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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)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Six months ended 30 June		
	2017	2016	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>% Change</i>
Revenue			
OEM Business	865.9	905.3	(4.4)
Fashion Retail Business	<u>242.5</u>	<u>223.2</u>	8.6
	<u>1,108.4</u>	<u>1,128.5</u>	(1.8)
Operating profit	77.2	80.0	
Profit before income tax	78.0	76.6	
Significant items:			
Reversal of impairment on loan to an associate	(7.5)	(9.7)	
Gain on derivative financial instruments	<u>—</u>	<u>(5.4)</u>	
Profit before income tax before the significant items	<u>70.5</u>	<u>61.5</u>	14.6
Dividend per share (<i>HK cents</i>)			
— Interim and special	<u>1.97</u>	1.88	
Dividend payout ratio	70%	70%	
Equity attributable to the Company's equity holders	2,358.6	2,268.8	
Equity per share (<i>HK\$</i>)	1.12	1.08	

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 2017, together with the unaudited comparative figures for the corresponding period in 2016 as follows:-

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2017

	Note	Six months ended 30 June	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	3	1,108,397	1,128,520
Cost of sales		(766,385)	(780,292)
Gross profit		342,012	348,228
Other income	4	16,288	3,561
Other gains, net	5	1,189	7,824
Selling, marketing and distribution costs		(134,383)	(137,276)
Administrative expenses		(155,417)	(157,513)
Gains on derivative financial instruments		—	5,439
Reversal of impairment loss on loans to an associate		7,487	9,738
Operating profit	6	77,176	80,001
Finance income	7	8,022	8,719
Finance costs	7	(6,081)	(10,521)
Share of losses of associates		(10)	(2)
Share of losses of joint ventures		(1,141)	(1,574)
Profit before income tax		77,966	76,623
Income tax expense	8	(19,382)	(20,580)
Profit for the period		58,584	56,043
Other comprehensive income/(loss) for the period:			
<i>Item that may be reclassified to profit or loss</i>			
— Currency translation differences		51,017	(47,285)
Other comprehensive income/(loss) for the period, net of tax		51,017	(47,285)
Total comprehensive income for the period		109,601	8,758

		Six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
<i>Note</i>		HK\$'000	HK\$'000
Profit/(loss) attributable to:			
	Equity holders of the Company	59,220	56,239
	Non-controlling interests	(636)	(196)
		<u>58,584</u>	<u>56,043</u>
Total comprehensive income/(loss) attributable to:			
	Equity holders of the Company	107,690	9,472
	Non-controlling interests	1,911	(714)
		<u>109,601</u>	<u>8,758</u>
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)			
	— basic	<u>2.82</u>	<u>2.68</u>
	— diluted	<u>2.82</u>	<u>2.68</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2017

		As at 30 June 2017 (Unaudited) <i>HK\$'000</i>	As at 31 December 2016 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		612,147	619,848
Investment properties		27,500	27,500
Land use rights		73,443	72,568
Intangible assets		25,331	25,057
Interests in associates		1,708	1,673
Loan to an associate		—	125,977
Interests in joint ventures		4,575	5,797
Promissory note		34,397	33,867
Deferred income tax assets		69,018	59,272
		<u>848,119</u>	<u>971,559</u>
Current assets			
Inventories		791,331	729,935
Trade and other receivables	11	644,040	568,599
Entrusted loans	11	167,665	160,974
Tax recoverable		—	416
Available-for-sale financial assets	12	274,886	276,712
Financial assets at fair value through profit or loss		20,438	19,498
Loans to an associate		96,777	71,708
Cash and cash equivalents		478,820	395,147
		<u>2,473,957</u>	<u>2,222,989</u>
Total assets		<u><u>3,322,076</u></u>	<u><u>3,194,548</u></u>

		As at 30 June 2017 (Unaudited) <i>HK\$'000</i>	As at 31 December 2016 (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>2,148,639</u>	<u>2,058,797</u>
		2,358,621	2,268,779
Non-controlling interests		<u>32,172</u>	<u>30,261</u>
Total equity		<u>2,390,793</u>	<u>2,299,040</u>
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		<u>16,039</u>	<u>13,861</u>
Current liabilities			
Trade and other payables	<i>13</i>	656,810	582,227
Bank borrowings		241,731	283,066
Current income tax liabilities		<u>16,703</u>	<u>16,354</u>
		<u>915,244</u>	<u>881,647</u>
Total liabilities		<u>931,283</u>	<u>895,508</u>
Total equity and liabilities		<u>3,322,076</u>	<u>3,194,548</u>
Net current assets		<u>1,558,713</u>	<u>1,341,342</u>
Total assets less current liabilities		<u>2,406,832</u>	<u>2,312,901</u>

NOTES

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2017 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 2016, 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 2016, as described in those annual consolidated 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) Amendments to 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 2017:

HKAS 7 (Amendment)	Statement of cash flows
HKAS 12 (Amendment)	Income taxes
HKFRS 12 (Amendment)	Disclosure of interest in other entities

(b) The following new standards and amendments to standards have been issued, but are not effective for the financial year beginning on 1 January 2017 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	First time adoption of HKFRS	1 January 2018
HKFRS 2 (Amendment)	Share-based payment	1 January 2018
HKFRS 4 (Amendment)	Insurance contracts	1 January 2018
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HK (IFRIC) 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 28 (Amendment)	Investments in associates and joint ventures	1 January 2018
HKAS 40 (Amendment)	Investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) 23	Uncertainty over income tax treatment	1 January 2019
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 standards and amendments to standards is expected to have a significant effect on the consolidated financial statements of the Group. For details, please refer to note 2.1 of the Group’s annual consolidated financial statements for the year ended 31 December 2016.

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 PRC ("Property development").

The executive directors assess the performance of the operating segments based on profit/(loss) 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, deferred income tax assets, 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 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 Board 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>
Six months ended 30 June 2017				
Total revenue	871,945	242,646	—	1,114,591
Inter-segment revenue	(6,010)	(184)	—	(6,194)
	<u>865,935</u>	<u>242,462</u>	<u>—</u>	<u>1,108,397</u>
Revenue (from external customers)				
	<u>865,935</u>	<u>242,462</u>	<u>—</u>	<u>1,108,397</u>
Segment profit/(loss) before income tax	<u>94,193</u>	<u>(23,574)</u>	<u>11,705</u>	<u>82,324</u>
Reversal of impairment loss on loans to an associate	—	—	7,487	7,487
Depreciation of property, plant and equipment	(34,338)	(12,746)	—	(47,084)
Amortisation of land use rights	(1,476)	(115)	—	(1,591)
Amortisation of intangible assets	(2,373)	(1,221)	—	(3,594)
Finance income	3,569	235	4,218	8,022
Finance costs	(4,725)	(1,356)	—	(6,081)
Share of losses of associates	(10)	—	—	(10)
Share of losses of joint ventures	—	(1,141)	—	(1,141)
Income tax (expense)/credit	<u>(19,954)</u>	<u>572</u>	<u>—</u>	<u>(19,382)</u>

	(Unaudited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2016				
Total revenue	909,977	224,244	—	1,134,221
Inter-segment revenue	(4,716)	(985)	—	(5,701)
Revenue (from external customers)	905,261	223,259	—	1,128,520
Segment profit/(loss) before income tax	80,038	(20,633)	14,675	74,080
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 profits 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 <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2017				
Total segment assets	1,828,226	905,563	371,663	3,105,452
Total segment assets include:				
Interests in associates	1,708	—	—	1,708
Loan to an associate	—	—	96,777	96,777
Interests in joint ventures	—	4,575	—	4,575
Available-for-sale financial assets	—	—	274,886	274,886
Additions to non-current assets (other than financial instruments and deferred income tax assets)	14,028	17,754	—	31,782
Deferred income tax assets	31,833	37,185	—	69,018

	(Audited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2016				
Total segment assets	<u>1,544,935</u>	<u>966,119</u>	<u>474,397</u>	<u>2,985,451</u>
Total segment assets include:				
Interests in associates	1,673	—	—	1,673
Loan to an associate	—	—	197,685	197,685
Interests in a joint venture	—	5,797	—	5,797
Available-for-sale financial assets	—	—	276,712	276,712
Additions to non-current assets (other than financial instruments and deferred income tax assets)	105,143	7,886	—	113,029
Tax recoverable	416	—	—	416
Deferred income tax assets	<u>24,267</u>	<u>35,005</u>	<u>—</u>	<u>59,272</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	
	2017 (Unaudited) <i>HK\$'000</i>	2016 (Unaudited) <i>HK\$'000</i>
Total segment profit before income tax	82,324	74,080
Net fair value gains/(losses) of financial assets at fair value through profit or loss	350	(323)
Corporate overhead	(5,114)	(5,456)
Fair value gain on investment properties	—	2,500
Rental income	406	383
Net fair value gain on derivative financial instruments	—	20,890
Realised losses on derivative financial instruments	—	(15,451)
Profit before income tax per condensed consolidated statement of comprehensive income	<u>77,966</u>	<u>76,623</u>

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

	As at 30 June 2017 (Unaudited) <i>HK\$'000</i>	As at 31 December 2016 (Audited) <i>HK\$'000</i>
Total segment assets	3,105,452	2,985,451
Financial assets at fair value through profit or loss	20,438	19,498
Corporate assets	1,021	1,125
Investment properties	27,500	27,500
Entrusted loans	<u>167,665</u>	<u>160,974</u>
Total assets per condensed consolidated balance sheet	<u>3,322,076</u>	<u>3,194,548</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:

	Six months ended 30 June	
	2017	2016
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
North America	507,984	606,714
European Union	97,968	107,222
PRC	472,519	371,222
Hong Kong	20,573	29,945
Other countries	9,353	13,417
	<u>1,108,397</u>	<u>1,128,520</u>

The total of non-current assets other than interests in associates, loans to an associate, interests in joint ventures, promissory note 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:

	As at	As at
	30 June	31 December
	2017	2016
	(Unaudited) HK\$'000	(Audited) HK\$'000
PRC	577,803	563,235
Hong Kong	160,017	181,315
North America	601	423
	<u>738,421</u>	<u>744,973</u>

For the six months ended 30 June 2017, revenue of approximately HK\$221,637,000 (2016: HK\$202,443,000) was derived from one external customer (2016: one) attributable to the OEM reportable segment and accounted for greater than 10% (2016: greater than 10%) of the Group's revenue.

4 OTHER INCOME

	2017	2016
	HK\$'000	HK\$'000
Commission income	1,428	1,377
Government grants	61	25
Rental income	1,444	2,004
Compensation received (<i>Note 12</i>)	10,081	—
Others	3,274	155
	<u>16,288</u>	<u>3,561</u>

5 OTHER GAINS, NET

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Fair value gain on investment properties	—	2,500
Gains/(losses) on disposals of property, plant and equipment	5,164	(419)
Net fair value gains/(losses) on financial assets at fair value through profit or loss	350	(323)
Net exchange (losses)/gains	(4,325)	6,066
	<u>1,189</u>	<u>7,824</u>

6 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Depreciation of property, plant and equipment	47,084	47,525
Amortisation of land use rights	1,591	2,135
Amortisation of intangible assets	3,594	3,119
Employee benefit expenses	321,076	370,736
Provision for inventories	23,264	12,186
(Reversal of)/provision for impairment of trade receivables	(6,291)	4,077

7 FINANCE INCOME AND COSTS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	2,256	1,794
— loans to an associate	4,218	4,937
— promissory note	1,548	1,988
	<u>8,022</u>	<u>8,719</u>
Finance costs — interest expense on		
— bank borrowings	(6,081)	(10,521)
Finance income/(costs), net	<u>1,941</u>	<u>(1,802)</u>

8 INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax	9,982	8,200
— PRC enterprise income tax	15,337	17,520
Deferred income tax	<u>(5,937)</u>	<u>(5,140)</u>
	<u>19,382</u>	<u>20,580</u>

Notes:

- (a) Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit for the period.
- (b) 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% (2016: 25%).

9 EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$59,220,000 (2016: HK\$56,239,000) and weighted average number of ordinary shares in issue during the period of approximately HK2,099,818,000 (2016: 2,099,818,000).
- (b) 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 2017 and 2016 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 2017.

10 DIVIDENDS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Interim dividend, declared, of HK1.41 cents (2016: HK1.34 cents) per ordinary share	29,607	28,138
Special dividend, declared, of HK0.56 cent (2016: 0.54 cents) per ordinary share	<u>11,759</u>	<u>11,339</u>
	<u>41,366</u>	<u>39,477</u>

At a meeting held on 24 August 2017, the directors declared a special dividend of HK0.56 cent per ordinary share in addition to an interim dividend of HK1.41 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 2017.

11 TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade and bill receivables	456,994	404,328
Less: Provision for impairment	<u>(33,029)</u>	<u>(50,655)</u>
Trade and bill receivables, net (<i>Note (i)</i>)	423,965	353,673
Amounts due from joint ventures	4,638	2,376
Promissory note (<i>Note (ii)</i>)	36,335	35,805
Entrusted loans (<i>Note (iii)</i>)	167,665	160,974
Other receivables, deposits and prepayments	<u>213,499</u>	<u>210,612</u>
	846,102	763,440
Less: Non-current portion of promissory note	<u>(34,397)</u>	<u>(33,867)</u>
Current portion	<u><u>811,705</u></u>	<u><u>729,573</u></u>

The amounts due from associates and joint ventures are unsecured, interest-free and repayable on demand.

Notes:

(i) Trade and bill receivables

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Up to 30 days	207,514	211,382
31 to 60 days	79,550	80,998
61 to 90 days	67,883	34,279
91 to 120 days	67,568	35,818
Over 120 days	<u>34,479</u>	<u>41,851</u>
	<u><u>456,994</u></u>	<u><u>404,328</u></u>

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

The promissory note represents a senior unsecured promissory note with principal amounted 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 July 2019. The promissory note is interest bearing at 5.25% per annum.

(iii) Entrusted loans

On 24 December 2012, the Group entered into three secured entrusted loans (“Entrusted Loan A”) with total principals amounting to Renminbi (“RMB”) 30,000,000 (equivalent to approximately HK\$33,508,000) 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 would be 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\$145,203,000) 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 would be 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, remain 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. In February 2015, the Group lodged proof of debts through its lending agents to the administrator in respect of the claims. The first creditors’ meetings were held on 19, 20 March and 2 April 2015.

The legal proceedings are still in progress up to the date of this report.

As at 30 June 2017, Entrusted Loan A of approximately HK\$16,329,000 (31 December 2016: HK\$17,737,000) was considered impaired.

12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 30 June 2017 (Unaudited) HK\$'000	As at 31 December 2016 (Audited) HK\$'000
Unlisted investments in the PRC:		
Equity security	41,922	40,718
Debt security	232,964	235,994
	<u>274,886</u>	<u>276,712</u>

Movement of the available-for-sale financial assets is as follows:

	Six months ended 30 June	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
At 1 January	276,712	297,131
Repayment of debt security	(9,859)	—
Currency translation difference	8,033	(5,278)
At 30 June	<u>274,886</u>	<u>291,853</u>

Available-for-sale financial assets are denominated in RMB.

The fair values are within level 3 of the fair value hierarchy.

The Group's available-for-sale financial assets represented the equity interest in and shareholders' loans granted to Zhejiang Haoran.

The principal asset of Zhejiang Haoran is a parcel of commercial land located in Hangzhou city, the People's Republic of China, which is currently under construction (the "Property").

Shareholders' loans of RMB211,285,000 (approximately HK\$242,968,000) went default since 2014. During June 2016, the Group issued a legal letter to Zhejiang Haoran against a portion of the loans amounted to RMB8,700,000 (approximately HK\$9,859,000) for Haoran's default in repayment. In March 2017, Hangzhou Yuhang District Court (the "Court") ruled the Group won the case and Zhejiang Haoran has settled the loan principal of RMB8,700,000 (approximately HK\$9,859,000) together with the compensation of interest of RMB8,895,000 (approximately HK\$10,081,000) (*Note 4*).

Subsequent to the closure of the above mentioned litigation, the Group issued another legal letter to Zhejiang Haoran against another shareholder's loan of RMB7,250,000 in March 2017. Up to date of this report, the legal proceedings are still in progress.

Subsequent to such legal actions being taken by the Group, Zhejiang Haoran did not provide any financial information to the Group. As such, the fair value of the available-for-sale financial assets as of 30 June 2017 is estimated by management using Adjusted NAV approach based on Zhejiang Haoran's financial information as of 31 December 2016. Fair value of the Property has been adjusted to take into account the latest market price movements of similar properties at location nearby during the current period and assuming the construction progress remained unchanged from that as of 31 December 2016. Interest expense for the current period has been accrued for interest-bearing liabilities outstanding as of 31 December 2016 and assuming the balance outstanding and the interest rates remained unchanged from that as of 31 December 2016. Other assumptions adopted in the valuation, including but not limited to the minority interest discount rate, are assumed to be remained unchanged from that as of 31 December 2016.

13 TRADE AND OTHER PAYABLES

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bill payables	440,649	389,567
Other payables and accruals	215,354	191,772
Amount due to an associate	807	888
	<hr/>	<hr/>
	<u>656,810</u>	<u>582,227</u>

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

	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Up to 30 days	266,235	262,327
31 to 60 days	27,311	41,569
61 to 90 days	36,656	19,095
Over 90 days	110,447	66,576
	<hr/>	<hr/>
	<u>440,649</u>	<u>389,567</u>

EXTRACT OF REVIEW REPORT

The below sections set out an extract of the report by PricewaterhouseCoopers, the auditor of the Company, regard the interim financial information of the Group for the six months ended 30 June 2017.

“Basis for Qualified Conclusion

As discussed in note 11 to the condensed consolidated interim financial information, the Group held available-for-sale financial assets of HK\$275 million as of 30 June 2017 which represented 29% equity interest (the “Equity security”) in and shareholders’ loans (the “Debt security”) granted to Zhejiang Haoran Property Company Limited (“Zhejiang Haoran”) of HK\$42 million and HK\$233 million, respectively. In assessing the fair value of the available-for-sale financial assets, management adopted the Adjusted net asset value (NAV) approach to estimate the fair value of 100% equity interest in Zhejiang Haoran; then applying a minority interest discount rate to calculate the value of the 29% equity interest and considered the equity value of Zhejiang Haoran to estimate future expected cash flows under the debt security to assess the fair value of such debt security. Under the Adjusted NAV approach, the book values of Zhejiang Haoran’s assets and liabilities are adjusted to their respective fair values. The principal asset of Zhejiang Haoran is a commercial property project under construction located in Hangzhou (the “Property”), which is valued using direct comparison approach and residual approach.

The Group was unable to obtain any financial information of Zhejiang Haoran as of and for the six months ended 30 June 2017. As such, the fair value of the available-for-sale financial assets as of 30 June 2017 is estimated by management using the Adjusted NAV approach based on Zhejiang Haoran’s financial information as of 31 December 2016. The fair value of the Property has been adjusted to take into account the latest market price movements of similar properties at nearby locations during the current period and assumed the construction progress remained unchanged from that as of 31 December 2016. Interest expense for the current period has been accrued for interest-bearing liabilities outstanding as of 31 December 2016 and assuming the balance outstanding and the interest rates remained unchanged from those as of 31 December 2016. Other assumptions adopted in the valuation, including but not limited to the minority interest discount rate, are assumed to be remained unchanged from that as of 31 December 2016.

In absence of the latest financial information of Zhejiang Haoran, we are unable to obtain sufficient appropriate evidence to assess the appropriateness of the financial information and the assumptions adopted by management in their measurement of the fair value of the available-for-sale financial assets. There were no other satisfactory procedures that we could perform to determine whether any adjustments to the carrying value of the available-for-sale financial assets as at 30 June 2017 were necessary.

Qualified Conclusion

Except for the adjustments to the interim financial information that we might have become aware of had it not been for the situation described above, based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

Details of “note 11 to the condensed consolidated interim financial information” has been included in “note 12 to condensed consolidated interim financial information” of this announcement.

BUSINESS REVIEW

As at 30 June 2017, amid the slow recovery of the global market, the U.S. remained as the principal export market of the Group. However, the overall performance of the U.S. economy continued to fluctuate with various overseas brands and retailers shutting down their business presence in the U.S., which, together with such other factors as the increasing costs of raw materials and labour and the fluctuations of exchange rates, had caused an adverse impact on the OEM/ODM business of the Group. The Group and all its members strived to overcome all the unfavourable factors in the overseas markets, and to further explore and develop the branded garment and apparel market in China, with a view to mitigate the adverse effect of the sluggish international market on the Group.

In respect of the retail business in China, the Group continued to put more efforts in adjusting the brand operation and management team, closed loss-making stores, increased the proportion of franchised stores, increased the investment in e-commerce and focused more on the building of the cultural connotation of the brand. After more than a year of adjustment, the Group has seen initial effects therefrom, and recorded a slight growth in the retail business for the first half of 2017.

FINANCIAL REVIEW

Review of operations

During the six months ended 30 June 2017, the Group's revenue amounted to approximately HK\$1,108.4 million, representing a decrease of 1.8% as compared with approximately HK\$1,128.5 million for the same period in 2016. The gross profit for the six months ended 30 June 2017 was HK\$342.0 million, representing a decrease of approximately 1.8% as compared with approximately HK\$348.2 million for the same period in 2016. The net profit attributable to equity holders was approximately HK\$59.2 million. Earnings per Share were approximately HK cents 2.82 and net asset value per share was HK\$1.12.

OEM and ODM Business

During the period under review, the turnover derived from our OEM/ODM business recorded a decrease from approximately HK\$905.3 million to approximately HK\$865.9 million for the same period in 2016. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed approximately HK\$666.5 million (2016: HK\$682.7 million), representing approximately 77.0% (2016: 75.4%) 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 approximately HK\$508.0 million (2016: HK\$606.7 million), representing approximately 58.7% (2016: 67.0%) of the total turnover of our OEM/ODM business. Sales to Europe and other markets were approximately HK\$97.9 million (2016: HK\$107.2 million) and HK\$260.0 million (2016: HK\$191.4 million), respectively.

Fashion Retail Business

During the six months ended 30 June 2017, the retail sales increased to approximately HK\$242.5 million from approximately HK\$223.2 million for the same period in 2016. Finity, the major brand of the Group, contributed approximately HK\$109.9 million to the retail business, representing a decrease of approximately 4.4% as compared with approximately HK\$115.0 million for the same period in 2016.

In terms of retail revenue analysis by sales channel, sales from concessions amounted to approximately HK\$141.4 million (2016: HK\$157.2 million), accounting for approximately 58.3% of total retail turnover. Sales from free-standing stores, franchisees and e-commerce amounted to HK\$13.3 million (2016: HK\$17.2 million), HK\$46.9 million (2016: HK\$19.0 million) and HK\$40.9 million (2016: HK\$29.9 million), respectively.

Liquidity and Financial Resources

During the six months ended 30 June 2017, the Group satisfied their working capital needs principally from its business operations. As at 30 June 2017, the Group had cash and cash equivalents of approximately HK\$478.8 million, representing an increase of approximately HK\$83.7 million as compared with approximately HK\$395.1 million as of 31 December 2016. The Group's total bank borrowings were HK\$241.7 million (31 December 2016: HK\$283.1 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 10.1% (31 December 2016: 12.3%). 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.

The sales of the Group are mainly denominated in United States dollars and Renminbi, and the purchase of raw materials is mainly made in Renminbi, United States dollars and Hong Kong dollars. As of 30 June 2017, all cash and cash equivalents, and bank borrowings were mainly denominated in US dollars, Renminbi and Hong Kong dollars. Hence, the Group considers that its foreign exchange risk is minimal.

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. As at 30 June 2017, Hangzhou China Ting Property has already sold over 90% of completed residential units and, as a result, Hangzhou China Ting Property continuously repay the loan during current period. The Directors considered that the provisions made in previous years are sufficient and an amount of HK\$7.5 million has been written back during the six months ended 30 June 2017 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\$184.0 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\$38.6 million) and RMB141.8 million (equivalent to HK\$163.1 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.

In June 2016, the Group issued a letter before action to Zhejiang Haoran for a shareholders' loan of RMB8.7 million as Haoran is in default in repaying the balance. In March 2017, Hangzhou Yuhang District Court (the "Court") ruled that the Group won the case and Zhejiang Haoran has settled the loan principal of RMB8.7 million together with an interest of RMB8.9 million. Subsequent to the settlement of the above litigation, the Group issued another letter before action to Zhejiang Haoran for another shareholder's loan of RMB7.3 million. This legal action is still in progress.

Since the Group has taken legal actions against Zhejiang Haoran, Zhejiang Haoran did not provide any financial information to the Group, and the Group was unable to obtain any financial information of Zhejiang Haoran as at and for the six months ended 30 June 2017. As such, the fair value of the available for sale financial assets as at 30 June 2017 is estimated by management using the adjusted net assets value approach based on Zhejiang Haoran's financial information as at 31 December 2016, with the assumption that the construction progress, interest-bearing liabilities and interest rates remained unchanged, and the fair value of the property under development has been adjusted to take into account the latest market price movements of similar properties at nearby locations during the current period.

Human Resources

As of 30 June 2017, the Group employed a total of 7,400 employees in 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 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 2017.

BUSINESS OUTLOOK

The economic outdoor second half of 2017 remains uncertain, and both the Group and its customers will face more uncertainties and risks. The Directors are positive on the overall business development of the Group, and the Group will continue to uphold the corporate spirit of “solidarity, practicality, innovation and development” and make all-round preparation to meet any challenge and ensure the sustainable development of the Group's business.

In respect of the OEM/ODM business, the Group will increase the investment in design and R&D capability to increase the value-added of products and provide customers with better services. In the meanwhile of maintaining the relationship with existing customers, the Group will intensify the efforts to expand the customer base for the clothing brands targeted at domestic market. Moreover, the Group will attach importance to the pilot project of the smart factory and take advantage of modern equipment and intelligent software system to improve the production efficiency and product quality, and mitigate the adverse impact on the Group caused by such factors as the great difficulty in recruitment and high labor costs.

In terms of market presence, the Group will continue to have primary focus on the U.S. market. The Group will innovate in cooperation modes, deepen the cooperation level, adapt to the market variations and quickly respond to the needs of the customers. Meanwhile, the Group will focus on expanding the customer base for domestic clothing brands, and comprehensively enhance our core competitiveness to acquire a larger market share and more orders for the Group.

The Directors believe that the retail business would be one of the principal segments that can support the overall decline in the Group's business during the continuous downturn of the market. Data generally show that China's economy will continue to maintain steady with a modest growth in the next half year, and the Group will also take advantage of the favorable environment to accelerate the development of the retail business. We will focus on extending the connotation of brand culture, put more efforts on e-commerce sales, optimize the cultivation and introduction modes of the talents, and take a series of measures to improve the profitability and recognition of its brands.

Meanwhile, the Group will continue to deepen its cooperation with domestic and international premium online sales platforms, introduce more top-class international designers and their works from time to time to keep abreast of the fashion trend and strive to offer more fashion options to domestic customers.

INTERIM DIVIDEND

The Board recommend and declare, for the six months ended 30 June 2017, an interim dividend of HK cent 1.41 (2016: HK cent 1.34) and a special dividend of HK cent 0.56 (2016: 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 2017. Shareholders of the Company whose names appear on the register of members of the Company on Tuesday, 12 September 2017 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 Thursday, 21 September 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 8 September 2017 to Tuesday, 12 September 2017, 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 2017, 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 Thursday, 7 September 2017.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares during the six months ended 30 June 2017.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management and the independent 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. In addition, the Group's independent auditor has carried out a review of the unaudited interim financial information 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 2017 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 financial information for the six months ended 30 June 2017. PricewaterhouseCoopers has issued a modified conclusion on the interim financial information for the six months ended 30 June 2017. Please refer to "Extract of review report" on page 17 of this announcement for more details.

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) and the Company (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 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
Dr. CHENG Chi Pang

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

Hong Kong, 24 August 2017