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CHINA TING GROUP HOLDINGS LIMITED

華鼎集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3398)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

	Year ended 31 December		Change
	2020	2019	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue			
OEM Business	1,138.3	1,459.5	(22.0)
Fashion Retail Business	382.1	420.2	(9.1)
Property Investment Business	22.0	19.3	14.0
	1,542.4	1,899.0	(18.8)
Operating profit/(loss)	297.6	(29.7)	N/A
Profit/(loss) attributable to the Company's equity holders	146.0	(54.7)	N/A
Equity attributable to the Company's equity holders	2,843.3	2,514.5	
Equity per share (<i>HK\$</i>)	1.35	1.20	

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**” or “**China Ting**”) wishes to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	3	1,542,425	1,899,011
Cost of sales		<u>(1,318,699)</u>	<u>(1,524,650)</u>
Gross profit		223,726	374,361
Other income, net	4	22,610	33,846
Other gains, net	5	608,271	62,886
Net (provision for)/reversal of impairment loss of financial assets	11	(109,667)	9,425
Selling, marketing and distribution costs		(188,174)	(228,630)
Administrative expenses		<u>(259,189)</u>	<u>(281,598)</u>
Operating profit/(loss)		297,577	(29,710)
Finance income	7	5,127	8,997
Finance costs	7	(9,604)	(15,241)
Share of profits/(losses) of associates		166	(585)
Share of losses of joint ventures		<u>—</u>	<u>(573)</u>
Profit/(loss) before income tax		293,266	(37,112)
Income tax expense	8	<u>(140,272)</u>	<u>(18,547)</u>
Profit/(loss) for the year		<u>152,994</u>	<u>(55,659)</u>
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss:</i>			
Currency translation differences		135,947	(41,893)
Fair value gains on transfers of owner-occupied properties to investment properties, net of tax		49,833	—
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Fair value (losses)/gains on financial assets at fair value through other comprehensive income		<u>(1,749)</u>	<u>301</u>
Other comprehensive income/(loss), net of tax		<u>184,031</u>	<u>(41,592)</u>
Total comprehensive income/(loss)		<u>337,025</u>	<u>(97,251)</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit/(loss) attributable to:			
Equity holders of the Company		146,044	(54,686)
Non-controlling interests		6,950	(973)
		<u>152,994</u>	<u>(55,659)</u>
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		328,823	(96,762)
Non-controlling interests		8,202	(489)
		<u>337,025</u>	<u>(97,251)</u>
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company during the year (expressed in HK cents per share)			
— basic	<i>9</i>	<u>6.96</u>	<u>(2.60)</u>
— diluted	<i>9</i>	<u>6.96</u>	<u>(2.60)</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		533,320	480,208
Right-of-use assets	<i>10</i>	176,457	189,768
Investment properties		476,556	371,232
Intangible assets		42,901	14,574
Interests in associates		1,544	1,236
Promissory note	<i>11</i>	31,949	24,227
Deferred income tax assets		99,809	86,417
		<u>1,362,536</u>	<u>1,167,662</u>
Current assets			
Inventories		923,289	982,023
Trade and other receivables	<i>11</i>	1,080,058	647,615
Financial assets at fair value through profit or loss ("FVPL")	<i>12</i>	6,248	310,505
Financial assets at fair value through other comprehensive income ("FVOCI")		8,640	9,087
Promissory note	<i>11</i>	9,382	12,380
Entrusted loans	<i>11</i>	—	5,643
Tax recoverable		6,585	6,413
Pledged bank deposits		5,193	4,815
Fixed deposits		26,128	10,020
Cash and bank balances		577,172	455,596
		<u>2,642,695</u>	<u>2,444,097</u>
Assets held for sale	<i>13</i>	8,880	8,590
		<u>2,651,575</u>	<u>2,452,687</u>
Total assets		<u>4,014,111</u>	<u>3,620,349</u>

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,982	209,982
Reserves		2,633,364	2,304,541
		2,843,346	2,514,523
Non-controlling interests		31,169	22,967
		2,874,515	2,537,490
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		114,378	87,293
Lease liabilities	<i>10</i>	17,026	18,539
		131,404	105,832
Current liabilities			
Trade and other payables	<i>14</i>	569,777	513,056
Contract liabilities	<i>3</i>	37,794	22,791
Lease liabilities	<i>10</i>	9,721	10,885
Bank borrowings		270,129	424,855
Current income tax liabilities		120,771	5,440
		1,008,192	977,027
Total liabilities		1,139,596	1,082,859
Total equity and liabilities		4,014,111	3,620,349

NOTES

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

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

(a) Amended standards and conceptual framework adopted by the Group

The following amended standards and conceptual framework have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2020:

Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 3	Definition of a business
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting

The adoption of these amended standards and conceptual framework did not result in any substantial change to the Group’s accounting policies. The amended standards and conceptual framework listed above did not have any significant impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(b) New and amended standards and annual improvements not yet adopted

		Effective for accounting periods beginning on or after
Amendments to HKFRS 16	Covid-19-related rent concessions	1 June 2020
Amendments to HKAS 16	Property, plant and equipment — proceeds before intended use	1 January 2022
Amendments to HKAS 37	Onerous contracts — cost of fulfilling a contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual improvements	Annual improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKAS 1	Presentation of financial statements, classification of liabilities as current or non-current	1 January 2023
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The above new and amended standards and annual improvements are not expected to have a material impact on the consolidated financial statements of the Group.

2 FINANCIAL RISK FACTORS

Impairment of financial assets

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

- Trade receivables
- Other financial assets at amortised costs

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

Trade receivables

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

Measurement of expected credit loss on individual basis

Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2020, the balances of such individually assessed trade receivables and the loss allowance in respect of these receivables are HK\$68,000,000 (2019: HK\$29,719,000) and HK\$32,907,000 (2019: HK\$29,715,000), respectively.

Measurement of expected credit loss on collective basis

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 31 December 2020 or 2019, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

	Up to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 120 days <i>HK\$'000</i>	Over 120 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2020						
Expected loss rate	2.4%	2.6%	8.4%	24.7%	69.0%	
Gross carrying amount	167,369	40,278	33,078	48,061	68,386	357,172
Loss allowance	<u>4,063</u>	<u>1,028</u>	<u>2,790</u>	<u>11,864</u>	<u>47,207</u>	<u>66,952</u>
	Up to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 120 days <i>HK\$'000</i>	Over 120 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2019						
Expected loss rate	2.5%	2.8%	5.2%	6.4%	47.8%	
Gross carrying amount	190,614	65,353	30,951	49,456	65,166	401,540
Loss allowance	<u>4,831</u>	<u>1,858</u>	<u>1,618</u>	<u>3,157</u>	<u>31,124</u>	<u>42,588</u>

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. During the year ended 31 December 2020, trade receivables amounting to HK\$29,002,000 (2019: Nil) have been directly written off and trade receivables previously provided for amounting to HK\$15,035,000 (2019: Nil) have been written off.

Other financial assets at amortised cost

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

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

During the year ended 31 December 2020, the Group entered into a debt restructuring arrangement with the issuer of the promissory note to rearrange the settlement of such debtor's certain trade receivables and promissory note (See Note 11 for more details). An impairment loss of HK\$29,656,000 (2019: Nil) has been provided for as a result of such debt restructuring. As at 31 December 2020, an impairment loss of HK\$4,807,000 (2019: Nil) has been provided for the revised non-interest bearing promissory note.

Also, the amount due from a joint venture of HK\$3,910,000 has been fully impaired as at 31 December 2020.

Other than mentioned above, as at 31 December 2020 the Group's other financial assets at amortised cost are considered to be of low credit risk primarily because historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term (2019: Same). No impairment losses are provided for such financial assets as at 31 December 2020 as the impairment losses are considered immaterial (2019: Same).

3 SEGMENT INFORMATION

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

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

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

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

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2020					
Total revenue	1,144,935	382,069	—	25,880	1,552,884
Inter-segment revenue	<u>(6,610)</u>	<u>—</u>	<u>—</u>	<u>(3,849)</u>	<u>(10,459)</u>
Revenue (from external customers)	<u>1,138,325</u>	<u>382,069</u>	<u>—</u>	<u>22,031</u>	<u>1,542,425</u>
Timing of revenue recognition					
At a point in time	1,138,325	382,069	—	—	1,520,394
Over time	<u>—</u>	<u>—</u>	<u>—</u>	<u>22,031</u>	<u>22,031</u>
	<u>1,138,325</u>	<u>382,069</u>	<u>—</u>	<u>22,031</u>	<u>1,542,425</u>
Segment (loss)/profit before income tax and gain on expropriation of land and properties	(301,391)	(24,326)	176,877	14,419	(134,421)
Gain on expropriation of land and properties	<u>366,746</u>	<u>64,792</u>	<u>—</u>	<u>—</u>	<u>431,538</u>
Segment profit before income tax	<u>65,355</u>	<u>40,466</u>	<u>176,877</u>	<u>14,419</u>	<u>297,117</u>
Fair value losses on investment properties	—	—	—	(1,013)	(1,013)
Gain on disposal of FVPL in Zhejiang Haoran	—	—	193,275	—	193,275
Depreciation of property, plant and equipment	(65,723)	(19,968)	—	—	(85,691)
Depreciation of right-of-use assets	(10,833)	(8,489)	—	—	(19,322)
Amortisation of intangible assets	(5,734)	(775)	—	—	(6,509)
Finance income	4,951	176	—	—	5,127
Finance costs	(6,768)	(2,836)	—	—	(9,604)
Share of profits of associates	166	—	—	—	166
Income tax expense	<u>(118,827)</u>	<u>(9,918)</u>	<u>(7,922)</u>	<u>(3,605)</u>	<u>(140,272)</u>

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

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2020					
Total segment assets	<u>2,159,002</u>	<u>1,362,716</u>	<u>—</u>	<u>446,556</u>	<u>3,968,274</u>
Total segment assets include:					
Interests in associates	1,544	—	—	—	1,544
Additions to non-current assets (other than financial instruments and deferred income tax assets)	179,167	33,867	—	—	213,034
Tax recoverable	3,816	2,769	—	—	6,585
Deferred income tax assets	<u>18,383</u>	<u>81,426</u>	<u>—</u>	<u>—</u>	<u>99,809</u>
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2019					
Total segment assets	<u>1,909,885</u>	<u>1,012,849</u>	<u>304,858</u>	<u>342,432</u>	<u>3,570,024</u>
Total segment assets include:					
Interests in associates	1,236	—	—	—	1,236
FVPL	—	—	304,858	—	304,858
Additions to non-current assets (other than financial instruments and deferred income tax assets)	230,227	23,488	—	—	253,715
Tax recoverable	3,116	3,297	—	—	6,413
Deferred income tax assets	<u>17,898</u>	<u>68,519</u>	<u>—</u>	<u>—</u>	<u>86,417</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total segment profit/(loss) before income tax	297,117	(37,031)
Net fair value gains of FVPL	1,275	4,160
Corporate overhead	(6,673)	(6,621)
Fair value gains on investment properties	1,200	1,800
Rental income	347	580
	<u>293,266</u>	<u>(37,112)</u>
Profit/(loss) before income tax per consolidated statement of comprehensive income	<u>293,266</u>	<u>(37,112)</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Total segment assets	3,968,274	3,570,024
FVPL	6,248	5,647
FVOCI	8,640	9,087
Corporate assets	949	1,148
Investment properties	30,000	28,800
Entrusted loans	—	5,643
	<u>4,014,111</u>	<u>3,620,349</u>
Total assets per consolidated balance sheet	<u>4,014,111</u>	<u>3,620,349</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	842,020	942,921
North America	494,824	683,230
European Union	174,879	219,406
Hong Kong	26,710	36,021
Other countries	3,992	17,433
	<u>1,542,425</u>	<u>1,899,011</u>

The total of non-current assets other than interests in associates, promissory note and deferred income tax assets located in the following geographical areas are as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
The PRC	1,005,205	840,397
Hong Kong	209,135	197,765
North America	14,894	17,620
	<u>1,229,234</u>	<u>1,055,782</u>

For the year ended 31 December 2020, there was no customer individually accounted for more than 10% of the Group's total revenue.

For the year ended 31 December 2019, revenue of approximately HK\$235,839,000 derived from a single external customer which was attributable to the OEM reportable segment accounted for greater than 10% of the Group's revenue. There was no other customers which individually accounted for more than 10% of the Group's total revenue for the year ended 31 December 2019.

The contract liabilities represent the advance payments received from counterparties for goods or services that have not yet been transferred or provided to the counterparties. As at 31 December 2020, the Group has recognised the following liabilities related to contracts with customers:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current contract liabilities	<u>37,794</u>	<u>22,791</u>

The following table shows the amount of the revenue recognised during the year ended 31 December 2020 relates to contract liabilities carried forward:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>20,096</u>	<u>23,618</u>

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

4 OTHER INCOME, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Compensation received	—	14,106
Government grants	11,577	10,628
Rental income	7,217	5,393
Investment income	2,223	1,732
Building management income	1,150	1,707
Reversal of over-stated commission income	—	(168)
Others	443	448
	<u>22,610</u>	<u>33,846</u>

5 OTHER GAINS, NET

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Gain on expropriation of land and properties (<i>Note (a)</i>)	431,538	—
Gain on requisition and demolition of land and properties (<i>Note (b)</i>)	—	8,915
Gain on disposal of FVPL in Haoran (<i>Note 12</i>)	193,275	—
Net exchange (losses)/gains	(16,426)	7,689
Fair value gain on FVPL — unrealised	600	21,717
Fair value gain on FVPL — realised	675	3,804
Fair value gains on investment properties	187	13,603
(Loss)/gain on disposal of property, plant and equipment	(2,017)	5,481
Reversal of provision for customer claims	439	522
Fair value gain on interest in a joint venture in a step-up acquisition	—	1,155
	<u>608,271</u>	<u>62,886</u>

Notes:

- (a) During the year ended 31 December 2020, the Group's land and properties located in Hangzhou with net book value of HK\$41,466,000 (2019: Nil) were expropriated by local government. Relevant compensation amounted to HK\$473,004,000 (2019: Nil) were granted by local government with this regard, resulting in a net gain of HK\$431,538,000 (2019: Nil).

Compensation proceed of HK\$189,202,000 (2019: Nil) has been received by the Group during the current year while the remaining balance of HK\$283,802,000 (2019: Nil) was recorded as part of the Group's other receivables as at 31 December 2020, among which HK\$189,202,000 was subsequently received by the Group in January 2021.

- (b) During the year ended 31 December 2019, the Group's land and properties located in Hangzhou, of a net book value of HK\$15,533,000 were made requisition of by local government to be demolished and/or relocated. Relevant compensation amounted to HK\$24,448,000 were granted by local government with this regard, resulting in a net gain of HK\$8,915,000. Such compensation has been fully received by the Group during the year ended 31 December 2019.

6 OPERATING PROFIT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Amortisation of intangible assets	6,509	4,878
Depreciation of property, plant and equipment	85,691	88,100
Depreciation of right-of-use assets (<i>Note 10</i>)	19,322	18,989
Employee benefit expenses (including directors' emolument)	343,934	431,198
Provision for impairment for inventories	105,704	39,263
	<u>105,704</u>	<u>39,263</u>

7 FINANCE INCOME AND COSTS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	3,334	5,601
— promissory notes	1,793	3,396
	<u>5,127</u>	<u>8,997</u>
Finance costs		
— interest expense on bank borrowings	(11,457)	(13,653)
— interest expense on lease liabilities	(895)	(857)
— loss on modification of promissory note	—	(2,877)
	<u>(12,352)</u>	<u>(17,387)</u>
— amount capitalised (<i>Note</i>)	2,748	2,146
	<u>(9,604)</u>	<u>(15,241)</u>
Finance cost, net	<u>(4,477)</u>	<u>(6,244)</u>

Note: The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 3.05% (2019: 3.54%).

8 INCOME TAX EXPENSE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax (<i>Note (a)</i>)	3,357	4,296
— PRC enterprise income tax (<i>Note (b)</i>)	113,693	9,904
— (Over)/under-provision in prior years	(59)	114
Withholding tax	25,028	8,348
Deferred income tax	(1,747)	(4,115)
	<u>140,272</u>	<u>18,547</u>

Notes:

- (a) Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profit up to HK\$2,000,000 and 16.5% on any part of estimated assessable profit over HK\$2,000,000 for the year ended 31 December 2020 (2019: Same).
- (b) The PRC enterprise income tax is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations. The standard PRC enterprise income tax rate is 25% during the years ended 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019, a subsidiary of the Group, Hangzhou Fuxi Fashion Co. Ltd., is qualified for a preferential income tax rate of 15% under the tax breaks to small and micro business. The remaining PRC subsidiaries of the Group are subject to standard PRC enterprise income tax rate of 25%.

9 EARNINGS/(LOSS) PER SHARE

- (a) The calculation of basic earnings/loss per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$146,044,000 (2019: loss of HK\$54,686,000) and weighted average number of ordinary shares in issue during the year of 2,099,818,000 (2019: 2,099,818,000).
- (b) Diluted earnings/loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

During the years ended 31 December 2020 and 2019, there were no dilutive potential ordinary shares deemed to be issued under the share option scheme as there are no outstanding options during the years ended 31 December 2020 and 2019.

10 LEASES

(i) Amounts recognised in the consolidated balance sheet

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Right-of-use assets		
Leasehold land and land use rights	151,325	161,431
Properties	24,967	28,099
Office equipment	165	238
	<u>176,457</u>	<u>189,768</u>
Lease liabilities		
— Current portion	9,721	10,885
— Non-current portion	17,026	18,539
	<u>26,747</u>	<u>29,424</u>

Additions to the right-of-use assets during the year ended 31 December 2020 were approximately HK\$9,844,000 (2019: HK\$44,301,000).

As at 31 December 2020, leasehold land and land use rights with net book amount of approximately HK\$104,597,000 (2019: HK\$98,818,000) were pledged as securities for the Group's bank borrowings.

During the year ended 31 December 2020, the Group transferred certain portion of owner-occupied land used rights located in Hangzhou to investment properties and rented them out:

	2020 <i>HK\$'000</i>
On the date of transfer	
— Fair values of land use rights transferred	19,566
— Carrying amounts of land use rights transferred	<u>(3,040)</u>
Excess of fair values over carrying amounts	16,526
Less: Deferred taxation	<u>(4,132)</u>
Revaluation surplus recognised in other comprehensive income	<u><u>12,394</u></u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Depreciation charge of right-of-use assets		
Properties	13,578	13,261
Leasehold land and land use rights	5,671	5,655
Office equipment	73	73
	<u>19,322</u>	<u>18,989</u>
Interests on lease liabilities	895	857
Expenses relating to short-term leases	6,322	10,704

The total cash outflow for leases during the year ended 31 December 2020 was approximately HK\$20,355,000 (2019: HK\$23,804,000).

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

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

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

(iv) Variable lease payments

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

(v) Extension and termination options

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

11 TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bill receivables (<i>Note (i)</i>)	425,172	431,260
Less: Loss allowance (<i>Note 2</i>)	<u>(99,859)</u>	<u>(72,304)</u>
Trade and bill receivables, net	325,313	358,956
Amounts due from related parties	36,386	42,008
Compensation receivable from government (<i>Note 5</i>)	283,802	—
Disposal proceed receivable of FVPL in Zhejiang Haoran (<i>Note 12</i>)	118,765	—
Prepayments	192,382	143,213
Entrusted loans	—	5,643
Deposits and other receivables	<u>123,410</u>	<u>103,438</u>
	<u>1,080,058</u>	<u>653,258</u>
Promissory note (<i>Note (ii)</i>)		
— Non-current portion	31,949	24,227
— Current portion	<u>9,382</u>	<u>12,380</u>
	<u>41,331</u>	<u>36,607</u>

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

Notes:

(i) Trade and bill receivables

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Up to 30 days	157,004	190,614
31 to 60 days	50,284	65,354
61 to 90 days	51,521	30,951
91 to 120 days	66,172	63,952
Over 120 days	<u>100,191</u>	<u>80,389</u>
	<u>425,172</u>	<u>431,260</u>

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

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

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

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

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

As at 31 December 2020, the trade receivables from five customers accounted for 24% (2019: 32%) of the total trade receivables. The loss allowance increased by HK\$71,294,000 (2019: HK\$6,691,000) for trade receivables during the current year. Information about the Group's exposure to credit risk and the impairment of trade receivables can be found in Note 2.

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

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January	72,304	66,137
Charged to the consolidated profit or loss	71,294	6,691
Write-off	(44,037)	—
Exchange differences	298	(524)
	<u>99,859</u>	<u>72,304</u>
At 31 December	99,859	72,304

(ii) Promissory note

As at 31 December 2019, the promissory note represented a senior unsecured promissory note with outstanding principal of US\$5,000,000 (approximately HK\$38,675,000) converted from trade receivables due from Bernard Chaus, which was interest bearing at 5.25% per annum and repayable by January 2023.

Such promissory note formed part of the Debt Restructuring Agreement the Group entered with Bernard Chaus on 1 August 2020. Under the revised debt arrangement with Bernard Chaus, a revised non-interest bearing promissory note has been arranged with principal of US\$8,000,000 (approximately HK\$61,880,000), which was to be repaid by 40 equal monthly instalments of US\$200,000 (approximately HK\$1,547,000) with the first payment commencing on 1 August 2020.

The carrying amounts of the Group's net trade and other receivables (excluding prepayments, promissory note and entrusted loans) are denominated in the following currencies:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
HK\$	1,549	3,607
RMB	743,903	288,973
US\$	140,695	210,947
Euro	1,529	875
	<u>887,676</u>	<u>504,402</u>

The carrying amounts of other receivables are current and do not contain any impaired assets.

12 FVPL

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Listed equity securities (<i>Note (i)</i>)	6,248	5,647
FVPL in Zhejiang Haoran (<i>Note (ii)</i>)		
— Equity interests	—	61,838
— Shareholder's loans	—	226,631
— Advances	—	16,389
	—	304,858
	<u>6,248</u>	<u>310,505</u>

Movement of the Group's FVPL for the year ended 31 December 2020 is as follows:

	Listed equity securities <i>HK\$'000</i>	FVPL in Zhejiang Haoran <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	5,647	304,858	310,505
Additions	478	—	478
Disposals	(839)	(306,779)	(307,618)
Fair value gain — unrealised (<i>Note 5</i>)	600	—	600
Exchange differences	362	1,921	2,283
At 31 December 2020	<u>6,248</u>	<u>—</u>	<u>6,248</u>

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

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

Notes:

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

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

As at 31 December 2019, FVPL in Zhejiang Haoran represented the Group's 29% equity interest in, shareholder's loans and advances granted to Zhejiang Haoran totalled RMB272,511,000 (approximately HK\$304,858,000). The Group had sought for recovery of a portion of shareholder's loans and advance to Zhejiang Haoran and to enforce its right as a shareholder of Zhejiang Haoran through legal proceedings since 2016.

The Group was unable to obtain sufficient financial information of Zhejiang Haoran as at and for the year ended 31 December 2019 because management of Zhejiang Haoran did not provide such required financial information to the Group. As a result, the fair value of FVPL in Zhejiang Haoran as at 31 December 2019 was estimated by management using the adjusted net asset value approach based on Zhejiang Haoran's financial information as at 31 December 2016 which was the latest financial information available to the Group. The fair value of the Property and construction costs incurred for the Property subsequent to 31 December 2016 have been adjusted to take into account certain more up to date financial information and other information made available in the process of legal proceedings in late 2019. No interest expense has been accrued subsequent to 31 December 2016. A minority interest discount rate of 40% was applied in the valuation as at 31 December 2019. The directors considered that the above-mentioned assumptions and basis applied in the fair value assessment of FVPL in Zhejiang Haoran were appropriate and represented their best estimates as at 31 December 2019.

Management assumed there was no change in the fair value of FVPL in Zhejiang Haoran during the year and the fair value of such FVPL at the date of disposal was of HK\$298,971,000. On 30 June 2020, the FVPL in Zhejiang Haoran was disposed of by the Group to a company designated by the major shareholder of Zhejiang Haoran (the “**buyer**”) at a consideration of HK\$491,482,000 and a disposal gain of HK\$193,275,000 was recognised accordingly in the Group's consolidated statement of comprehensive income for the year ended 31 December 2020.

Disposal proceed of HK\$376,723,000 has been received by the Group during the current year while the remaining balance of HK\$118,765,000 has been recorded as part of the Group's other receivables as at 31 December 2020. Based on the agreement between the Group and the buyer, such outstanding disposal proceed is expected to be settled by the end of 31 December 2021.

13 ASSETS HELD FOR SALE

As at 31 December 2020, land and properties of approximately HK\$8,880,000 (2019: HK\$8,590,000) have been presented as held for sale following the decision of the Group's management to sell such assets in the near term. Several rounds of open tender have been arranged with the assistance of local government to sell such assets since late 2019. Due to the changes of local property market and urban planning, the Group and the local government are still in the process of identifying appropriate potential buyers as the date of this report. Such assets held for sale are currently open to tender through public auction platforms.

14 TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade and bill payables	340,233	316,615
Accrued employee benefit expenses	35,212	43,893
Customer deposits	50,587	29,982
Value-added tax and other tax payables	38,510	23,440
Accrued operating expenses	49,361	42,723
Other payables	55,387	55,144
Amounts due to related parties	487	1,259
	<u>569,777</u>	<u>513,056</u>

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Up to 30 days	239,971	228,231
31 to 60 days	35,011	41,071
61 to 90 days	10,826	12,155
Over 90 days	54,425	35,158
	<u>340,233</u>	<u>316,615</u>

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

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

The carrying amounts of the Group's trade and other payables are denominated in the following currencies:

	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	35,572	29,940
RMB	442,322	396,284
Other currencies	7,541	9,780
	<u>485,435</u>	<u>436,004</u>

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

EXTRACT OF INDEPENDENT AUDITOR’S REPORT TO BE ISSUED ON THE GROUP’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

Our qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As discussed in note 16 to the consolidated financial statements, the Group held financial assets at fair value through profit or loss (“FVPL in Zhejiang Haoran”) with respect to Zhejiang Haoran Property Company Limited (“Zhejiang Haoran”) during the year up to 30 June 2020 (the “date of disposal”), which represented the Group’s equity interests in, shareholder’s loans and advances granted to Zhejiang Haoran. As set out in our auditor’s report dated 26 March 2020 on the Group’s consolidated financial statements for the year ended 31 December 2019, we have previously qualified our audit opinion due to limitation on the scope in relation to the carrying value and classification of the FVPL in Zhejiang Haoran as we were unable to obtain sufficient appropriate audit evidence on whether any adjustments were necessary to the carrying value of HK\$305 million and the related negative exchange reserve balance of HK\$34 million as at 31 December 2019 and the corresponding fair value gain of HK\$21 million and exchange loss of HK\$5 million for the year ended 31 December 2019 as well as whether the classification of the FVPL in Zhejiang Haoran as current assets is appropriate.

The Group had sought for recovery of the shareholders’ loan and advance to Zhejiang Haoran and to enforce its right as a shareholder of Zhejiang Haoran through legal proceedings since 2016. The fair value of the FVPL in Zhejiang Haoran as at 31 December 2019 was estimated by management using the adjusted net asset value approach, as described in note 16 to the consolidated financial statements, based on the financial information of Zhejiang Haoran as at 31 December 2016 and other information made available to the Group during the legal proceeding because management of Zhejiang Haoran did not provide such required up to date financial information to the Group.

During the year ended 31 December 2020, the Group disposed of its entire interest in Zhejiang Haoran to the major shareholder of Zhejiang Haoran at a consideration of approximately HK\$491 million. Management assumed there was no change in the fair value during the year up to the date of disposal. Hence, the Group recognised a gain on disposal of HK\$193 million in the consolidated statement of comprehensive income for the year ended 31 December 2020 calculated as the difference between the consideration and the carrying value of the FVPL of Zhejiang Haoran at HK\$299 million.

Up to the date of this report, management was unable to provide us with sufficient appropriate audit evidence we considered necessary to assess management's valuation of the FVPL in Zhejiang Haoran as at 1 January 2020 and at the date of disposal. We were unable to determine whether any adjustments were necessary to the balance of the FVPL in Zhejiang Haoran as at 1 January 2020 and at the date of disposal of HK\$305 million and HK\$299 million, respectively. Any adjustments to the carrying value of FVPL in Zhejiang Haoran as at 1 January 2020 and at the date of disposal could have a significant consequential effect on the fair value gain of nil, disposal gain of HK\$193 million and exchange loss of HK\$6 million recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020. There were no other satisfactory audit procedures that we could perform to determine whether any adjustments to the aforementioned fair value gain, disposal gain and related exchange loss for the year ended 31 December 2020 is necessary.

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

At the meeting of the Audit Committee held on 26 March 2021, the independent non-executive Directors, being all members of the Audit Committee, reviewed the bases of determining the fair value of the Group's equity investment in Zhejiang Haoran and discussed with the management of the Group and the auditor of the Company any alternative that may be adopted in determining such fair value. The Audit Committee agreed on the fair value estimation approach and the determination of the fair value as it represented the best estimates available to the Group. The Audit Committee also agreed that the auditor of the Company was not able to verify certain parameters/assumptions/information adopted in the valuation and thus the issuance of a qualified review opinion is understandable.

As the qualified audit opinion was relating to the opening balance of the FVPL in Zhejiang Haoran as at 1 January 2020 and on the date of disposal, the Audit Committee expected no such qualified audit opinion will need to be made, expect for the qualified audit opinion referring to the comparative figures, in the forthcoming audited financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

In 2020, the coronavirus disease 2019 (the “COVID-19”) pandemic plagued the global economy severely, and the blockade measures implemented by various countries and territories had brought the global economy to halt. As a result, the unemployment rate soared, and the gross domestic product (GDP) in the PRC commenced to decline in the second quarter of 2020. Although the GDP took on a sharp rebound in the third quarter with the blockade lifted and the economy restarted after the pandemic eased, a strike back of the pandemic occurred thereafter, which has caused the economic activities to contract again in the fourth quarter and resulting in a remarkable slowdown of the economic recovery. According to the World Economic Outlook released by the International Monetary Fund in October 2020, the global economy is expected to shrink by 4.4% in 2020, representing the most severe recession since the Great Depression in the 1930s in the United States. Driven by the “internal circulation” economic initiative, the domestic economy in China managed to achieve a positive growth in the second quarter with an annual GDP growth of 1.9%, yet it was still much lower than expectation due to the unfavourable impact of the international economic environment.

Because of the COVID-19 pandemic, the Group’s OEM/ODM business experienced a cliff-like decline in the foreign trade orders in the first quarter. Although the Group put significant efforts on the development of customers in the domestic market, it still failed to make up for the decrease in the orders of the global market. The OEM/ODM business recorded a decline of 22.0% in total sales. In addition, due to the construction of a government initiated infrastructure project in Hangzhou, part of the land owned by six subsidiaries of the Company was expropriated and the production activities at the factory plants have been relocated. The Group has received compensation from the PRC government and by the end of December 2020, the Group’s production activities have been resumed to the normal levels.

The year of 2020 was also challenging for the retail business. The domestic market in the PRC was paralyzed from February to May 2020. Although the domestic consumption in the PRC experienced slight rebound, it was not back to the normal levels. Against this unfavourable trend, the retail team of China Ting focused on the brand building connotation, improving the team capability, controlling the level of inventory and strengthening the sales channels. By the end of 2020, China Ting has opened nearly 100 new stores and seized the opportunities to enhance our market position. It is foreseeable that the newly opened stores will make contributions to our revenue in the future. Looking back on the whole year, the retail business revenue amounted to HK\$382.1 million, representing a year-on-year decrease of 9.1%.

(2) Financial Review

Review of operations

During the year ended 31 December 2020, the Group's revenue amounted to HK\$1,542.4 million, representing a decrease of 18.8% when compared with the total revenue of the Group of HK\$1,899.0 million in 2019. The gross profit for the year ended 31 December 2020 was HK\$223.7 million, representing a decrease of 40.3% as compared with HK\$374.4 million in 2019. The net profit attributable to equity holders of the Company for the year ended 31 December 2020 was HK\$146.0 million and the net asset value per share as at 31 December 2020 was HK\$1.35.

OEM and ODM business

During the year ended 31 December 2020, the revenue derived from our OEM/ODM business recorded a decrease of 22.0% from HK\$1,459.5 million in 2019 to HK\$1,138.3 million in 2020. Products made from silk, cotton and synthetic fabrics continue to be the major products which contributed HK\$881.6 million (2019: HK\$1,234.2 million), representing 77.4% (2019: 84.5%) of the total turnover of our OEM/ODM business for the year ended 31 December 2020.

In respect of market concentration, sales to the market in the United States of America ("US") amounted to HK\$494.8 million in 2020 (2019: HK\$683.2 million), which accounted for 43.5% (2019: 46.8%) of the OEM/ODM revenue. Sales to European Union and other markets in 2020 were HK\$174.9 million (2019: HK\$219.4 million) and HK\$468.6 million (2019: HK\$557.6 million), respectively.

Fashion retail business

During the year ended 31 December 2020, the retail sales of the Group amounted to HK\$382.1 million, representing a decrease of 9.1% when compared with the revenue of HK\$420.2 million in 2019. Finity, the major brand of the Group, contributed HK\$220.9 million to the retail business, representing an increase of 0.2% as compared with HK\$220.4 million for the year 2019.

In terms of retail revenue analysis by sales channels, sales from concessionary counters amounted to HK\$111.4 million (2019: HK\$175.2 million), accounting for 29.2% of total retail turnover for the year ended 31 December 2020. Sales from e-commerce, freestanding stores and franchisees for the year ended 31 December 2020 amounted to HK\$179.8 million (2019: HK\$152.9 million), HK\$7.9 million (2019: HK\$15.6 million) and HK\$83.0 million (2019: HK\$75.8 million), respectively.

Property Investment Business

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

During the year ended 31 December 2020, the revenue from our property investment business amounted to HK\$22.0 million (2019: HK\$19.3 million).

Liquidity and financial resources

The Group continues to retain a solid financial position. During the year, the Group’s working capital needs were principally supported by the financial resources generated from its ordinary course of business. As of 31 December 2020, the cash and cash equivalents were HK\$577.2 million, representing an increase of 26.7% from HK\$455.6 million as of 31 December 2019. The Group had bank borrowings of HK\$270.1 million as of 31 December 2020 (2019: HK\$424.9 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 9.4% (2019: 16.7%). The Directors consider that the Group has adequate financial resources to support its working capital requirement and future expansion.

(3) Business Outlook

Although the COVID-19 vaccination programs have been rolled out in a number of countries and territories, it may not be able to reduce the number of the confirmed cases in the short term, which, coupled with the emergence of mutant viruses, cause the trend of pandemic development worldwide to continue. Therefore, whether the global economy can get rid of the economic recession is uncertain. As such, the Group's OEM/ODM business will be under the negative impact of the pandemic for a long period of time, and may not be able to recover in the very near future. Although the domestic economy in the PRC sees an overall upturn, the development remains unbalanced, with bio-medicine and health-related sectors being the main drivers for the GDP growth. However, the consumers' income has dropped significantly compared with the previous year and the unemployment rate is also higher than that in the last year. Therefore, the OEM/ODM business aiming at the domestic market in the PRC will also be adversely affected by the macro-environment.

As mentioned above, due to the decline in the domestic consumption in the PRC, we focused on the development of our retail business in 2021, but at the same time, we also believe that 2021 is a year of opportunities for brand development. When all the brands worldwide are facing difficulties, we are in a better position to introduce more international brands into the PRC market, while further strengthening our brand connotation, recognition and market position through a variety of communication channels, and leveraging on consignee to continue to open 300 stores. In addition, we are also optimistic on the emerging sales method of live broadcast, and will make use of new technologies and new channels to build up the Group's branded businesses. We hope the overall economy will recover in the second half of 2021 and bring a strong rebound in the retail market.

Upon completion of the land expropriation within China Ting Industrial Park, China Ting will invest in a comprehensive upgrades and modifications of the production facilities in 2021, which is expected to improve the land utilisation rate and also reform and upgrade the industrial structure of the buildings from a simple two-storey standard plant to an industrial complex that caters for diverse needs. Such modifications would not only bring considerable property income to China Ting, but also provide sufficient space for our diversified development in future.

(4) Human Resources

As of 31 December 2020, the Group had approximately 4,000 full-time employees. Staff costs for 2020 stand at HK\$343.9 million, representing a decrease of 20.2% when compared with HK\$431.2 million for the year 2019.

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

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

CAPITAL EXPENDITURE AND COMMITMENTS

The Group exercised careful control over capital expenditure. The Group incurred capital expenditures of HK\$162.2 million for the year ended 31 December 2020 which was primarily used in the expansion of the China Ting International Fashion Base and the leasehold improvement of the Group's retail outlets and factories. Capital commitments contracted for but not incurred by the Group as at 31 December 2020 amounted to HK\$15.4 million, which were mainly related to the construction of the China Ting International Fashion Base.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

Saved as disclosed in this announcement, there was no significant investment, material acquisition and disposal of subsidiaries during the year ended 31 December 2020.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

The sales and purchase of raw materials of the Group are mainly denominated in USD and Renminbi (“**RMB**”). During the period, approximately 45.6% and 54.3% of revenue were denominated in USD and RMB respectively, and approximately 11.1% and 88.9% of purchase of raw materials were denominated in USD and RMB respectively.

As of 31 December 2020, approximately 37.4%, 61.6% and 0.9% of cash and bank balances were denominated in USD, RMB and HK\$, respectively, and approximately 26.4% and 73.6% of bank borrowings were denominated in RMB and HK\$, respectively.

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

SUBSEQUENT EVENT AFTER BALANCE SHEET DATE

There were no material subsequent events undertaken by the Group after 31 December 2020 and up to date of this announcement.

CORPORATE GOVERNANCE

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

The Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) for the year ended 31 December 2020.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set forth in the Model Code for the year ended 31 December 2020.

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

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, the Board has established the Audit Committee to review the financial reporting procedures and risk management and internal control matters with management and our Group’s auditors and provide guidance thereto. The members of the Audit Committee comprise all the three independent non-executive Directors namely, Mr. CHENG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit. Mr. WONG Chi Keung is the chairman of the Audit Committee. The Audit Committee has considered and reviewed the annual results of the Group for the financial year ended 31 December 2020 and the accounting principles and practices adopted by the Group and discussed matters in relation to risk management and internal control and financial reporting with the management and the independent auditor.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group’s results for the year ended 31 December 2020 have been agreed by the Group’s external auditor, PricewaterhouseCoopers Hong Kong (“**PwC**”), to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC on this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2020.

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

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2020 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company (the “Shareholders”) and available on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 3 June 2021. A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2020.

APPRECIATION

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

GENERAL INFORMATION

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

Executive Directors

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

Independent non-executive Directors

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

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

Hong Kong, 26 March 2021