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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: 03398)

### UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

The Board presents the unaudited consolidated results of the Group for the six months ended 30 June 2016 as follows:

	Six months ended 30 June		% Change
	2016 HK\$ million	2015 HK\$ million	
Revenue			
OEM/ODM Business	905.3	1,005.7	(10.0)
Fashion Retail Business	223.2	251.0	(11.1)
	<u>1,128.5</u>	<u>1,256.7</u>	(10.2)
Operating profit	<u>80.0</u>	<u>29.3</u>	175.8
Profit before tax	76.6	30.7	149.5
Significant items:			
(Reversal of impairment loss)/impairment loss on loan to an associate	(9.7)	20.6	
Impairment loss on an available-for-sale financial asset	—	20.2	
Net fair value gains on derivative financial instruments	(20.9)	(25.0)	
Realised losses/(gains) on derivative financial instruments	15.5	(0.7)	
Impairment loss on goodwill	—	35.0	
Profit before tax before the significant items	<u>61.5</u>	<u>80.8</u>	(23.9)
Dividend per share (HK cents)	1.88	—	
Dividend payout ratio	70%	N/A	
Equity attributable to the Company's equity holders	2,411.5		
Equity per share (HK\$)	1.15		

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in 2015 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2016

	Note	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue	3	1,128,520	1,256,708
Cost of sales		(780,292)	(887,537)
<b>Gross profit</b>		<b>348,228</b>	<b>369,171</b>
Other income	4	3,561	7,335
Other gains, net	5	7,824	10,847
Selling, marketing and distribution costs		(137,276)	(150,767)
Administrative expenses		(157,513)	(157,129)
Gains on derivative financial instruments		5,439	25,702
Impairment loss on an available-for-sale financial asset		—	(20,243)
Impairment loss on goodwill		—	(35,000)
Reversal of impairment loss/(impairment loss) on loans to an associate		9,738	(20,584)
<b>Operating profit</b>	6	<b>80,001</b>	<b>29,332</b>
Finance income	7	8,719	10,552
Finance costs	7	(10,521)	(7,362)
Share of (losses)/profits of associates		(2)	4
Share of losses of joint ventures		(1,574)	(1,851)
<b>Profit before income tax</b>		<b>76,623</b>	<b>30,675</b>
Income tax expense	8	(20,580)	(27,053)
<b>Profit for the period</b>		<b>56,043</b>	<b>3,622</b>
<b>Other comprehensive loss for the period:</b>			
<i>Items that may be reclassified to profit or loss</i>			
— Currency translation differences		(47,285)	(2,092)
— Revaluation loss on an available-for-sale financial asset		—	(20,384)
— Reclassification adjustment upon impairment of an available-for-sale financial asset		—	20,243
Other comprehensive loss for the period, net of tax		(47,285)	(2,233)
<b>Total comprehensive income for the period</b>		<b>8,758</b>	<b>1,389</b>

		<b>Six months ended 30 June</b>	
		<b>2016</b>	<b>2015</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit attributable to:</b>			
Equity holders of the Company		<b>56,239</b>	5,606
Non-controlling interests		<b>(196)</b>	(1,984)
		<u><b>56,043</b></u>	<u>3,622</u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		<b>10,766</b>	3,117
Non-controlling interests		<b>(2,008)</b>	(1,728)
		<u><b>8,758</b></u>	<u>1,389</u>
<b>Earnings per share for profit attributable to equity holders</b>			
<b>of the Company (expressed in HK cents per share)</b>			
— basic	9	<u><b>2.68 cents</b></u>	<u>0.27 cent</u>
— diluted	9	<u><b>2.68 cents</b></u>	<u>0.27 cent</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
*AS AT 30 JUNE 2016*

		As at 30 June 2016 (Unaudited) <i>HK\$'000</i>	As at 31 December 2015 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		639,158	660,399
Investment properties		27,500	25,000
Land use rights		76,856	79,848
Interests in associates		1,936	2,000
Loans to an associate		256,067	245,392
Interests in joint ventures		9,671	14,019
Intangible assets		28,564	23,929
Deferred income tax assets		57,883	53,697
		<u>1,097,635</u>	<u>1,104,284</u>
<b>Current assets</b>			
Inventories		698,923	743,864
Trade and other receivables	11	693,531	737,294
Tax recoverable		—	2,098
Available-for-sale financial assets		291,853	297,131
Loan to an associate		57,000	—
Financial assets at fair value through profit or loss		21,202	22,953
Entrusted loans	11	169,288	173,285
Term deposits		33,836	8,979
Pledged bank deposits		13,394	18,932
Cash and cash equivalents		332,454	302,962
		<u>2,311,481</u>	<u>2,307,498</u>
<b>Total assets</b>		<u><u>3,409,116</u></u>	<u><u>3,411,782</u></u>

		As at 30 June 2016 (Unaudited) <i>HK\$'000</i>	As at 31 December 2015 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		209,982	209,982
Reserves		2,167,588	2,158,116
		<u>2,377,570</u>	<u>2,368,098</u>
Non-controlling interests		33,968	34,682
<b>Total equity</b>		<u>2,411,538</u>	<u>2,402,780</u>
<b>LIABILITIES</b>			
<b>Non-current liability</b>			
Deferred income tax liabilities		12,264	12,738
<b>Current liabilities</b>			
Trade and other payables	12	597,089	594,353
Bank borrowings		347,102	334,259
Derivative financial instruments		27,781	48,675
Current income tax liabilities		13,342	18,977
		<u>985,314</u>	<u>996,264</u>
<b>Total liabilities</b>		<u>997,578</u>	<u>1,009,002</u>
<b>Total equity and liabilities</b>		<u>3,409,116</u>	<u>3,411,782</u>

# NOTES TO THE CONDENSED ANNOUNCEMENT

## 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2016 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 financial statements for the year ended 31 December 2015, 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 financial statements for the year ended 31 December 2015, as described in those annual financial statements.

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

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

The following new or amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2016:

Annual improvements 2012 to 2014 HKFRS 14	Improvements to HKAS and HKFRS Regulatory deferral accounts
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: Applying the consolidation exception
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations
HKAS 1 (Amendment)	Disclosure initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation
HKAS 16 and HKAS 41	Agriculture: Bearer plants
HKAS 27 (Amendment)	Equity method in separate financial statements

### (b) The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning 1 January 2016 and have not been early adopted:

		<b>Effective for annual periods beginning on or after</b>
HKAS 7 (Amendment)	Disclosure initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of deferred tax assets for unrealised losses	1 January 2017
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 16	Leases	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of adopting the above new standards and amendments to existing standards. The Group is not yet in a position to state whether substantial changes to the Group’s accounting policies and financial statement presentation will result.

### 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 consider the Group has three reportable segments: (1) manufacturing and sale of garments on an OEM basis ("OEM"); (2) manufacturing and retailing of branded fashion apparel ("Retail"); and (3) property development in the People's Republic of China (the "PRC") ("Property development").

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.

Total segment assets exclude investment properties, financial assets at fair value through profit or loss, 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. 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 condensed consolidated statement of comprehensive income.

	(Unaudited)			
	OEM	Retail	Property development	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Six months ended 30 June 2016</b>				
Total revenue	909,977	224,244	—	1,134,221
Inter-segment revenue	(4,716)	(985)	—	(5,701)
<b>Revenue (from external customers)</b>	<b>905,261</b>	<b>223,259</b>	<b>—</b>	<b>1,128,520</b>
<b>Segment profit/(loss) before income tax</b>	<b>80,038</b>	<b>(20,633)</b>	<b>14,675</b>	<b>74,080</b>
Reversal of impairment loss on loans to an associate	—	—	9,738	9,738
Depreciation of property, plant and equipment	(36,556)	(10,969)	—	(47,525)
Amortisation of land use rights	(1,973)	(162)	—	(2,135)
Amortisation of intangible assets	(2,286)	(833)	—	(3,119)
Finance income	3,559	223	4,937	8,719
Finance costs	(8,741)	(1,780)	—	(10,521)
Share of losses of associates	(2)	—	—	(2)
Share of losses of joint ventures	—	(1,574)	—	(1,574)
Income tax (expense)/credit	(23,086)	2,506	—	(20,580)

	(Unaudited)			
	OEM	Retail	Property development	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Six months ended 30 June 2015</b>				
Total revenue	1,011,008	250,978	—	1,261,986
Inter-segment revenue	(5,278)	—	—	(5,278)
<b>Revenue (from external customers)</b>	<b>1,005,730</b>	<b>250,978</b>	<b>—</b>	<b>1,256,708</b>
<b>Segment profit/(loss) before income tax</b>	<b>31,333</b>	<b>5,648</b>	<b>(34,649)</b>	<b>2,332</b>
Impairment loss on goodwill	(35,000)	—	—	(35,000)
Impairment loss on an available-for-sale financial asset	—	—	(20,243)	(20,243)
Impairment loss on loans to an associate	—	—	(20,584)	(20,584)
Depreciation of property, plant and equipment	(35,022)	(14,910)	—	(49,932)
Amortisation of land use rights	(1,647)	(41)	—	(1,688)
Amortisation of intangible assets	(2,286)	(833)	—	(3,119)
Finance income	4,140	234	6,178	10,552
Finance costs	(5,494)	(1,868)	—	(7,362)
Share of profits of associates	4	—	—	4
Share of losses of joint ventures	(2)	(1,849)	—	(1,851)
Income tax expense	(25,535)	(1,518)	—	(27,053)

	(Unaudited)			
	OEM	Retail	Property development	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 30 June 2016</b>				
<b>Total segment assets</b>	<b>1,688,714</b>	<b>896,589</b>	<b>604,920</b>	<b>3,190,223</b>
Total segment assets include:				
Interests in associates	1,936	—	—	1,936
Loans to an associate	—	—	313,067	313,067
Interests in joint ventures	—	9,671	—	9,671
Available-for-sale financial assets	—	—	291,853	291,253
Additions to non-current assets (other than financial instruments and deferred income tax assets)	30,568	20,339	—	50,907
Deferred income tax assets	21,989	35,894	—	57,883



	(Audited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>As at 31 December 2015</b>				
<b>Total segment assets</b>	<u>1,700,353</u>	<u>945,743</u>	<u>542,523</u>	<u>3,188,619</u>
Total segment assets include:				
Interests in associates	2,000	—	—	2,000
Loans to an associate	—	—	245,392	245,392
Interests in joint ventures	2,565	11,454	—	14,019
Available-for-sale financial assets	—	—	297,131	297,131
Additions to non-current assets (other than financial instruments and deferred income tax assets)	31,264	22,744	—	54,008
Tax recoverable	2,098	—	—	2,098
Deferred income tax assets	<u>23,167</u>	<u>30,530</u>	<u>—</u>	<u>53,697</u>

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

	Six months ended 30 June	
	2016 (Unaudited) <i>HK\$'000</i>	2015 (Unaudited) <i>HK\$'000</i>
<b>Total segment profit before income tax</b>	<b>74,080</b>	2,332
Net fair value (loss)/gain of financial assets at fair value through profit or loss	<b>(323)</b>	3,982
Corporate overhead	<b>(5,456)</b>	(4,724)
Fair value gain on investment properties	<b>2,500</b>	3,000
Rental income	<b>383</b>	383
Net fair value gain on derivative financial instruments	<b>20,890</b>	24,963
Realised (loss)/gain on derivative financial instruments	<b>(15,451)</b>	739
<b>Profit before income tax per condensed consolidated statement of comprehensive income</b>	<b><u>76,623</u></b>	<u>30,675</u>

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

	As at 30 June 2016 (Unaudited) <i>HK\$'000</i>	As at 31 December 2015 (Audited) <i>HK\$'000</i>
<b>Total segment assets</b>	<b>3,190,223</b>	3,188,619
Financial assets at fair value through profit or loss	<b>21,202</b>	22,953
Corporate assets	<b>903</b>	1,925
Investment properties	<b>27,500</b>	25,000
Entrusted loans	<b>169,288</b>	173,285
<b>Total assets per condensed consolidated balance sheet</b>	<b><u>3,409,116</u></b>	<u>3,411,782</u>

The Company is domiciled in the Cayman Islands. The results of its revenue from external customers located in the following geographical areas are as follows:

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b> <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
North America	<b>606,714</b>	696,415
European Union	<b>107,222</b>	125,567
Mainland China	<b>371,222</b>	382,219
Hong Kong	<b>29,945</b>	40,986
Other countries	<b>13,417</b>	11,521
	<b>1,128,520</b>	1,256,708

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

	<b>As at</b>	As at
	<b>30 June</b>	31 December
	<b>2016</b>	2015
	<b>(Unaudited)</b> <i>HK\$'000</i>	(Audited) <i>HK\$'000</i>
Mainland China	<b>605,456</b>	605,294
Hong Kong	<b>166,173</b>	183,459
North America	<b>449</b>	423
	<b>772,078</b>	789,176

For the six months ended 30 June 2016, revenue of approximately HK\$202,443,000 (2015: HK\$224,957,000) was derived from one external customer (2015: one) attributable to the OEM reportable segment and accounted for greater than 10% (2015: greater than 10%) of the Group's revenue.

#### **4 OTHER INCOME**

	<b>Six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b> <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Commission income	<b>1,377</b>	1,601
Government grants	<b>25</b>	935
Rental income	<b>2,004</b>	2,415
Others	<b>155</b>	2,384
	<b>3,561</b>	7,335

## 5 OTHER GAINS, NET

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fair value gain on investment properties	2,500	3,000
Loss on disposal of property, plant and equipment	(419)	(3,912)
Net fair value (loss)/gain on financial assets at fair value through profit or loss	(323)	3,982
Net exchange gains	6,066	7,777
	<u>7,824</u>	<u>10,847</u>

## 6 OPERATING PROFIT

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

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	47,525	49,932
Amortisation of land use rights	2,135	1,688
Amortisation of intangible assets	3,119	3,119
Employee benefit expenses	370,736	375,291
Provision for inventories	12,186	6,879
Provision for impairment of trade receivables	4,077	11,122

## 7 FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	1,794	1,468
— loans to an associate	4,937	6,178
— promissory note	1,988	2,906
	<u>8,719</u>	<u>10,552</u>
Finance costs — interest expense on		
— bank borrowings	(10,521)	(7,362)
Finance (costs)/income, net	<u>(1,802)</u>	<u>3,190</u>

## 8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	8,200	12,850
— PRC enterprise income tax	17,520	17,066
Deferred income tax	(5,140)	(2,863)
	<u>20,580</u>	<u>27,053</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the period.

PRC enterprise income tax is provided on the basis of the profits of the PRC established and operating subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for these subsidiaries of the Group is 25% (2015: 25%).

Under the new Corporate Income Tax Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividend which arises from profit of foreign investment enterprises earned after 1 January 2008 at a tax rate of 5%.

As at 30 June 2016, deferred income tax liabilities of approximately HK\$62,218,000 (31 December 2015: HK\$61,473,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries in the PRC totaling approximately HK\$1,244,364,000 (31 December 2015: HK\$1,229,466,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed or will not be taxable in the foreseeable future.

## 9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$56,239,000 (2015: HK\$5,606,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,818,000 (2015: 2,099,818,000).

Diluted 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 2016 and 2015, there were no dilutive potential ordinary shares deemed to be issued at no consideration for all outstanding share options granted under the share option scheme. There were no outstanding options as at 30 June 2016.

## 10 DIVIDENDS

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim dividend, declared, of HK1.34 cents (2015: Nil) per ordinary share	28,138	—
Special dividend, declared, of HK0.54 cent (2015: Nil) per ordinary share	11,339	—
	<u>39,477</u>	<u>—</u>

At a meeting held on 26 August 2016, the directors declared a special dividend of HK0.54 cent per ordinary share in addition to an interim dividend of HK1.34 cents per ordinary share. The declared dividends are not reflected as a dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2016.

## 11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
Trade and bill receivables	454,820	495,051
Less: Provision for impairment	<u>(32,182)</u>	<u>(41,536)</u>
Trade and bill receivables, net ( <i>Note (i)</i> )	422,638	453,515
Amounts due from joint ventures	1,415	588
Promissory note ( <i>Note (ii)</i> )	44,821	56,462
Entrusted loans ( <i>Note (iii)</i> )	169,288	173,285
Other receivables, deposits and prepayments	<u>224,657</u>	<u>226,729</u>
	<u><b>862,819</b></u>	<u><b>910,579</b></u>

*Notes:*

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

	As at 30 June 2016 (Unaudited) HK\$'000	As at 31 December 2015 (Audited) HK\$'000
0 to 30 days	193,205	268,278
31 to 60 days	88,726	85,801
61 to 90 days	64,908	53,616
91 to 120 days	63,774	50,703
Over 120 days	<u>44,207</u>	<u>36,653</u>
	<u><b>454,820</b></u>	<u><b>495,051</b></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 120 days. The grant of open account terms without security coverage is generally restricted to large or long-established customers with good repayment history. Sales to these customers comprise a significant proportion of the Group's OEM garment sales. On the other hand, for new and existing customers with short trading history, letters of credit issued by these customers are normally demanded for settlement purposes.

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 in cash or by credit cards or collected by department stores on behalf of the Group. The department stores 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 within 2 months.

- (ii) The promissory note represents a senior unsecured promissory note with principal amounting to US\$10,000,000 (equivalent to approximately HK\$77,350,000) converted from trade receivables due from a major customer which will be payable in various instalments until the end of 2016. The promissory note is interest bearing at 5.25% per annum.
- (iii) On 24 December 2012, the Group entered into three secured entrusted loans (“Entrusted Loan A”) with total principals amounting to RMB30,000,000 (equivalent to approximately HK\$37,449,000) due from a company established in the PRC (“Borrower A”) through a lending agent, a commercial bank in the PRC. Entrusted Loan A is interest-bearing at 18% per annum payable on a quarterly basis and the principal is payable on or before 25 December 2014. An affiliate of Borrower A pledged to the lending agent certain number of properties located at Yuhang District in Hangzhou as collaterals.

Further on 5 February 2013, the Group entered into another eight secured entrusted loans (“Entrusted Loan B”) with total principals amounting to RMB130,000,000 (equivalent to approximately HK\$162,276,000) due from a company established in the PRC, an affiliate of Borrower A (“Borrower B”), through a lending agent, a commercial bank in the PRC. Entrusted Loan B is interest-bearing at 18% per annum payable on a monthly basis and the principal is payable on or before 5 February 2014. An affiliate of Borrower B pledged to the lending agent a parcel of land located at Lin’an City in Hangzhou as collateral.

On 27 January 2014, the Group renewed Entrusted Loan B with the borrower for twelve months from the original expiry date of 5 February 2014 to 5 February 2015. The terms and conditions of Entrusted Loan B, other than the repayment period, remained unchanged.

Corporate and personal guarantees were provided by affiliates of Borrower A and B in favour of the lending agents to secure the obligations of Borrower A and B under the entrusted loan agreements.

In June 2014, there was a failure for Borrower A and B to settle the interest within the agreed payment schedules set forth in the agreements for both Entrusted Loan A and B.

On 5 August 2014, the lending agent of Entrusted Loan B has reached eight civil claim mediation agreements with Borrower B, in which Borrower B has agreed to pay the principal of Entrusted Loan B amounting to RMB130,000,000 and the interest due up to 20 June 2014 before 31 October 2014. In addition, according to the civil claim mediation agreements, Borrower B is required to settle the interest incurred during the period from 21 June 2014 to the date of settlement at 22.5% per annum.

On 17 November 2014, the lending agent of Entrusted Loan A has reached three civil claim mediation agreements with Borrower A, in which Borrower A has agreed to pay the principal of Entrusted Loan A amounting to RMB30,000,000 and the interest due at the rate of 18% per annum before 30 November 2014.

Borrower A and B have failed to settle the principal and the related interest in accordance with the civil claim mediation agreements by 30 November 2014.

On 18 November 2014, Borrower A and B filed voluntary bankruptcy at the People’s Court of Yuhang District (the “Court”). The Court approved the appointment of the administrator and accepted the petition for bankruptcy proceedings. The legal proceedings are still in progress up to the date of this report.

As at 30 June 2016, Entrusted Loan A of approximately HK\$17,737,000 (31 December 2015: HK\$17,737,000) was considered impaired.

**12 TRADE AND OTHER PAYABLES**

	As at <b>30 June</b> <b>2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 December 2015 <b>(Audited)</b> <i>HK\$'000</i>
Trade and bill payables	344,253	370,937
Other payables and accruals	251,921	220,903
Amount due to an associate	915	2,513
	<u>597,089</u>	<u>594,353</u>

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

	As at <b>30 June</b> <b>2016</b> <b>(Unaudited)</b> <i>HK\$'000</i>	As at 31 December 2015 <b>(Audited)</b> <i>HK\$'000</i>
0 to 30 days	208,848	236,165
31 to 60 days	45,322	45,864
61 to 90 days	35,258	24,956
Over 90 days	54,825	63,952
	<u>344,253</u>	<u>370,937</u>

## **BUSINESS REVIEW**

During the six months ended 30 June 2016, the overall global market experienced volatility and maintained to grow at a slow pace. The U.S. remained the principal export market of the Group. The overall economic development in the U.S. was stable, but the overseas brands and retailers had to perform reorganisation and make corresponding adjustment due to the declining market demands and the impact of the E-commerce. In addition, the increasing costs of raw materials and labour in China, the fluctuation of RMB exchange rate and the stringent environmental control of G20 Summit had an adverse impact on the OEM/ODM business of the Group. As the Group conquered the unfavourable factors associated with the international market, and strived to develop the branded apparel processing market in China, the turnover of the OEM/ODM business for the first half of 2016 amounted to HK\$905.3 million, representing a decrease of 10.0% compared with the same period last year.

In respect of the retail business in the PRC, the Group accelerated the process of brand repositioning and had management reorganisation, closed the loss-making stores and increased the investment in E-commerce during the period under review. The Group also attempted to adopt new marketing model and strategy for its fashion brands by leveraging the popularity of the internet celebrities. However, due to the adjustment and upgrade to certain brands by the Group, the revenue of the Group's retail business for the first half of 2016 recorded a decrease compared with the revenue of the retail business during the same period last year.

## **FINANCIAL REVIEW**

### **Review of operations**

During the six months ended 30 June 2016, the Group's revenue amounted to HK\$1,128.5 million, representing a decrease of 10.2% compared with the total revenue of the Group of HK\$1,256.7 million for the same period in 2015. The gross profit for the six months ended 30 June 2016 was HK\$348.2 million, representing a decrease of 5.7% as compared with HK\$369.2 million for the same period in 2015. As a result, the net profit attributable to equity holders of the Company for the six months ended 30 June 2016 was HK\$56.0 million and the net asset value per share as at 30 June 2016 was HK\$1.15.

### **OEM and ODM Business**

The turnover derived from our OEM/ODM business recorded a slight decrease of 10.0% from HK\$1,005.7 million for the six months ended 30 June 2015 to HK\$905.3 million for the six months ended 30 June 2016. Apparel in silk, cotton and synthetic fabrics continued to be the principal products of the Group, which had a contribution of HK\$682.7 million (2015: HK\$740.9 million), representing 75.4% (2015: 73.7%) of the total turnover of our OEM/ODM business.

The U.S. continued to be the Group's principal market with sales amounted to HK\$606.7 million (2015: HK\$696.4 million), representing 67.0% (2015: 69.2%) of the total turnover of our OEM/ODM business. Sales to Europe and other markets were HK\$107.2 million (2015: HK\$125.6 million) and HK\$191.4 million (2015: HK\$183.7 million), respectively.



## **Fashion Retail Business**

The retail sales of the Group also recorded a decrease of 11.1% from HK\$251.0 million for the six months ended 30 June 2015 to HK\$223.2 million for the six months ended 30 June 2016. Finity, the major brand of the Group, contributed HK\$115.0 million to the retail business, representing a decrease of 17.3% compared with HK\$139.1 million for the six months ended 30 June 2015.

In terms of retail revenue analysis by sales channel, sales from concessions amounted to HK\$187.1 million (2015: HK\$211.8 million), representing 83.8% of total turnover of the retail business. Sales from free-standing stores and franchisees amounted to HK\$17.2 million (2015: HK\$20.2 million) and HK\$19.0 million (2015: HK\$19.0 million), respectively.

## **Liquidity and Financial Resources**

During the six months ended 30 June 2016, the Group satisfied its working capital needs principally from the financial resources generated from its business operations. As of 30 June 2016, the Group had cash and cash equivalent of HK\$332.5 million, representing an increase of HK\$29.5 million compared with HK\$303.0 million as of 31 December 2015. The Group's total bank borrowings were HK\$347.1 million (31 December 2015: HK\$334.3 million). The debt to equity ratio (total borrowings as a percentage of total equity) of the Group was 14.4% (31 December 2015: 13.9%). The Directors are of the opinion that, after taking into account the existing available bank borrowing facilities and the internal financial resources of the Group, the Group has adequate financial resources to support its working capital requirement and future expansion.

The sales of the Group are mainly denominated in U.S. dollars and Renminbi, and the purchase of raw materials is mainly made in Renminbi, U.S. dollars and Hong Kong dollars. As of 30 June 2016, all cash and cash equivalents, and bank borrowings were mainly denominated in U.S. dollars, Renminbi and Hong Kong dollars. Hence, the Group considers that its foreign exchange risk is insignificant for the period. The Group has entered into certain foreign exchange contracts (between U.S. dollars and Renminbi) as part of its efforts to mitigate the foreign exchange risk arising from the OEM/ODM and trading business of the Group. According to the applicable accounting policies of the Group, the forex contracts would need to be measured at market value of the corresponding currencies as of 30 June 2016. As of 30 June 2016, the Group recorded net fair value gains and realised losses on derivative financial instruments of HK\$20.9 million and 15.5 million, respectively.

## **Loan to Hangzhou China Ting Property**

Hangzhou China Ting Property has launched for sales of 君臨天峯府 (C. Ting King's Summit), its residential property development project, since the fourth quarter of 2014. The average launch price of the residential units was set at a low level at around RMB10,800 (equivalent to HK\$12,624) per square meter in order to promote the sales.

During the six months ended 30 June 2016, the property market in China benefited from the relaxation of the relevant government policies in home purchases, selling price and volume in many cities were increasing generally. After review of the latest situation of the property project, the Directors considered that the provisions made in previous years are sufficient and an amount of HK\$9.7 million can be written back for Hangzhou China Ting Property.

## **Entrusted loans to Zhongdou Group and Zhongdou Shopping Centre**

The Company announced the updated status of the NBC Entrusted Loans and the BOCOM Entrusted Loans in its announcements dated 10 February 2015, 10 December, 3 November, 19 August, 23 June 2014 and 5 February 2013 (the “Entrusted Loans Announcements”). The total amount of these two entrusted loans is RMB160.0 million (equivalent to HK\$187.0 million). The borrowers of these two entrusted loans have failed to make repayments, and the borrowers and the related companies, namely 中都控股集團有限公司 (Zhongdou Group Holdings Limited\*), 浙江中都房地產集團有限公司 (Zhejiang Zhongdou Property Group Company Limited\*), 浙江中都百貨有限公司 (Zhejiang Zhongdou Department Store Company Limited\*), 杭州中都購物中心有限公司 (Hangzhou Zhongdou Shopping Centre Company Limited\*) have filed voluntary bankruptcy at the People’s Court of Yuhang District, Hangzhou City. A creditor served a petition for bankruptcy proceedings against 浙江臨安中都置業有限公司 (Zhejiang Linan Zhongdou Property Company Limited\*) which has pledged a parcel of land to secure due performance of obligations under the NBC Entrusted Loan, at the People’s Court of Yuhang District, Hangzhou City.

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

Pursuant to the order, each of the Bank of Communications Limited, Zhejiang Branch and Ningbo Bank Corporation lodged a proof of debt to the administrator in respect of the claims under the BOCOM Entrusted Loans and NCB Entrusted Loans in the amount of RMB33.6 million (equivalent to HK\$39.3 million) and RMB141.8 million (equivalent to HK\$165.8 million) on 9 February 2015 and 16 February 2015, respectively.

## **Available-for-sale financial assets**

As set forth in the announcement of the Company dated 25 March 2015, the Group has reclassified its equity investment in Zhejiang Haoran as a result of the Group’s representatives being removed as directors of Zhejiang Haoran since July 2014. The removal decision was unilaterally approved by a majority of the equity holders of Zhejiang Haoran. The equity investment was previously recorded under the equity method as the Group’s investment in an associate. Following the removal of the Group’s representatives as directors of Zhejiang Haoran, the Group’s equity investment in Zhejiang Haoran is currently treated as available-for-sale financial assets which are stated at fair value. For the six months ended 30 June 2016, after reviewing the current market situation, the Directors consider the impairment made in previous years is sufficient and no impairment was necessary for the period under review.

## **Human Resources**

As of 30 June 2016, the Group employed a total of 8,600 employees in Mainland China, Hong Kong and the United States.

The Group recognises the importance of good relationships with its employees and remuneration is has established determined based on the performance of the Group and with reference to the performance, skills, qualifications and experiences of the employees and the prevailing industry practice, 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 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.

### **Contingent Liabilities**

The Group had no material contingent liabilities as at 30 June 2016.

### **BUSINESS OUTLOOK**

In the second half of 2016, with the global economy facing numerous uncertainties, it is expected that the demand for clothing and apparel items would continue to fluctuate. The Directors are, however, positive on the overall business development of the Group. The Group will continue to adjust its business structure to cope with the increasing integration in the business sectors, so that it will be able to continue to grow amid the uncertain market conditions.

The Group will continue to work with its major customers in the OEM/ODM business. The Group will also provide customers with more alternatives on fabric designs, in order to enhance the value of the Group's products. At the same time, the Group will focus on the investment in new technologies, new fabrics and new equipment to make continuous improvement on the quality of the company's products and service efficiency, in order to satisfy the demand from the customers.

In terms of market presence, the Group will continue to have primary focus on the U.S. market. The Group will take full advantage of its overseas companies to gain access to the relevant local markets and customers enabling proactive and quick response to market needs. The Group will also focus on developing its business with the brand customers in China and explore customers through multiple channels with the aim of gaining a foothold in more markets and obtaining more orders.

The Group believes that the retail market in China will still be the most important market segment of the Group. A general increase in the disposable income in China together with the favourable two-child policy can have positive influence on the retail market in China. The Group will seize this business opportunity and proactively expand its brand retail business in China. The Group will continue to put more efforts on brand promotion, improve product design, revamp store image, optimise sales network, put more resources on E-commerce sales, enhance terminal training and adopt various measures to increase profitability and enhance brand recognition. The Group will assess its retail network and adjust the number of stores for the purpose of devoting additional resources on E-commerce sales.

Meanwhile, the Group will continue to deepen its cooperation with the international brands. With its key development in a Korean fashion brand TRENTA, the Group will target on the youth consumers, as well as to study the Korean trend and influence on the younger generation in China market. The Group is committed to introducing more international and fashionable brands to China to offer more alternatives to local customers.

## **INTERIM DIVIDEND**

The Board recommend and declare, for the six months ended 30 June 2016, an interim dividend of HK cent 1.34 and a special dividend of HK cent 0.54 which in aggregate represents approximately 70% of the amount of the profit attributable to equity holders of the Company for the six months ended 30 June 2016 (2015: Nil). Shareholders of the Company whose names appear on the register of members of the Company on Wednesday, 14 September 2016 will be entitled to the interim and special dividend. Our Directors expect that the interim and special dividend will be paid to the shareholders of the Company on or about Friday, 26 September 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 12 September 2016 to Wednesday, 14 September 2016, both days inclusive, during which no transfer of the Shares will be registered. To qualify for the interim dividend and the special dividend for the six months ended 30 June 2016, shareholders must lodge all transfer documents accompanied by the relevant share certificates with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on Friday, 9 September 2016.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's listed securities during the six months ended 30 June 2016.

## **AUDIT COMMITTEE**

The audit committee of the Board has reviewed with the management and the independent auditor the accounting principles, policies and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial information for the period. In addition, the Group's independent auditor has carried out a review of the unaudited interim results in accordance with the 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.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

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.

## REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2016 have been reviewed by the Group's 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. The Audit Committee has reviewed the interim results for the six months ended 30 June 2016.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.chinating.com.hk](http://www.chinating.com.hk)). An interim report containing all the relevant information required by the Listing Rules will be dispatched to the Company's shareholders and published on the above websites in due course.

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

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

Hong Kong, 26 August 2016