ended 31 December 2019. The Group's other losses mainly consists of the net foreign exchange loss of RMB2.8 million and loss on disposal/write-off of property, plant and equipment of RMB19.6 million for the year ended 31 December 2018.

Selling And Distribution Expenses

Our selling and distribution expenses increased by RMB205.3 million, or approximately 11.9 times, from RMB17.2 million for the year ended 31 December 2018 to RMB222.5 million for the year ended 31 December 2019 primarily due to the increase in advertising and promotion expenses to enhance the brand recognition of "Allen (亚伦)" and to increase our market share in the PRC.

Administrative And Other Operating Expenses

Our administrative and other operating expenses increased by RMB67.2 million, or approximately 99.7%, from RMB67.4 million for the year ended 31 December 2018 to RMB134.6 million for the year ended 31 December 2019. The increase was mainly due to (1) the bonus payment of RMB18.0 million to the senior management of the Group for their contribution to our Group for the Year 2016 to the first half of the Year 2019; (2) the technical services provided by an university of RMB7.8 million incurred; (3) compensation paid of RMB19.7 million for the removal of premises on our factories disposed of; and (4) charitable donations of RMB23.5 million to the local government.

Impairment Losses on Property, Plant And Equipment

As at 31 December 2018, the Group had property, plant and equipment of approximately RMB401.5 and RMB211.4 located in Anhui and Quanzhou, the PRC respectively. For the year ended 31 December 2018, the Group's operation in Anhui and Quanzhou have been making losses and management has performed an impairment assessment, taking into account the current status of the assets and market price/transactions for similar assets. Based on the result of the assessment, carrying amount of the property, plant and equipment in Anhui and Quanzhou is lower than its recoverable amount, and therefore, an impairment provision of RMB10.8 million has been made during the year.

In 2019, these assets are under deconsolidation and fully written off accordingly.

Finance Costs

The Group's finance costs increased by RMB3.7 million, or approximately 18.3%, from RMB20.2 million for the year ended 31 December 2018 to RMB23.9 million for the year ended 31 December 2019. The increase was mainly due to the increase in interest expenses and set off by the decrease in the foreign exchange loss arising from borrowings denominated in HKD.

Income Tax Expenses

Our income tax expenses remained the same at RMB0.8 million for the years ended 31 December 2018 and 2019.

Loss for The Year Attributable To Owners Of the Company

Loss attributable to owners of the Company was approximately RMB1,676.0 million, an increase of 1,048.7% from approximately RMB145.9 million last year. The increase in loss was primarily due to (i) the net loss arising on deconsolidation of subsidiaries of approximately RMB1,329.1 million (2018: Nil) and (ii) the increase of the Company's administrative and other operating expenses of RMB67.2 million and selling and distribution expenses of RMB205.3 million.

CAPITAL STRUCTURE, LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

	2019	2018
Current ratio[1]	**0.0**	7.1
Gearing ratio (%)[2]	**N/A**	8.6%

(1) Current ratio is calculated based on our total current assets divided by our total current liabilities.

(2) Gearing ratio calculated based on our total debts (being our bank borrowings) divided by our total equity.

FOREIGN EXCHANGE RISK

Our functional currency is RMB. Our Group's foreign exchange risk mainly relate to fluctuations in exchange rates of RMB against our bank balances in USD and HKD and trade receivables denominated in USD, and these may affect our operation results. Our Group does not have a hedging policy. However, our management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Shares of the Company were listed on the Main Board of the Stock Exchange on 20 December 2013. Net proceeds from the global offering were approximately HK$597.2 million (after deducting the underwriting commission and relevant expenses). As at 31 December 2019, the unused proceeds were deposited in licensed banks in Hong Kong and the PRC.

	Percentage to total amount	Net Proceeds	Utilised Amount as at 31 December 2019	Unutilised Amount as at 31 December 2019
		HKD' million	*HKD' million*	*HKD' million*
Establishing new production facilities	53.7%	**320.7**	**320.7**	—
Establishing seven creative home furnishing concept shops	16.0%	**95.6**	**36.8**	**58.8**
Expanding overseas sales network under our own brand overseas	7.3%	**43.6**	**13.2**	**30.4**
Own-brand promotion	7.0%	**41.8**	**41.8**	—
Increasing and enhancing our research and development activities	6.0%	**35.8**	**35.8**	—
General working capital	10.0%	**59.7**	**59.7**	—
		597.2	**508.0**	**89.2**

EMPLOYEES AND EMOLUMENTS

As at 31 December 2019, we employed a total of 411 full time employees in the PRC and Hong Kong which included management staff, product designers, technicians, salespersons and workers. For the year ended 31 December 2019, the Group's total expenses on the remuneration of employees was RMB59.8 million, representing 51.9% of the revenue of the Group.

Our emolument policies are formulated based on the performance of individual employee which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. Since the adoption of the share option scheme on 2 December 2013 and up to 31 December 2019, no options have been granted.

CAPITAL EXPENDITURE

For the year ended 31 December 2019, the capital expenditure of the Group amounted to RMB0.2 million. It was mainly comprised of property, plant and equipment.

MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries or significant investments for the year ended 31 December 2019.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any significant contingent liabilities.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of the shares of the Company during the year ended 31 December 2019. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the year ended 31 December 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was committed to maintaining high level of corporate governance and has steered its development and protected the interests of its shareholders in an enlightened and open manner. The Board comprises seven executive Directors and four independent non-executive Directors. The Board has adopted the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the year ended 31 December 2019.

AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS

The Group's annual results for the year ended 31 December 2019 have been reviewed by the audit committee of the Company. The audit committee comprises the four independent non-executive Directors (one duties suspended) and the principal duties of the committee include reviewing the Company's financial reporting procedure, internal controls and financial results of the Group.

FINAL DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2019 (2018: Nil).

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company will be published on the website of the Company and the website of the Stock Exchange, and will be dispatched to the shareholders of the Company in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in Shares was suspended from 9:00 a.m. on 1 September 2020 pending the fulfilment of all the resumption conditions stated in the resumption guidance issued by the Stock Exchange and will remain suspended until further notice.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

By order of the Board
China Creative Global Holdings Limited
Mr. Wu Ming Fat, Simon
Chairman

Hong Kong, 19 January 2022

As at the date of this announcement, the executive directors of the Company are Mr. Wu Ming Fat, Simon, Ms. Ching Wan Wah, Kitty, Mr. Shen Jianzhong (Suspended), Mr. Zhang Zhisen, Mr. Wu Ming Chit William, Ms. Li Lai Ying and Mr. Zheng Hebin (Suspended); and the independent non-executive director of the Company are Mr. Huang Songqing (Suspended), Mr. Chan Yui Hang, Mr. Wong Shun Ching and Mr. Wong Sik Kei.