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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

	Six months ended 30 June		% Change
	2021 (Unaudited) <i>HK\$ million</i>	2020 (Unaudited) <i>HK\$ million</i>	
Revenue			
OEM Business	555.8	570.5	(2.6)
Fashion Retail Business	214.0	156.6	36.7
Property Investment Business	19.8	8.9	122.5
	789.6	736.0	7.3
Operating (loss)/profit	(89.0)	24.1	
(Loss)/profit before income tax	(85.5)	20.6	
Equity attributable to the Company's equity holders	2,888.2	2,476.7	
Equity per share (<i>HK\$</i>)	1.38	1.18	

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**” or “**China Ting**”) is pleased to announce the condensed consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2021

	<i>Note</i>	Six months ended 30 June	
		2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Revenue	3	789,624	736,089
Cost of sales		<u>(655,184)</u>	<u>(624,150)</u>
Gross profit		134,440	111,939
Other income	4	18,840	10,072
Other gains, net	5	9,569	192,777
Provision for impairment loss for financial assets, net	11	(4,422)	(59,357)
Selling, marketing and distribution costs		(97,139)	(90,045)
Administrative expenses		<u>(150,257)</u>	<u>(141,335)</u>
Operating (loss)/profit	6	(88,969)	24,051
Finance income	7	5,533	4,285
Finance costs	7	(1,139)	(7,472)
Share of results of investments accounted for using the equity method		<u>(954)</u>	<u>(225)</u>
(Loss)/profit before income tax		(85,529)	20,639
Income tax expense	8	<u>(7,077)</u>	<u>(6,759)</u>
(Loss)/profit for the period		<u>(92,606)</u>	<u>13,880</u>

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive income/(loss) for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Currency translation differences	34,883	(48,110)
— Fair value gains on transfers of owner-occupied properties to investment properties, net of tax	91,067	—
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
— Fair value gains/(losses) on financial asset at fair value through other comprehensive income	<u>13,483</u>	<u>(3,716)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>139,433</u>	<u>(51,826)</u>
Total comprehensive income/(loss) for the period	<u>46,827</u>	<u>(37,946)</u>
(Loss)/profit attributable to:		
Equity holders of the Company	(93,919)	13,031
Non-controlling interests	<u>1,313</u>	<u>849</u>
	<u>(92,606)</u>	<u>13,880</u>
Total comprehensive income/(loss) attributable to:		
Equity holders of the Company	44,860	(37,845)
Non-controlling interests	<u>1,967</u>	<u>(101)</u>
	<u>46,827</u>	<u>(37,946)</u>
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (expressed in HK cents per share)		
— basic and diluted	<i>9</i> <u>(4.47)</u>	<u>0.62</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2021

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		318,720	533,320
Right-of-use assets		172,018	176,457
Investment properties		843,229	476,556
Intangible assets		37,739	42,901
Investments accounted for using the equity method	<i>10</i>	15,135	1,544
Promissory note	<i>11</i>	24,250	31,949
Deferred income tax assets		107,318	99,809
		<u>1,518,409</u>	<u>1,362,536</u>
Current assets			
Inventories		1,023,834	923,289
Trade and other receivables	<i>11</i>	741,204	1,080,058
Financial assets at fair value through profit or loss ("FVPL")	<i>13</i>	6,524	6,248
Financial assets at fair value through other comprehensive income ("FVOCI")		22,159	8,640
Promissory note	<i>11</i>	10,450	9,382
Tax recoverable		2,646	6,585
Pledged bank deposits		3,322	5,193
Fixed deposits		38,966	26,128
Cash and cash equivalents		641,778	577,172
		<u>2,490,883</u>	<u>2,642,695</u>
Assets held for sale	<i>12</i>	<u>—</u>	<u>8,880</u>
		<u>2,490,883</u>	<u>2,651,575</u>
Total assets		<u>4,009,292</u>	<u>4,014,111</u>

		As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,982	209,982
Reserves		<u>2,678,224</u>	<u>2,633,364</u>
		2,888,206	2,843,346
Non-controlling interests		<u>33,136</u>	<u>31,169</u>
Total equity		<u>2,921,342</u>	<u>2,874,515</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		144,064	114,378
Lease liabilities		<u>14,144</u>	<u>17,026</u>
		<u>158,208</u>	<u>131,404</u>
Current liabilities			
Trade and other payables	14	625,692	569,777
Contract liabilities	3	29,755	37,794
Lease liabilities		7,957	9,721
Bank borrowings		135,128	270,129
Current income tax liabilities		<u>131,210</u>	<u>120,771</u>
		<u>929,742</u>	<u>1,008,192</u>
Total liabilities		<u>1,087,950</u>	<u>1,139,596</u>
Total equity and liabilities		<u>4,009,292</u>	<u>4,014,111</u>

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2020 as described in those annual consolidated financial statements, except for the adoption of amended standards as set out below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2021:

HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKAS 39, HKFRS 9, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform — Phase 2

The amendments to existing standards did not have any impact on the Group’s accounting policies and did not require adjustments.

- (b) The following new standard, amendments to existing standards and annual improvements have been issued, but are not effective for the financial year beginning on 1 January 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020 (Amendments)	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

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

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. Starting from 1 January 2021, the executive directors consider the Group has three reportable segments: (1) manufacturing and sale of garments on an original equipment manufacturer basis (“OEM”); (2) manufacturing and retailing of branded fashion apparel (“Retail”); and (3) property investment in the PRC (“Property investment”). Property development business in the PRC (“Property development”) ceased to be one of the reportable segment starting from 1 January 2021 as the Group was no longer engaged in such business activities.

Total segment assets exclude certain investment properties located in Hong Kong, corporate assets and listed and unlisted equity securities at FVPL and FVOCI, all of which are managed on a central basis.

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

	(Unaudited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2021				
Total revenue	558,614	215,699	21,884	796,197
Inter-segment revenue	<u>(2,775)</u>	<u>(1,680)</u>	<u>(2,118)</u>	<u>(6,573)</u>
Revenue (from external customers)	<u>555,839</u>	<u>214,019</u>	<u>19,766</u>	<u>789,624</u>
Segment (loss)/profit before income tax and gain on expropriation of land and properties	(108,681)	(10,265)	9,779	(109,167)
Gain on expropriation of land and properties	<u>25,553</u>	—	—	<u>25,553</u>
Segment (loss)/profit before income tax	<u>(83,128)</u>	<u>(10,265)</u>	<u>9,779</u>	<u>(83,614)</u>
Depreciation of property, plant and equipment	(29,607)	(10,290)	—	(39,897)
Depreciation of right-of-use assets	(5,707)	(3,448)	—	(9,155)
Amortisation of intangible assets	(4,984)	(388)	—	(5,372)
Finance income	5,435	98	—	5,533
Finance costs	(1,119)	(20)	—	(1,139)
Share of results of investments accounted for using the equity method	(954)	—	—	(954)
Income tax expense	<u>(581)</u>	<u>(4,922)</u>	<u>(1,574)</u>	<u>(7,077)</u>

	(Unaudited)				
	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>
Six months ended 30 June 2020					
Total revenue	572,969	156,649	—	10,755	740,373
Inter-segment revenue	(2,424)	(34)	—	(1,826)	(4,284)
Revenue (from external customers)	570,545	156,615	—	8,929	736,089
Segment (loss)/profit before income tax	(125,291)	(34,060)	176,877	4,439	21,965
Depreciation of property, plant and equipment	(41,251)	(1,911)	—	—	(43,162)
Depreciation of right-of-use assets	(5,855)	(4,519)	—	—	(10,374)
Amortisation of intangible assets	(931)	(388)	—	—	(1,319)
Finance income	4,225	60	—	—	4,285
Finance costs	(5,892)	(1,580)	—	—	(7,472)
Share of results of investments accounted for using the equity method	(225)	—	—	—	(225)
Income tax (expense)/credit	(4,042)	6,315	(7,922)	(1,110)	(6,759)

	(Unaudited)				
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>	
As at 30 June 2021					
Total segment assets	1,712,366	1,424,217	813,229	3,949,812	
Total segment assets include:					
Investments accounted for using the equity method	15,135	—	—	15,135	
Additions to non-current assets (other than financial instruments and deferred income tax assets)	72,015	11,212	—	83,227	
Tax recoverable	1,120	1,526	—	2,646	
Deferred income tax assets	18,562	88,756	—	107,318	

	(Audited)			
	OEM <i>HK\$'000</i>	Retail <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>446,556</u>	<u>3,968,274</u>
Total segment assets include:				
Investments accounted for using the equity method	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>99,809</u>

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

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Total segment (loss)/profit before income tax	(83,614)	21,965
Net fair value gains of FVPL	346	678
Corporate overhead	(2,789)	(3,315)
Fair value gains on investment properties	—	1,200
Rental income	<u>528</u>	<u>111</u>
(Loss)/profit before income tax per condensed consolidated statement of comprehensive income	<u>(85,529)</u>	<u>20,639</u>

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

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Total segment assets	3,949,812	3,968,274
FVPL	6,524	6,248
FVOCI	22,159	8,640
Corporate assets	797	949
Investment properties	30,000	30,000
	<hr/>	<hr/>
Total assets per condensed consolidated balance sheet	4,009,292	4,014,111
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The Company is domiciled in the Cayman Islands. The results of the Group's revenue from external customers located in the following geographical areas are as follows:

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
The PRC	498,308	354,613
North America	219,043	285,916
European Union	53,705	80,683
Hong Kong	16,980	13,001
Other countries	1,588	1,876
	<hr/>	<hr/>
	789,624	736,089
	<hr/> <hr/>	<hr/> <hr/>

The total of non-current assets other than investments accounted for using the equity method, promissory note and deferred income tax assets are located in the following geographical areas:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
The PRC	1,156,125	1,005,205
Hong Kong	201,825	209,135
North America	13,756	14,894
	<u>1,371,706</u>	<u>1,229,234</u>

For the six months ended 30 June 2021 and 2020, there is no customer individually accounted for more than 10% of the Group's total revenue.

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 30 June 2021, the Group has recognised the following liabilities related to contracts with customers:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Current contract liabilities	<u>29,755</u>	<u>37,794</u>

The following table shows the amount of revenue recognised in the six months ended 30 June 2021 relating to carried-forward contract liabilities:

	Six months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>31,141</u>	<u>17,215</u>

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

4 OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Government grants	4,036	4,175
Rental income	11,190	4,178
Investment income	1,123	496
Building management income	821	212
Others	1,670	1,011
	<u>18,840</u>	<u>10,072</u>

5 OTHER GAINS, NET

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Gain on expropriation of land and properties (<i>Note</i>)	25,553	—
Gain on disposal of FVPL in Zhejiang Haoran (<i>Note 13</i>)	—	193,275
Losses on disposals of property, plant and equipment	(191)	(200)
Net fair value gains of FVPL — realised	82	376
Net fair value gains of FVPL — unrealised (<i>Note 13</i>)	264	302
Fair value losses on investment properties	(13,941)	(6,510)
Net exchange (losses)/gains	<u>(2,198)</u>	<u>5,534</u>
	<u>9,569</u>	<u>192,777</u>

Note: During the six months ended 30 June 2021, the Group's land and properties located in Hangzhou with net book value of HK\$1,485,000 (2020: Nil) were expropriated by local government. A compensation of HK\$27,038,000 (2020: Nil) was granted by local government in this regard, resulting in a net gain of HK\$25,553,000 (2020: Nil).

Compensation proceed of HK\$21,630,000 (2020: Nil) has been received by the Group during the current period while the remaining balance of HK\$5,408,000 (2020: Nil) was recorded as part of the Group's other receivables as at 30 June 2021.

6 OPERATING LOSS/PROFIT

The following items have been charged to the operating loss/profit during the period:

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Depreciation of property, plant and equipment	39,897	43,162
Depreciation of right-of-use assets	9,155	10,374
Amortisation of intangible assets	5,372	1,319
Provision for impairment of inventories	84,547	49,106
Employee benefits expenses	195,306	138,907
	<u> </u>	<u> </u>

7 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2021 (Unaudited) <i>HK\$'000</i>	2020 (Unaudited) <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	3,152	1,911
— promissory note	2,381	2,374
	<u> </u>	<u> </u>
	5,533	4,285
	-----	-----
Finance costs		
— interest expense on bank borrowings	(1,333)	(8,675)
— interest expense on lease liabilities	(412)	(454)
	<u> </u>	<u> </u>
	(1,745)	(9,129)
— amount capitalised	606	1,657
	<u> </u>	<u> </u>
	(1,139)	(7,472)
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Finance income/(costs), net	<u> </u>	<u> </u>
	4,394	(3,187)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	18	5,022
— PRC enterprise income tax	14,747	8,855
Deferred income tax	<u>(7,688)</u>	<u>(7,118)</u>
	<u>7,077</u>	<u>6,759</u>

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 during the period (2020: Same).

The PRC enterprise income tax is calculated based on the statutory profits of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations. The standard PRC enterprise income tax rate is 25% (2020: 25%) during the period. During the six months ended 30 June 2021 and 2020, one subsidiary of the Group is qualified for a preferential income tax rate of 15% under the tax breaks to small and micro business. The remaining PRC subsidiaries of the Group are subject to standard PRC enterprise income tax rate of 25%.

9 (LOSS)/EARNINGS PER SHARE

The calculation of basic loss/earnings per share is based on the Group's loss attributable to equity holders of the Company of approximately HK\$93,919,000 (2020: profit attributable to equity holders of the Company of approximately HK\$13,031,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,818,000 (2020: 2,099,818,000).

Diluted loss/earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. During the six months ended 30 June 2021 and 2020, there were no dilutive potential ordinary shares deemed to be issued under the share option scheme as there are no outstanding options during the six months ended 30 June 2021 and 2020.

10 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movements of investments accounted for using the equity method are as follows:

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
At 1 January	1,544	1,236
Additions (<i>Note</i>)	14,528	—
Share of (loss)/profit, net	(954)	166
Exchange differences	17	142
	<u>15,135</u>	<u>1,544</u>

Note: On 28 January 2021, the Group entered into an investment agreement and an entrusted shareholding agreement pursuant to which the Group effectively acquired 14% equity interest of 杭州高鳴信息技術有限公司 (“Hangzhou Gaoming”), a company incorporated in the PRC at a net consideration of approximately RMB8,540,000 (approximately HK\$10,263,000). The Group accounted for Hangzhou Gaoming as an associate.

During the six months ended 30 June 2021, the Group entered into a shareholders’ agreement with Delta Industries Limited, a Hong Kong incorporated company (the “JV partner”), pursuant to which the Group and the JV partner converted China Ting Fashion Limited (“CT Fashion”), a then wholly owned subsidiary of the Group, into a joint venture.

In May 2021, CT Fashion set up a subsidiary in Vietnam namely Concept Creator Delta Garment Vietnam Limited, which will be engaged by the Group as a contract processor. As at 30 June 2021, the total capital injections made by the Group and the JV partner into CT Fashion amounted to US\$550,000 (approximately HK\$4,265,000) and US\$450,000 (approximately HK\$3,489,000), respectively.

11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Trade and bill receivables	429,127	425,172
Less: Loss allowance	<u>(100,442)</u>	<u>(99,859)</u>
Trade and bill receivables, net <i>(Note (i))</i>	328,685	325,313
Amounts due from related parties	41,459	36,386
Compensation receivable from government	85,814	283,802
Disposal proceed receivable of FVPL in Zhejiang Haoran <i>(Note 13)</i>	—	118,765
Prepayments	174,712	192,382
Deposits and other receivables	<u>110,534</u>	<u>123,410</u>
	<u>741,204</u>	<u>1,080,058</u>
Promissory note <i>(Note (ii))</i>		
— Non-current portion	24,250	31,949
— Current portion	<u>10,450</u>	<u>9,382</u>
	<u>34,700</u>	<u>41,331</u>

Notes:

(i) Trade and bill receivables

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

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
0 to 30 days	200,899	157,004
31 to 60 days	45,391	50,284
61 to 90 days	42,663	51,521
91 to 120 days	73,189	66,172
Over 120 days	66,985	100,191
	<u>429,127</u>	<u>425,172</u>

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

	Six months ended 30 June 2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
At 1 January	99,859	72,304
Provision for impairment losses, net	86	55,744
Write off	—	(15,035)
Exchange differences	497	(2,546)
	<u>100,442</u>	<u>110,467</u>
At 30 June	<u>100,442</u>	<u>110,467</u>

(ii) Promissory note

The Group held an interest-free promissory note due from a major customer of the Group with a principal of US\$8,000,000 (approximately HK\$61,880,000) repayable by 40 equal monthly instalments of US\$200,000 (approximately HK\$1,547,000) commencing from 1 August 2020. As at 30 June 2021, the outstanding principal of the promissory note was US\$5,800,000 (approximately HK\$44,863,000).

12 ASSETS HELD FOR SALE

Properties and land use rights amounting to HK\$8,880,000 ceased to be classified as assets held for sale during the six months ended 30 June 2021 due to changes of the Group's disposal plan for such assets. Accordingly, properties and land use rights with carrying value of HK\$5,286,000 and HK\$3,594,000 have been reclassified to property, plant and equipment and right-of-use assets, respectively, and adjusted for depreciation amounting to HK\$284,000 and HK\$377,000, respectively that would have been recognised had these assets not been classified as held for sale.

13 FVPL

	As at 30 June 2021 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Listed equity securities (<i>Note (i)</i>)	<u>6,524</u>	<u>6,248</u>

Movement of the Group's FVPL for the six months ended 30 June 2021 and 2020 is as follows:

	Listed equity securities (<i>Note (i)</i>) HK\$'000	(Unaudited) FVPL in Zhejiang Haoran (<i>Note (ii)</i>) HK\$'000	Total HK\$'000
At 1 January 2021	6,248	—	6,248
Additions	146	—	146
Disposals	(213)	—	(213)
Net fair value gains	264	—	264
Currency translation difference	79	—	79
At 30 June 2021	<u>6,524</u>	<u>—</u>	<u>6,524</u>
At 1 January 2020	5,647	304,858	310,505
Additions	146	—	146
Disposals	(274)	(298,971)	(299,245)
Net fair value gains	302	—	302
Currency translation difference	(109)	(5,887)	(5,996)
At 30 June 2020	<u>5,712</u>	<u>—</u>	<u>5,712</u>

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 1 January 2020, 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 been seeking 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 1 January 2020 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 1 January 2020 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 was 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 1 January 2020. 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 1 January 2020.

Management assumed there was no change in the fair value of FVPL in Zhejiang Haoran during the six months period ended 30 June 2020 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 condensed consolidated statement of comprehensive income for the six months ended 30 June 2020.

Disposal proceed of HK\$376,723,000 was received by the Group during the year ended 31 December 2020 while the remaining balance of HK\$118,765,000 was received by the Group during the six months period ended 30 June 2021.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
Trade and bill payables	399,708	340,233
Other payables and accruals	225,559	229,057
Amounts due to related parties	425	487
	<u>625,692</u>	<u>569,777</u>

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

	As at 30 June 2021 (Unaudited) <i>HK\$'000</i>	As at 31 December 2020 (Audited) <i>HK\$'000</i>
0 to 30 days	297,652	239,971
31 to 60 days	19,617	35,011
61 to 90 days	20,484	10,826
Over 90 days	61,955	54,425
	<u>399,708</u>	<u>340,233</u>

EXTRACT OF REVIEW REPORT

The following sets out an extract of the report by PricewaterhouseCoopers, the auditor of the Company (the “**Auditor**”), regard the interim financial information of the Group for the six months ended 30 June 2021.

Basis for Qualified Conclusion

As discussed in Note 13 to the condensed consolidated interim financial information, the Group held a financial asset at fair value through profit or loss (“**FVPL**”) in Zhejiang Haoran Property Company Limited (“**Zhejiang Haoran**”) 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. The Group disposed of this FVPL in Zhejiang Haoran to the major shareholder of Zhejiang Haoran at a consideration of approximately HK\$491 million on 30 June 2020 and recognised a disposal gain of approximately HK\$193 million in the Group’s condensed consolidated statement of comprehensive income for the six months ended 30 June 2020.

We have previously qualified our review conclusion in respect of the Group’s condensed consolidated interim financial information for the six months ended 30 June 2020 due to limitation of scope as we were unable to obtain sufficient appropriate evidence we considered necessary to assess management’s valuation of the FVPL in Zhejiang Haoran to determine whether any adjustments were necessary to the balance of the FVPL in Zhejiang Haoran as at 1 January 2020 of approximately HK\$305 million and at the date of disposal of 30 June 2020 of approximately 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 approximately HK\$193 million and exchange loss of approximately HK\$6 million recognised in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2020.

Because of the possible effects of this matter on the comparability of the current period’s figures and the corresponding figures for the six months ended 30 June 2020 in the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of changes in equity and the related notes disclosures, our review conclusion on the interim financial information for the six months ended 30 June 2021 is therefore qualified.

Qualified Conclusion

Based on our review, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Conclusion section of our report, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

The views of the audit committee (the “Audit Committee”) of the Board on the Qualified Conclusion

At the meeting of the Audit Committee of the Board held on 27 August 2021, the independent non-executive Directors, being all members of the Audit Committee, reviewed the Auditor’s Report on Review of Interim Financial Information to the Board of Directors of China Ting Group Holdings Limited covering the period ended 30 June 2021. The Audit Committee noted that the Auditor is giving a qualified conclusion because of the possible effects on the comparability of the current period’s figures and the corresponding figures for the six months ended 30 June 2020 in the interim condensed consolidated statement of comprehensive income and the interim condensed consolidated statement of changes in equity and the related notes disclosures. Please refer to “Extract of review report” on page 22 of this announcement for more details. The Audit Committee understood that except for the basis of the qualification as mentioned above, nothing has come to the auditor’s attention that causes the auditor to believe that the interim financial information of the Group for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. On this basis, the Audit Committee has accepted the Report.

BUSINESS REVIEW

In the first half of 2021, the novel coronavirus (“COVID-19”) pandemic still raged around the world, and variant strains of higher infectivity cast shadows over the markets struggling for economic recovery, among which, the raw material and the transportation and logistics had experienced significant setbacks. The textile and apparel industry also encountered a challenging environment in the first half of 2021 and recorded even a further decline as compared to 2020.

Affected by various unfavourable factors relating to epidemic prevention and control, the trends of purchase orders made by the Group’s customers are short-term, and focused on low prices items and are unable to satisfy the Group’s production capacity for the same, thereby generating no significant driving force to the recovery of the Group’s export business. On the other hand, the Group’s processing business for the domestic brands, e-commerce orders, live broadcasting orders and other new types of orders recorded a steady growth, which are the main driver for the transformation and the development of the Group in recent years. As of 30 June 2021, the total sales of the Group’s OEM/ODM business recorded a year-on-year decrease of 2.6%.

In terms of the retail business, the Group has been actively exploring different marketing channels, introducing new trendy brands, improving the digital operation level, improving the flexible supply chain capabilities, expanding the talent team and taking advantage of new marketing channels to enhance the brand influence. In the first half of this year, the Group achieved satisfying results in marketing channel expansion and the performance of the trendy brands. For self-owned brands such as FINITY and Riverstone, the Group also achieved a sustainable development by improving product design, expanding channel resources and increasing investment in new retail shops. With such efforts, there were substantial increases recorded in both sales performance and operating profit, with a year-on-year increase of 36.7% in the amount of sales revenue.

In terms of the leasing business of the industrial park, driven by the strong economic growth in the PRC as a whole, the Group was able to lease out almost all units to tenants and the investment property business was making a significant profit contribution to the profit of the Group. The Directors expect that the industrial park business would continue to bring additional returns to the Group in the future.

FINANCIAL REVIEW

Review of operations

During the six months ended 30 June 2021, the Group's revenue amounted to HK\$789.6 million, representing an increase of 7.3% as compared with HK\$736.0 million for the corresponding period in 2020. The gross profit for the six months ended 30 June 2021 was HK\$134.4 million, representing an increase of 20.1% as compared with HK\$111.9 million for the corresponding period in 2020. The net loss attributable to equity holders was HK\$93.9 million. Loss per share was HK cents 4.47 and net asset value per share was HK\$1.38.

OEM/ODM Business

During the period under review, the turnover derived from our OEM/ODM business recorded a decrease from HK\$570.5 million to HK\$555.8 million for the corresponding period in 2020. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed HK\$422.5 million (2020: HK\$432.7 million), representing 76.0% (2020: 75.8%) of the total turnover of our OEM/ODM business.

Customers from the United States continued to be the Group's principal market with sales amounted to HK\$193.6 million (2020: HK\$285.9 million), representing 34.8% (2020: 50.1%) of the total turnover of our OEM/ODM business. Sales to Europe and other countries were HK\$53.3 million (2020: HK\$80.7 million) and HK\$308.9 million (2020: HK\$203.9 million), respectively.

Fashion Retail Business

During the six months ended 30 June 2021, the retail sales increased to HK\$214.0 million from HK\$156.6 million for the corresponding period in 2020. FINITY, the major brand of the Group, contributed HK\$123.7 million to the retail business, representing an increase of 30.8% as compared with HK\$94.6 million for the corresponding period in 2020.

In terms of retail revenue analysis by sales channels, sales from concessions amounted to HK\$104.6 million (2020: HK\$53.6 million), accounting for 48.9% of total retail turnover. Sales from free-standing stores, franchisees and e-commerce amounted to HK\$3.8 million (2020: HK\$3.3 million), HK\$41.1 million (2020: HK\$32.2 million) and HK\$64.5 million (2020: HK\$67.5 million), respectively.

Property Investment Business

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 2019, and continued to expand the plant area in current period. The main purpose of the China Ting International Fashion Base is to facilitate the regional development, fashion expert localisation, 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 six months ended 30 June 2021, the revenue from our property investment business amounted to HK\$19.8 million, representing an increase of 122.5% as compared with HK\$8.9 million for the corresponding period in 2020.

Liquidity and Financial Resources

During the six months ended 30 June 2021, the Group satisfied their working capital needs principally from its business operations. As at 30 June 2021, the Group had cash and cash equivalents of HK\$641.8 million, representing an increase of HK\$64.6 million as compared with HK\$577.2 million as of 31 December 2020. The Group’s total bank borrowings were HK\$135.1 million (31 December 2020: HK\$270.1 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 4.6% (31 December 2020: 9.4%). The Directors are of the opinion that, after taking into account the existing available bank borrowing facilities and internal resources, the Group has adequate financial resources to support its working capital requirement and future expansion.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2021.

BUSINESS OUTLOOK

The negative impact of the COVID-19 pandemic worldwide continues, and the Group’s OEM/ODM business has been affected by the pandemic for a long time. It would be difficult to return to the pre-pandemic level of business within a short period of time. The domestic economy in the PRC is stable and improving; and the COVID-19 epidemic in the PRC is under control even though there are sporadic outbreaks. Hence the Group’s domestic processing business has been generally on the rise, which, however, is set-off by the decline in the export business to a certain extent and is unable to fully reverse the overall decrease in the processing business.

The retail business showed a strong growth in the first half of the year. In the second half of the year, with further expansion in the number of the brick-and-mortar stores and the rapid development of online sales, the development of the brand retail business is optimistic in the foreseeable future. With the establishment of online and offline channels in the early stage, the improvement of product design, the expansion of the talent team, the construction of an intelligent and flexible supply chain platform and the application of digital marketing methods, one development focus of the Group will lean over the brand retail business in the future.

With the discussion and adjustment of the architectural design plans of the industrial park for more than half a year, the overall upgrading and renovation plans of China Ting's industrial park on Beisha Road have been basically finalised, and the construction is expected to commence before the end of this year. The construction and renovation would take a number of years to complete. The buildings and underground spaces of approximately 600,000 square meters are expected to bring considerable income to the Group and provide sufficient space for the Group's diversified business development in the future.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

HUMAN RESOURCES

As at 30 June 2021, the Group employed a total of 3,700 employees in the Mainland China, Hong Kong and the United States.

The Group recognises the importance of good relationships with its employees and has established an incentive bonus scheme for them, in which the benefits are determined based on the performance of the Group and individual employees, reviewable every year. Our Directors believe that a comparative remuneration scheme, 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 administered by the Chinese government authorities for the Group's employees in the Mainland 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\$82.0 million for the six months ended 30 June 2021 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 30 June 2021 amounted to HK\$8.7 million, which were mainly related to the construction of the China Ting International Fashion Base.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in Note 10 above, the Group has no significant investments, material acquisition and disposal for the six months ended 30 June 2021.

SUBSEQUENT EVENTS

There were no material subsequent events undertaken by the Group after 30 June 2021 and up to date of this announcement.

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 periods, approximately 33.4% and 66.6% of revenue were denominated in USD and RMB respectively, and approximately 1.8% and 98.2% of purchase of raw materials were denominated in USD and RMB, respectively.

As at 30 June 2021, approximately 31.9%, 65.7% and 2.4% of cash and bank balances were denominated in USD, RMB and HK\$, respectively, and approximately 83.9% and 16.1% of bank borrowings were denominated in HK\$ and RMB, respectively.

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company for the six months ended 30 June 2021.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee has reviewed with the management and the Auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial information. The Audit Committee has reviewed the unaudited interim financial information for the six months ended 30 June 2021.

The unaudited interim financial information for the six months ended 30 June 2021 have also been reviewed by the Auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. PricewaterhouseCoopers has issued a modified conclusion on the interim financial information for the six months ended 30 June 2021. Please refer to “Extract of review report” on page 22 of this announcement for more details.

CORPORATE GOVERNANCE

The Board is committed to enhancing the corporate governance of the Group, and the Group reviews and updates all such necessary measures in order to promote good corporate governance. The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the period under review.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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. The Company has made specific enquiry with all the Directors on whether the Directors have complied with the required standard as set out in the Model Code during the period under review and all the Directors confirmed that they have complied with the Model Code throughout the period under review.

PUBLICATION OF THE INTERIM REPORT

An interim report containing all the relevant information required by the Listing Rules will be despatched to the Company's shareholders and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinating.com.hk) in due course.

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

By Order of the Board
CHINA TING GROUP HOLDINGS LIMITED
TING Hung Yi
Executive Director and Chief Executive Officer

Hong Kong, 27 August 2021