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**勒泰集團有限公司**  
**LERTHAI GROUP LIMITED**

*(Incorporated in Hong Kong with limited liability)*

**(Stock Code: 112)**

## **ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

### **FINANCIAL RESULTS**

For the reasons explained below under “Review of Unaudited Results”, the auditing process for the final results of Lerthai Group Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2019 has not been completed. The Board of Directors of the Company hereby announces the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the year ended 31 December 2018.

## UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
<b>Revenue</b>	4	<b>1,106,288</b>	909,919
Cost of sales		<u>(513,696)</u>	<u>(295,639)</u>
<b>Gross profit</b>		<b>592,592</b>	614,280
Gain on voluntary surrender of properties		<b>189,711</b>	–
Interest revenue		<b>73,972</b>	26,326
Other income and gains, net	6	<b>45,938</b>	73,551
Gain on disposal of a subsidiary		<b>8,460</b>	–
Increase in fair value of investment properties		<b>227,593</b>	1,387,700
Selling and marketing expenses		<b>(6,831)</b>	(17,417)
Administrative expenses		<u>(152,722)</u>	<u>(175,307)</u>
<b>Profit from operations</b>		<b>978,713</b>	1,909,133
Finance costs	7	<u>(736,879)</u>	<u>(791,973)</u>
<b>Profit before tax</b>		<b>241,834</b>	1,117,160
Income tax expense	8	<u>(105,128)</u>	<u>(407,483)</u>
<b>Profit for the year attributable to equity holders of the Company</b>	9	<u><b>136,706</b></u>	<u>709,677</u>
<b>Earnings per share (HK cents)</b>	10		
– Basic		<b>18.41</b>	155.65
– Diluted		<u><b>11.17</b></u>	<u>73.90</u>

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
<b>Profit for the year</b>	<u>136,706</u>	<u>709,677</u>
<b>Other comprehensive income/(expense) after tax:</b>		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value gain on financial liabilities designated at fair value through profit or loss attributable to change in credit risk	26,918	29,236
<i>Item that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(6,668)	(424,081)
Release of translation reserve upon disposal of a subsidiary	<u>(1,949)</u>	<u>–</u>
<b>Other comprehensive income/(expense) for the year, net of tax</b>	<u>18,301</u>	<u>(394,845)</u>
<b>Total comprehensive income for the year attributable to equity holders of the Company</b>	<u>155,007</u>	<u>314,832</u>

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2019*

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> <i>(Audited)</i>
<b>Non-current assets</b>			
Investment properties		<b>19,977,883</b>	20,658,520
Property, plant and equipment		<b>19,954</b>	20,270
Right-of-use assets		<b>2,712</b>	–
Deposit		<b>202,342</b>	125,246
Interest receivables		–	41,561
Pledged bank deposits		<b>21,960</b>	1,736,463
Deferred tax assets		<b>6,167</b>	6,199
Other non-current assets		<b>3,300</b>	3,300
		<b>20,234,318</b>	22,591,559
<b>Current assets</b>			
Properties under development for sales		<b>3,023,091</b>	2,655,213
Properties held for sales		<b>314,199</b>	406,968
Equity investment at fair value through profit or loss		<b>2,409</b>	4,075
Trade and other receivables, deposits and prepayments	<i>12</i>	<b>386,384</b>	441,955
Restricted bank balances		<b>4</b>	11,135
Pledged bank deposits		<b>6,523</b>	6,872
Cash and bank balances		<b>127,828</b>	184,107
		<b>3,860,438</b>	3,710,325
Non-current assets held for sale		–	373,461
		<b>3,860,438</b>	4,083,786

	<i>Notes</i>	<b>2019</b> <b><i>HK\$'000</i></b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
<b>Current liabilities</b>			
Trade and other payables and accruals	<i>13</i>	<b>3,241,206</b>	3,255,464
Contract liabilities	<i>14</i>	<b>1,685,661</b>	1,922,370
Tax payable		<b>92,743</b>	27,000
Bank and other borrowings		<b>5,236,123</b>	1,915,517
Convertible bonds		<b>386,117</b>	380,363
Senior notes		<b>109,327</b>	100,226
Bonds		<b>42,485</b>	39,062
		<u><b>10,793,662</b></u>	<u>7,640,002</u>
<b>Net current liabilities</b>		<u><b>(6,933,224)</b></u>	<u>(3,556,216)</u>
<b>Total assets less current liabilities</b>		<u><b>13,301,094</b></u>	<u>19,035,343</u>
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>4,708,209</b>	9,892,573
Convertible securities		<b>56,667</b>	56,444
Deferred tax liabilities		<b>2,986,009</b>	2,994,089
		<u><b>7,750,885</b></u>	<u>12,943,106</u>
<b>Net assets</b>		<u><b>5,550,209</b></u>	<u>6,092,237</u>
<b>Capital and reserves</b>			
Share capital	<i>15</i>	<b>1,548,192</b>	2,086,958
Reserves		<b>3,554,079</b>	2,854,808
<b>Equity attributable to owners of the Company</b>		<b>5,102,271</b>	4,941,766
Perpetual capital instruments	<i>16</i>	<b>447,938</b>	1,150,471
<b>Total equity</b>		<u><b>5,550,209</b></u>	<u>6,092,237</u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2019*

## 1. GENERAL INFORMATION

Lerthai Group Limited (the “**Company**”) was incorporated in Hong Kong with limited liability under the Hong Kong Companies Ordinance. The address of its registered office and principal place of business is Room 3303, Tower Two, Lippo Centre, 89 Queensway, Admiralty, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The unaudited consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “**Group**”). The Company is an investment holding company.

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results for the year ended 31 December 2019 do not constitute the Company’s statutory annual consolidation financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2019 in due course.

ZHONGHUI ANDA CPA Limited has reported on those financial statements of the Group for the year ended 31 December 2018. The auditor’s reports dated 29 March 2019 was unqualified; include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; did not contain a statement under section 406(2) and 407(2) or 407(3) of the Hong Kong Companies Ordinance.

ZHONGHUI ANDA CPA Limited has not reported on those financial statements of the Group for the year ended 31 December 2019.

## 2. GOING CONCERN BASIS

As at 31 December 2019, the Group had net current liabilities of HK\$6,933,224,000. The cash and bank balances is decreased from HK\$184,107,000 to HK\$127,828,000. In addition, the Group has capital commitments of HK\$367,223,000 and other commitments of HK\$241,438,000 as at 31 December 2019. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Group’s ability to continue as a going concern is dependent on the ongoing availability of finance supports to the Group, including the credit facility from its immediate holding company and ultimate controlling party and the continued support of the Group’s bankers. If these finance supports were not available, the Group may be unable to meet its financial obligations as and when they fall due. These conditions, indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

### 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s unaudited consolidated financial statements and amounts reported for the current year and prior years except as stated below.

#### Application of new and amendments to HKFRSs

HKFRS 16	<i>Leases</i>
HK(IFRIC) – Int 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
<i>Annual Improvements 2015–2017 Cycle</i>	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

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

#### 3.1 Impacts and changes in accounting policies and application on HKFRS 16 Leases

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

Upon the adoption of HKFRS 16, at the commencement date of the lease, the lessee recognises a “Lease liability” and a corresponding “Right-of-use” asset. After initial recognition of this asset and liability, the lessee recognises interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses continue to be recognised on a systematic basis over the lease term.

HKFRS 16 primarily affect the Group’s accounting as a lessee of premises which are classified as operating leases in previous years. The application of the new accounting model leads to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease.

HKFRS 16 has been applied through a modified retrospective approach, with the cumulative effect of initial application recognised as an adjustment to the opening balances of accumulated losses as at 1 January 2019. Comparative information has not been restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group has used the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

Upon the initial application of HKFRS 16, the Group measured the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets has been adjusted as at 1 January 2019.

The following table summarises the impact, net of tax, of transition to HKFRS 16 on the opening balance of retained profits:

	<i>HK\$'000</i>
	(Unaudited)
<b>Retained earnings</b>	
Impact at 1 January 2019	<u>231</u>

The operating lease commitments disclosed as at 31 December 2018 were HK\$10,982,000. The lease liabilities recognised as at 1 January 2019 were HK\$5,655,000, of which HK\$2,658,000 were current lease liabilities and HK\$2,997,000 were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rate of 10% and the total lease liabilities recognised in the unaudited consolidated statement of financial position at the date of initial application of HKFRS 16 comprised the exclusion of short-term leases recognised on a straight-line basis as expenses and the inclusion of adjustments as a result of a different treatment of extension options.

The change in accounting policy increase right-of-use assets by HK\$5,424,000 on 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statements from 2019 onwards.

**New and amended standards and interpretations have been published but are not yet effective for the year ended 31 December 2019**

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.



#### 4. REVENUE

Revenue represents the income from property development, property leasing and provision of comprehensive property management services, net of other sales related taxes and after deduction of any trade discounts.

Revenue represents the aggregate amounts received and receivable, analysed as follows:

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Sales of properties	<b>438,380</b>	174,131
Revenue from property management service	<b>271,034</b>	335,267
Revenue from contracts with customers	<b>709,414</b>	509,398
Rental income	<b>396,874</b>	400,521
Total revenue	<b><u>1,106,288</u></b>	<u>909,919</u>

Disaggregation of revenue from contracts with customers:

##### **Timing of revenue recognition**

At a point in time	<b>438,380</b>	174,131
Over time	<b>271,034</b>	335,267
Total	<b><u>709,414</u></b>	<u>509,398</u>

## 5. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance is based on real estate business in different geographical locations. This is also the basis upon which the Group is organised and managed. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segment based on information reported to the CODM are as follow: (i) Real estate business in Tangshan, the People’s Republic of China (“PRC”); (ii) Real estate business in Handan, the PRC; (iii) Real estate business in Shijiazhuang, the PRC; (iv) Real estate business in West Covina, the United States of America (the “USA”); and (v) Real estate business in Anaheim, the USA.

### Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable and operating segments:

	Segment revenue		Segment profit/(loss)	
	2019 <i>HK\$’000</i> (Unaudited)	2018 <i>HK\$’000</i> (Audited)	2019 <i>HK\$’000</i> (Unaudited)	2018 <i>HK\$’000</i> (Audited)
Real estate business in				
Tangshan, the PRC	<b>219,949</b>	428,749	<b>153,803</b>	501,101
Handan, the PRC	<b>287,988</b>	–	<b>251,698</b>	366,678
Shijiazhuang, the PRC	<b>596,599</b>	465,472	<b>376,374</b>	1,072,082
West Covina, the USA	<b>1,752</b>	15,698	<b>1,010</b>	(15,994)
Anaheim, the USA	<b>–</b>	–	<b>–</b>	(1,648)
	<b><u>1,106,288</u></b>	<b><u>909,919</u></b>	<b><u>782,885</u></b>	<b><u>1,922,219</u></b>
Unallocated items:				
Other income and gains, net			<b>45,938</b>	73,551
Gain on voluntary surrender of properties			<b>189,711</b>	–
Gain on disposal of a subsidiary			<b>8,460</b>	–
Finance costs			<b>(736,879)</b>	(791,973)
Unallocated corporate expenses, net			<b>(48,281)</b>	(86,637)
Profit before tax			<b><u>241,834</u></b>	<b><u>1,117,160</u></b>

## Geographical information

The Group's operations are located in Hong Kong, the PRC and the USA.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Hong Kong	–	–	3,092	2,254
The PRC	1,104,536	894,221	20,199,799	20,620,074
The USA	1,752	15,698	–	223,269
	<u>1,106,288</u>	<u>909,919</u>	<u>20,202,891</u>	<u>20,845,597</u>

Non-current assets exclude pledged bank deposits, deferred tax assets and other non-current assets.

No revenue is derived from a single customer of the Group which amounted for over 10% of the Group's total revenue (2018: Nil).

## 6. OTHER INCOME AND GAINS, NET

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Change in fair value of convertible bonds designated at fair value through profit or loss ("FVTPL")	(3,224)	(35,943)
Change in fair value of equity investment at FVTPL	(1,543)	350
Exchange (loss)/gain, net	(3,661)	120,275
Loss on disposal of properties, plant and equipment	(246)	(12,652)
Penalties for deferred settlement ( <i>Note</i> )	–	(53,270)
Penalty income from tenants	4,105	–
Others	50,507	54,791
	<u>45,938</u>	<u>73,551</u>

*Note:* These represent the penalties required by certain suppliers as the Group failed to make payment according to the agreed settlement schedule for certain construction cost payables.

## 7. FINANCE COSTS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Interest on:		
– bank and other borrowings	702,460	694,438
– bonds	3,416	3,391
– convertible bonds	35,113	42,856
– convertible securities	6,461	6,148
– lease liabilities	427	–
– loans from related companies	–	45,358
– amount due to a former shareholder of a subsidiary	–	3,025
– senior notes	<u>13,564</u>	<u>13,929</u>
	761,441	809,145
Management fee to asset-backed security (“ABS”) scheme manager ( <i>Note</i> )	<u>49,480</u>	<u>49,522</u>
	810,921	858,667
Less: Amount capitalised to investment properties under construction and properties under development for sales	<u>(74,042)</u>	<u>(66,694)</u>
	<u><u>736,879</u></u>	<u><u>791,973</u></u>

*Note:* Management fee to ABS scheme manager is charged at 1.3% (2018: 1.3%) of ABS in issue per annum.

## 8. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Current tax – PRC		
– Enterprise Income Tax (“EIT”)	185	24,958
– Land Appreciation Tax (“LAT”)	<u>50,572</u>	<u>2,746</u>
	<u>50,757</u>	<u>27,704</u>
Current tax – Hong Kong		
– Overprovision in prior years	<u>(579)</u>	–
	<u>(579)</u>	–
Deferred tax		
– Arising from deductible depreciation of investment properties in the PRC	51,302	40,323
– Arising from fair value changes	7,903	325,225
– Others	<u>(4,255)</u>	<u>14,231</u>
	<u>54,950</u>	<u>379,779</u>
	<u><u>105,128</u></u>	<u><u>407,483</u></u>

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profit of the companies incorporated in Hong Kong.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the Group’s PRC subsidiaries is 25% (2018: 25%).

Under the Provisional Regulations on LAT implemented upon the issuance of the Provisional Regulations of the PRC on January 27, 1995, all gains arising from transfer of real estate property in the PRC effective from January 1, 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds of sales of properties less deductible expenditures including land costs, borrowings costs and all property development expenditures.

The subsidiaries in the USA are subject to Federal Income Tax of 21% (2018: 21%) and State Tax of 8.8% (2018: 8.8%) on the taxable income. Certain subsidiaries are limited liability companies which are by default disregarded entities (i.e. viewed as divisions of the holding company) and taxed as part of their holding company for federal and state tax purposes.

No provision for income tax has been made as the Company and subsidiaries in Hong Kong incurred tax loss.

## 9. PROFIT FOR THE YEAR

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

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Employee benefits expenses		
Directors' emoluments		
– Fees	1,078	1,971
– Salaries, bonuses and allowances	9,245	5,606
– Retirement benefits cost	<u>36</u>	<u>115</u>
	<u>10,359</u>	<u>7,692</u>
Other staff costs		
– Salaries, bonuses and allowances	52,915	60,029
– Retirement benefits cost	<u>7,142</u>	<u>10,027</u>
	<u>60,057</u>	<u>70,056</u>
Total employee benefits expenses	70,416	77,748
Less: Amount capitalised to investment properties under construction and properties under development for sales	<u>(7,360)</u>	<u>(12,077)</u>
	63,056	65,671
Auditor's remuneration	2,250	1,600
Cost of properties sold (included in cost of sales)	289,925	77,004
Depreciation	6,997	10,719
Gross rental and management fee income from investment properties	(667,908)	(735,788)
Less: Direct operating expenses incurred for investment properties that generated rental and management fee income	<u>138,403</u>	<u>163,426</u>
	<u><u>(529,505)</u></u>	<u><u>(572,362)</u></u>

## 10. EARNINGS PER SHARE

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

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of Company)	<b>136,706</b>	709,677
Effect of diluted potential ordinary shares:		
Interest on convertible securities	<u>6,461</u>	<u>6,148</u>
Earnings for the purpose of diluted earnings per share	<u><b>143,167</b></u>	<u>715,825</u>
<b>Number of shares ('000 shares)</b>		
	<b>2019</b>	2018
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>742,519</b>	455,942
Effect of conversion of convertible securities	<b>527,635</b>	506,264
Effect of share options	<u>11,894</u>	<u>6,392</u>
Number of ordinary shares for the purpose of diluted earnings per share	<u><b>1,282,048</b></u>	<u>968,598</u>

## 11. DIVIDENDS

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

## 12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Trade receivables	<b>106,397</b>	71,296
Prepayment of other PRC taxes	<b>145,802</b>	145,329
Prepayment for purchase of construction materials	<b>2,820</b>	180
Prepayment for construction costs	<b>45,324</b>	30,277
Prepaid expense under ABS scheme	–	80,917
Other receivables, deposits and prepayments	<b>86,041</b>	113,956
	<b><u>386,384</u></b>	<u>441,955</u>

Trade receivables include consideration in respect of properties sold and properties lease. Considerations in respect of sold properties are payable by the purchasers pursuant to the terms of the sale and purchase agreements. Properties lease receivables represent rental receivables due from the tenants and property manager appointed by the Group. Rental and management fee from tenants are payable in accordance with the terms of relevant agreements. Pursuant to the agreement between the property manager and the Group, the property manager shall pay the rental collected on behalf of the Group to the Group within 30 days (2018: 30 days).

The aging analysis of trade receivables, based on the date of revenue recognition or invoice date of rental and service, is as follows:

	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 <i>HK\$'000</i> (Audited)
Within 30 days	<b>18,313</b>	63,761
Over 30 days but within 1 year	<b>52,736</b>	521
Over 1 year	<b>35,348</b>	7,014
	<b><u>106,397</u></b>	<u>71,296</u>



### 13. TRADE AND OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Construction cost payables	417,249	1,131,595
Accrued construction costs	2,107,601	1,303,791
Advanced receipts from tenants	113,435	38,386
Deposits received from suppliers/contractors on contracts tendering	104,919	11,174
Lease liabilities	2,997	–
Other tax payables	35,316	23,680
Penalty interest payables	122,522	118,211
Penalties payable ( <i>Note</i> )	45,599	50,251
Rental deposits	50,440	86,034
Other payables and accruals	241,128	492,342
	<u>3,241,206</u>	<u>3,255,464</u>

*Note:* Tangshan Lerthai Properties Development Co. Ltd. (“**TS Lerthai Development**”), Tangshan LT Shopping Mall Ltd. (“**TS Lerthai Shopping**”) and Shijiazhuang Lerthai Real Estate Development Company Limited (“**SJZ Property Development**”) was accused by certain suppliers due to overdue construction payment. The balance as at 31 December 2019 and 31 December 2018 was HK\$45,599,000 and HK\$50,251,000, respectively, which include overdue interest claimed by the suppliers. TS Lerthai Development, TS Lerthai Shopping and SJZ Property Development received court orders which restricted it from selling or pledging certain designated units for a period of three years from date of the court order. As at the date of this announcement, TS Lerthai Development and TS Lerthai Shopping are still in the course of negotiation with the suppliers for settlement.

The aging analysis of construction cost payables, based on the invoice date, is as follows:

	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Audited)
Within 1 year	90,054	635,482
Over 1 year but within 3 years	234,558	491,293
Over 3 years	92,637	4,820
	<u>417,249</u>	<u>1,131,595</u>

## 14. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	<b>At 31 December 2019 HK\$'000 (Unaudited)</b>	At 31 December 2018 HK\$'000 (Audited)	At 1 January 2018 HK\$'000 (Audited)
Contract liabilities	<u><b>1,685,661</b></u>	<u>1,922,370</u>	<u>1,825,999</u>
Contract receivables (included in trade receivables)	<u><b>11,879</b></u>	<u>6,231</u>	<u>6,252</u>
Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:			
– 2019	N/A	1,922,370	
– 2020	<u><b>1,685,661</b></u>	<u>–</u>	
	<u><b>1,685,661</b></u>	<u>1,922,370</u>	
Revenue recognised in the year that was included in contract liabilities at beginning of year	<u><b>359,979</b></u>	<u>81,960</u>	
Significant changes in contract liabilities during the year:			
Increase due to operations in the year	<b>288,619</b>	212,472	
Transfer of contract liabilities to revenue	<u><b>(382,828)</b></u>	<u>(116,101)</u>	

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

Included in balance above is an amount of HK\$524,603,000 (2018: HK\$639,619,000) representing the deposit received from government on 11 April 2014. Handan LT Municipal Investment Real Estate Development Company Limited (“**Handan LT Municipal**”), a subsidiary of the Group entered into an agreement with local government, in which the local government committed to prepay Handan LT Municipal for construction cost of relocated residence, and in return, Handan LT Municipal will compensate certain residential properties to those originally resident who lived in the site which acquired by Handan LT Municipal for property development.

## 15. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Issued and fully paid ordinary shares:		
At 1 January 2018 (Audited)	338,765,987	498,548
Issue of shares upon conversion of convertible securities	<u>349,111,097</u>	<u>1,588,410</u>
At 31 December 2018 and 1 January 2019 (Audited)	687,877,084	2,086,958
Issue of shares upon conversion of convertible securities	79,777,777	361,234
Capital reduction	<u>–</u>	<u>(900,000)</u>
At 31 December 2019 (Unaudited)	<u><u>767,654,861</u></u>	<u><u>1,548,192</u></u>

## 16. PERPETUAL CAPITAL INSTRUMENTS

Pursuant to the perpetual loan agreements entered on 30 June 2018 between certain wholly-owned subsidiaries of the Company and the related companies controlled by Mr. Yang Longfei (the “**Perpetual Loan Agreements**”), the loans bear interest at 8%-10% per annum. Interest payments on the loans are paid annually on or before 31 December and can be deferred at the discretion of the Group. The related companies could not request for repayment of the principal and accrued interest save and except when the Group elects to repay the principal and accrued interest at its sole discretion, or in the event of liquidation.

Under the Perpetual Loan Agreements, no guarantee of any kind is required to be given by any member of the Group to either the related companies for the loans.

As at 31 December 2019, the perpetual capital instruments holders were entitled to receive interest of HK\$93,238,000 but only payable when the Group elects to pay at its sole discretion or in the event of liquidation. In the opinion of the Directors, the perpetual capital instruments do not contain any contractual obligation to pay cash or other financial assets for the interest pursuant to the terms and conditions, accordingly, the recognition of the interest has been deferred until become payable in the future, if required.

## 17. LITIGATION

Reference is made to the announcement of the Company dated 6 September 2019 in respect of the writ of summons under action number HCA 1660 of 2019 was issued in the Court of First Instance of the High Court of The Hong Kong Special Administrative Region by a bank (“**Bank**”) against (i) LT Commercial Limited, a directly wholly-owned subsidiary of the Company as borrower of bank loans in the sum of HK\$1.5 billion (the “**Loans**”); and (ii) the Company and Mr. Yang Longfei (the chairman and an executive director of the Company), both as guarantors of the Loans. The writ claimed for, among other things, payment of the Loans and the interest in the aggregate amount of approximately HK\$1.54 billion and all other costs and expenses in relation to the default of the Loans.

The Loans were secured by the Group’s commercial properties located in the PRC as collateral. The above action was scheduled to be heard at the High Court in May 2020. Further announcement shall be made by the Company as and when appropriate.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

The current property portfolio comprises five high quality properties, namely, Tangshan Lerthai City, Tangshan Pelagic Mall, Handan Lerthai City, Shijiazhuang Lerthai Centre, and Lerthai Jiayuan. All properties are located in the central business district of Hebei. The categories of the properties include retail business, offices, hotels, and residential units, etc.

#### Review by Segment

##### *Real Estate Business in Tangshan, the PRC*

###### *Tangshan Lerthai City*

Tangshan Lerthai City, a large-scale mixed use complex, situated in the western part of Tangshan which is adjacent to the Tangshan Highspeed Railway station and Beijing Tangshan Intercity Railway station. This project has a gross floor area (“GFA”) of approximately 8,988,000 sq. ft. comprised residential units, regional retail shopping mall, hotels, commercial offices, entertainment facilities and sports facilities within the mega complexes. Tangshan Lerthai City mainly comprises (i) the Lerthai Centre, a regional shopping mall with a total GFA of approximately 4,024,000 sq. ft.; and (ii) the residential area of a total GFA of approximately 2,510,000 sq. ft. with approximately 1,700 residential units. Revenue of HK\$41.5 million was recorded for the year (2018: HK\$198.4 million).

###### *Tangshan Pelagic Mall*

Tangshan Pelagic Mall is a commercial complex with a total GFA of approximately 1,257,000 sq. ft., of which a total GFA of approximately 33,000 sq. ft. have been sold, and the remaining approximately 1,232,000 sq. ft. are held by Tangshan Oceancity Real Estate Development Company Limited for leasing purpose, as well as for the office uses by the Group. Tangshan Pelagic Mall is located in a popular business and entertainment district of Tangshan, Hebei Province surrounded by high-end residential real estate projects of renowned property developers in the PRC. During the year, revenue of HK\$178.4 million (2018: HK\$230.3 million) was generated from Tangshan Pelagic Mall.

## ***Real Estate Business in Handan, the PRC***

### *Lerthai Jiayuan*

The residential project “Lerthai Jiayuan” obtained pre-sale permit in the fourth quarter of 2016 and commenced pre-sale in 2017. The Group received accumulated pre-sale deposits of HK\$1,352.5 million as at 31 December 2019. Deposits were recorded as “Contract liabilities” in the unaudited consolidated financial statements. In the second half of 2019, Lerthai Jiayuan started delivering residential units to the buyers and generated revenue of HK\$288.0 million.

### *Handan Lerthai City on Chuancheng Street*

Handan Lerthai City, a large-scale mixed use complex, located at the central business district in Handan City, Chuancheng Street is situated at the north of Renmin Road, south of Congtai Road, east of Lingxi Street and west of Congtai Park. This project has a planned GFA of approximately 3,037,000 sq. ft. with regional shopping mall, hotels, tourism facilities and mega commercial space.

The regional shopping mall of the Handan Lerthai City is expected to have an official opening at the end of 2020. Currently, most of the shops have been leased out as various quality tenants are attracted to place their retail presences in the shopping mall and Handan Lerthai City will be another key revenue driver to the Group in the future.

## ***Real Estate Business in Shijiazhuang, the PRC***

Shijiazhuang Lerthai Centre is a commercial complex with a GFA of approximately 6,425,000 sq. ft.. It comprises a tower phase of approximately 2,308,000 sq. ft. and a shopping mall phase of approximately 4,117,000 sq. ft.. The tower phase is served as both offices and hotel purpose while the shopping mall phase comprises shops and car parking lots. Thanks to the stable performance of the shopping mall and car parks, revenue increased 21.9% to HK\$596.6 million in 2019.

## ***Disposal of Real Estate Business in the US – South Hills Plaza and Lerthai Platinum Centre***

In February 2019, we completed the disposal of LT International Investment Holdings Limited which holds two properties in the US and the sale loan for a total consideration of HK\$247.4 million. Details of the disposal have been disclosed in the circular of the Company dated 14 January 2019.

The disposal is in line with the Group’s strategy to improve operational efficiency and performance of the portfolio and create value to our shareholders. The Group will continue to review the mix and diversity, and enhance the performance of the portfolio.

The disposal has generated a gain on disposal amounted to HK\$8.5 million for the year ended 31 December 2019.

### ***Financial Services Businesses***

Through its wholly owned subsidiaries, LERTHAI Securities (Hong Kong) Limited which holds Type 1 and Type 2 licenses, and LERTHAI Asset Management Limited, holds Type 4 and Type 9 licenses from the Securities and Futures Commission of Hong Kong, the Company has been developing a vibrant business in securities, futures and asset management.

In August 2017, Lerthai Global Commercial Real Estate Fund SPC, a segregated portfolio Company, was incorporated in Cayman Islands. Since its setup, Lerthai Global Commercial Real Estate Fund SPC has established three segregated portfolios to invest in commercial real estates in mainland China. These three segregated portfolios are: China Handan Lerthai Commercial Real Estate Fund SP, China Shijiazhuang Lerthai Commercial Real Estate Fund SP, and China Tangshan Lerthai Oceancity Commercial Real Estate SP. LERTHAI Asset Management Limited was appointed as investment manager for China Handan Lerthai Commercial Real Estate Fund SP.

In May 2018, LERTHAI Asset Management Limited established Lerthai Equity Investment Fund Management (Shenzhen) Co., Limited (勒泰股權投資基金管理（深圳）有限公司) in Qianhai, Shenzhen, under the Qualified Foreign General Partner (合格境外普通合伙人) scheme. Lerthai Equity Investment Fund Management (Shenzhen) Co., Limited aims at providing an efficient channel for overseas investors to invest in commercial real estate assets that benefit from the prosperous new retail and trading-up consumption in mainland China.

## **FINANCIAL REVIEW**

During the year, total revenue of the Group was HK\$1,106.3 million (2018: HK\$909.9 million). The increase in revenue for the year ended 31 December 2019 was mainly due to Lerthai Jiayuan started delivered residential units to the buyers from the second half of 2019.

Other income and gains and losses decrease to net gain of HK\$45.9 million for the year (2018: HK\$73.6 million). The decrease was primarily due to the increase in exchange loss and offset by change in the fair value of convertible bonds designated at fair value through profits or loss.

The gain on voluntary surrender of properties of the Group was HK\$189.7 million, mainly due to certain properties transferred to suppliers to offset its overdue construction payment during the year.

The Group recorded an increase of fair value of the investment properties of HK\$227.6 million (2018: HK\$1,387.7 million), mainly contributed by the capital appreciation of Lerthai Jiayuan and Handan Lerthai City on Chuancheng Street during the year.

Selling and marketing expenses decreased to HK\$6.8 million (2018: HK\$17.4 million). Since most of the pre-sale activities of Tangshan Lerthai City and Handan Projects were completed, the related promotion scale had been downsized.

Administrative expenses amounted to HK\$152.7 million (2018: HK\$175.3 million) which mainly comprised of staff costs, rental and management fee for office premises and legal and professional fee. The decrease was primarily due to the reduction of professional fee incurred for the merger and acquisition during the year.

Finance costs recognised as expenses for the year were HK\$736.9 million (2018: HK\$792.0 million). The decrease was mainly due to no interest was charged for loans from related companies for the year (2018: HK\$45.4 million).

As a result of the various factors outlined above, the profit for the year attributable to equity holders of the Company was HK\$136.7 million (2018: HK\$709.7 million).

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 31 December 2019, the Group's cash and cash equivalents maintained at HK\$127.8 million (2018: HK\$184.1 million). The current ratio was 0.36 times (2018: 0.53 times) as at 31 December 2019.

The Group's gearing ratio was 43.7% (2018: 46.4%), which is calculated based on the Group's total interest bearing borrowings of HK\$10.5 billion (2018: HK\$12.4 billion) to total assets of HK\$24.1 billion (2018: HK\$26.7 billion).

## **FOREIGN EXCHANGE EXPOSURE**

The Group's investment, assets and liabilities are mainly denominated in Hong Kong dollar ("HK\$"), Renminbi ("RMB") and United States dollar ("US\$") and no hedging has been made during the year. The revenue generated from the Group's business operations in the PRC was denominated in RMB, while the convertible bonds, senior notes and bonds of the Group are denominated in HK\$. The Group will continue to monitor closely its exposure to exchange rate and interest rate risks, and may employ derivative financial instruments to hedge against risks when necessary.

## **CHARGE OF ASSETS**

As at 31 December 2019, the Group's facilities and other loans of HK\$7.9 billion (2018: HK\$9.6 billion) were pledged with investment properties, properties under development for sales and pledged bank deposits with an aggregate carrying amount of HK\$20.0 billion (2018: HK\$22.9 billion).

## **CAPITAL COMMITMENT AND CONTINGENT LIABILITIES**

As at 31 December 2019, the Group's contingent liabilities amounted to HK\$834.3 million (2018: HK\$853.2 million) relating to guarantees given by the Group to financial institutions on behalf of our purchasers of our property units in the PRC in relation to which the related Building Ownership Certificate (房產證) had not yet been issued at 31 December 2019 (and such guarantees will be released upon the issuance of the Building Ownership Certificate). The guarantees were secured by the Group's pledged bank deposits amounting to HK\$28.4 million (2018: HK\$33.9 million).

As at 31 December 2019, the Group issued financial guarantees to banks in respect of banking facilities granted to related parties and third parties with an aggregate amount of HK\$722.3 million (2018: HK\$707.5 million). The amount represents the aggregate amount that could be required to be paid if the guarantees were called upon in entirety.

As at 31 December 2019, the Group had contracted but not provided for commitments for development cost and capital expenditure in amount of HK\$608.7 million (2018: HK\$1,381.8 million).

## **EMPLOYEE AND REMUNERATION POLICY**

The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include mandatory provident fund, medical insurance and performance related bonus. The Group has adopted the share award scheme and share option scheme as part of the long term incentives for the employees.

As at 31 December 2019, the Group had 169 employees (2018: 267 employees). Total staff costs for the year amounted to HK\$70.4 million (2018: HK\$77.7 million), which comprised (i) Directors' remuneration of HK\$10.4 million (2018: HK\$7.7 million) and (ii) staff costs (other than Directors' remuneration) of HK\$60.1 million (2018: HK\$70.0 million).

## **PROSPECT**

2020 is a year of challenge for the property industry in China. At the beginning of 2020, following the epidemic outbreak of Novel Coronavirus Pneumonia ("COVID-19") has spread across the world and the World Health Organization has also alerted that the COVID-19 might become an epidemic, as a result the resumption of business was delayed for different industries which adversely affected the real economy and led to uncertainties to the global economic growth.



Subsequent to the outbreak of the COVID-19, Chinese government has adopted a series of prevention and control measures and implemented a series of measures to mitigate the negative impact to the real economy. Given the resilience and potential of China's economy in the long run, it is believed that stable growth would remain unchanged.

Leveraging our outstanding performance in shopping mall operation and management, we believe the shopping mall performance in our current investment portfolio will continue to drive our revenue growth. Due to our business flexibility and stability, Lerthai is well prepared to withstand the potential turmoil in the market. We will continue to seize the opportunities in economic growth, policy and other aspects, sustain in strengthening our core competitiveness, enhance our operation capacity and profitability and share the development results with the society to shoulder the responsibilities together in promoting the urban construction and people's happiness with business development.

We are cautiously optimistic about the upcoming macroeconomic environment and are committed to promoting the revenue growth on a solid foundation of our investment portfolio and maximizing the long-term value for stakeholders and shareholders.

## **AUDIT COMMITTEE**

The audit committee of the Company (the "**Audit Committee**") comprises all three independent non-executive Directors, namely Mr. Wong Tat Keung (chairman of the Audit Committee), Mr. Wong Hon Kit and Ms. Chan Lai Ping. The Company's unaudited annual results for the year have been reviewed by the Audit Committee.

## **EVENTS AFTER THE REPORTING PERIOD**

- i. On 20 January 2020, the Company was informed of the appointment of receivers over 254,055,888 shares and 162,222,222 shares in the Company (the "**Shares**") respectively held by China Lerthai Commercial Real Estate Holdings Limited (a substantial shareholder of the Company) and Mr. Yang Longfei, a director and controlling shareholder of the Company which were charged to Peace Winner Limited and Fantastic Stargaze Limited by way of share charges dated 26 January 2017 and 30 March 2019 (the "**Charged Shares**"). The Charged Shares represent approximately 38.8% of the issued share capital of the Company as at the date of this announcement.

- ii. On 20 January 2020 and 21 January 2020, the Company received the conversion notices from 4 securities holders to exercise the conversion rights attached to the Convertible Securities for the principal amount of HK\$788,000,000 and HK\$582,000,000 respectively. An aggregate of 304,444,443 conversion shares at the price of HK\$4.5 per conversion share were allotted and issued.
- iii. After the outbreak of the COVID-19 (“**COVID-19 Outbreak**”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country/region. With the extension of Chinese New Year holiday nationwide and travel restriction, the Group’s shopping malls have been temporarily closed after Chinese New year. As at the date of this unaudited annual results announcement, only partial of shopping malls have resumed operations. The Group expects that the COVID-19 Outbreak may bring temporary interruption to the business but will not significantly alter the long term business growth. The Group will pay close attention to the development of the COVID-19 Outbreak and continue to evaluate its impact on the financial position and operating results of the Group.

## **MATERIAL UNCERTAINTY RELATING TO THE GOING CONCERN**

We draw attention to the unaudited consolidated financial statements which mentions that as at 31 December 2019, the Group had net current liabilities of HK\$6,933,224,000. The cash and bank balances is decreased from HK\$184,107,000 to HK\$127,828,000. In addition, the Group has capital commitments of HK\$367,223,000 and other commitments of HK\$241,438,000 as at 31 December 2019.

The Group’s ability to continue as a going concern is dependent on the ongoing availability of finance supports to the Group, including the credit facility from its immediate holding company and ultimate controlling party and the continued support of the Group’s bankers. If these finance supports were not available, the Group may be unable to meet its financial obligations as and when they fall due. These conditions, indicate a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

## **CORPORATE GOVERNANCE**

The Company is committed to maintain high standards of corporate governance in order to ensure high transparency and protection of interests of the shareholders and the Company as a whole. The Company has adopted the code provisions and certain recommended best practices (with amendments from time to time) as set out in the Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) under Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

Upon review of the corporate governance practice of the Company, the Board believed that the Company has applied the principles in the CG Code and complied with the code provisions of the CG Code during the year. None of the Directors was aware of any information that would reasonably indicate that the Company was during the year in compliance with the code provisions of the CG Code, except for the deviations as follows:

Under code provision A.1.1 of the CG Code, which requires that regular board meetings should be held at least four times a year. The Board met regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company as well as on an ad hoc basis, as required by business needs. During the year ended 31 December 2019, the Board did not have any material issues need to discuss and met three times of which two were regular Board meetings and make timely decision on corporate affairs from time to time via written resolutions signed by Directors. The Company will endeavour to hold at least four regular Board meetings, at approximately quarterly intervals, during the year ending 31 December 2020.

Under the Code Provision E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. The chairman of the Board was unable to attend the annual general meeting of the Company held on 26 June 2019 due to an unexpected engagement. Mr. Wong Tat Keung, an independent non-executive Director of the Company was appointed as the chairman of that meeting to answer and address questions raised by shareholders of the Company.

Under Rule 3.10(1) and Rule 3.21 of the Listing Rules, every board of directors of a listed issuer must include at least three independent non-executive directors and the audit committee of every listed issuer must comprise a minimum of three members. After Mr. Wan Ka Ming's resignation on 27 December 2019 and before Ms. Chan Lai Ping's appointment on 27 March 2020, the Board and audit committee of the Company comprised only two independent non-executive Directors.

Save as the above, to the best knowledge of the Board, the Company had complied with the code provisions in the CG Code during the year.

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 (the “**Model Code**”) to the Listing Rules as a code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code throughout the year.

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

During the year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## **PUBLIC FLOAT**

As at the date of this announcement, the Company has maintained the minimum requirement for public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

## **REVIEW OF UNAUDITED ANNUAL RESULTS**

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to travel restrictions and quarantine policies enforced in parts of the PRC where the Group's major subsidiaries are located to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with ZHONGHUI ANDA CPA Limited, the Company's auditors as required under Rule 13.49(2) of the Listing Rules. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the audit committee of the Company.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to (i) the audited results for the year ended 31 December 2019 as agreed by the Company's auditors and the material differences (if any) as compared with the annual results contained herein, (ii) the proposed date on which the forthcoming annual general meeting will be held, and (iii) the period during which the register of members holding ordinary shares will be closed in order to ascertain shareholders' eligibility to attend and vote at the said meeting (and the proposed arrangements relating to dividend payment, if any). In addition, the Company will issue further announcement as and when necessary if there are other material developments in the completion of the auditing process.

By order of the Board of  
**Lerthai Group Limited**  
**Yang Longfei**  
*Chairman and Chief Executive Officer*

Hong Kong, 31 March 2020

*As at the date of this announcement, the executive Directors are Mr. Yang Longfei and Ms. Zhang Yan and the non-executive Director is Mr. Yang Shao Ming and the independent non-executive Directors are Mr. Wong Hon Kit, Mr. Wong Tat Keung and Ms. Chan Lai Ping.*

*Website of the Company: <http://www.lerthai.com.hk>*