Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2018

	Six months ended 30 June		
	2018	2017	
	HK$ million	*HK$ million*	*% Change*
Revenue			
OEM Business	**943.4**	865.9	9.0
Fashion Retail Business	**290.3**	242.5	19.7
Property Investment Business	**3.9**	—	N/A
	1,237.6	1,108.4	11.7
Operating profit	**65.6**	77.2	
Profit before income tax	**61.1**	78.0	
Significant items:			
Reversal of impairment on loan to an associate	—	(7.5)	
Compensation received	—	(10.1)	
Profit before income tax before the significant items	**61.1**	60.4	1.2
Dividend per share *(HK cents)*			
— Interim and special	—	1.97	
Dividend payout ratio	—	70%	
Equity attributable to the Company's equity holders	**2,752.3**	2,358.6	
Equity per share *(HK$)*	**1.31**	1.12	

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 2018, together with the unaudited comparative figures for the corresponding period in 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**1,237,549**	1,108,397
Cost of sales		**(891,579)**	(766,385)
Gross profit		**345,970**	342,012
Other income	*4*	**8,049**	16,288
Other gains, net	*5*	**28**	1,189
Selling, marketing and distribution costs		**(130,178)**	(134,383)
Administrative expenses		**(158,285)**	(155,417)
Reversal of impairment loss on loans to an associate		**—**	7,487
Operating profit	*6*	**65,584**	77,176
Finance income	*7*	**4,027**	8,022
Finance costs	*7*	**(8,124)**	(6,081)
Share of profits/(losses) of associates		**170**	(10)
Share of losses of joint ventures		**(518)**	(1,141)
Profit before income tax		**61,139**	77,966
Income tax expense	*8*	**(10,888)**	(19,382)
Profit for the period		**50,251**	58,584

	Note	Six months ended 30 June **2018** **(Unaudited)** ***HK$'000***	2017 (Unaudited) *HK$'000*
Other comprehensive income for the period:			
Items that may be reclassified to profit or loss			
— Currency translation differences		**(30,330)**	51,017
— Revaluation surplus upon transfer of owner occupied properties to investment properties, net of tax		**207,638**	—
Other comprehensive income for the period, net of tax		**177,308**	51,017
Total comprehensive income for the period		**227,559**	109,601
Profit/(loss) attributable to:			
Equity holders of the Company		**49,596**	59,220
Non-controlling interests		**655**	(636)
		50,251	58,584
Total comprehensive income attributable to:			
Equity holders of the Company		**226,350**	107,690
Non-controlling interests		**1,209**	1,911
		227,559	109,601
Earnings per share for profit attributable to equity holders of the Company *(expressed in HK cents per share)*			
— basic and diluted	*9*	**2.36**	2.82

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2018

	Note	**As at 30 June 2018 (Unaudited)** *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**467,914**	568,050
Investment properties		**433,231**	88,721
Land use rights		**60,391**	70,334
Intangible assets		**18,951**	22,301
Interests in associates		**1,938**	1,806
Interests in joint ventures		**20,337**	3,307
Promissory note	*11*	**35,555**	34,978
Deferred income tax assets		**82,085**	80,862
		1,120,402	870,359
Current assets			
Inventories		**932,382**	944,406
Trade and other receivables	*11*	**814,207**	729,581
Tax recoverable		**19,742**	15,403
Available-for-sale financial assets		**—**	286,002
Financial assets at fair value through profit or loss ("FVPL")	*13*	**318,066**	19,967
Entrusted loans	*11*	**172,830**	174,443
Pledged bank deposits		**43,131**	28,939
Cash and cash equivalents		**539,803**	469,447
		2,840,161	2,668,188
Assets held for sale	*12*	**8,870**	—
		2,849,031	2,668,188
Total assets		**3,969,433**	3,538,547

	Note	As at 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**209,982**	209,982
Reserves		**2,542,304**	2,315,954
		2,752,286	2,525,936
Non-controlling interests		**24,534**	23,325
Total equity		**2,776,820**	2,549,261
LIABILITIES			
Non-current liability			
Deferred income tax liabilities		**93,263**	21,752
Current liabilities			
Trade and other payables	*14*	**689,763**	707,889
Contract liabilities		**48,650**	—
Bank borrowings		**341,392**	247,271
Current income tax liabilities		**19,545**	12,374
		1,099,350	967,534
Total liabilities		**1,192,613**	989,286
Total equity and liabilities		**3,969,433**	3,538,547
Net current assets		**1,749,681**	1,700,654
Total assets less current liabilities		**2,870,083**	2,571,013

NOTES

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2018 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 2017, 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 2017 as described in those annual consolidated financial statements, except for the adoption of new and amended standards as set out below.

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

(a) New standards and amendments to existing standards adopted by the Group

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2018:

HKFRS 1 (Amendment)	First time adoption of HKFRS
HKFRS 2 (Amendment)	Share-based payment
HKFRS 4 (Amendment)	Insurance contracts
HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK (IFRIC) 22	Foreign currency transactions and advance consideration
HKAS 28 (Amendment)	Investments in associates and joint ventures
HKAS 40 (Amendment)	Investment property

The impact of the adoption of these standards and the new accounting policies are disclosed in note 15 below. The other standards did not have any impact on the Group's accounting policies and did not require adjustments.

(b) The following new standards and amendments to existing standards have been issued, but are not effective for the financial year beginning on 1 January 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
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 existing standards is expected to have a significant effect on the consolidated financial statements of the Group except for HKFRS 16 "Leases". For details, please refer to note 2.1 of the Group's annual consolidated financial statements for the year ended 31 December 2017.

3 SEGMENT INFORMATION

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

The executive directors assess the performance of the operating segments based on profit before income tax, which is consistent with that in the financial statements. Other information, as noted below, is also provided to the executive directors.

During the six months ended 30 June 2018, the Group started to engage in property investment in the PRC and such new business changed the executive directors' review on the Group's segment performance and resource allocation over that in prior years.

Currently, the executive directors consider the Group has four reportable segments: (1) manufacturing and sale of garments on an OEM basis ("OEM"); (2) manufacturing and retailing of branded fashion apparel ("Retail"); (3) property development in the PRC ("Property development"); and (4) property investment in the PRC ("Property investment").

Total segment assets exclude certain investment properties, corporate assets, certain 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 and rental income. Sales between segments are carried out based on terms agreed. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

	OEM *HK$'000*	Retail *HK$'000*	(Unaudited) Property development *HK$'000*	Property investment *HK$'000*	Total *HK$'000*
Six months ended 30 June 2018					
Total revenue	**952,741**	**290,255**	—	**5,713**	**1,248,709**
Inter-segment revenue	**(9,298)**	—	—	**(1,862)**	**(11,160)**
Revenue (from external customers)	**943,443**	**290,255**	—	**3,851**	**1,237,549**
Segment profit before income tax	**57,846**	**4,535**	—	**1,041**	**63,422**
Depreciation of property, plant and equipment	**(33,566)**	**(15,647)**	—	**(2,119)**	**(51,332)**
Amortisation of land use rights	**(1,597)**	**(17)**	—	—	**(1,614)**
Amortisation of intangible assets	**(2,130)**	**(1,221)**	—	—	**(3,351)**
Finance income	**3,885**	**142**	—	—	**4,027**
Finance costs	**(6,304)**	**(1,820)**	—	—	**(8,124)**
Share of profits of associates	**170**	—	—	—	**170**
Share of losses of joint ventures	—	**(518)**	—	—	**(518)**
Income tax expense	**(10,201)**	**(687)**	—	—	**(10,888)**

	OEM *HK$'000*	Retail *HK$'000*	(Unaudited) Property development *HK$'000*	Total *HK$'000*
Six months ended 30 June 2017				
Total revenue	871,945	242,646	—	1,114,591
Inter-segment revenue	(6,010)	(184)	—	(6,194)
Revenue (from external customers)	865,935	242,462	—	1,108,397
Segment profit/(loss) before income tax	94,193	(23,574)	11,705	82,324
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 loss of a joint venture	—	(1,141)	—	(1,141)
Income tax (expense)/credit	(19,954)	572	—	(19,382)

	OEM	Retail	(Unaudited) Property development	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 30 June 2018					
Total segment assets	**2,024,309**	**1,019,579**	**300,723**	**344,510**	**3,689,121**
Total segment assets include:					
Investment properties	—	—	—	**344,510**	**344,510**
Interests in associates	**1,938**	—	—	—	**1,938**
Interests in joint ventures	—	**20,337**	—	—	**20,337**
FVPL	—	—	**300,723**	—	**300,723**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**22,393**	**8,069**	—	—	**30,462**
Tax recoverable	**15,487**	**4,255**	—	—	**19,742**
Deferred income tax assets	**30,597**	**51,488**	—	—	**82,085**

	OEM	Retail	(Audited) Property development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2017				
Total segment assets	1,926,587	1,039,211	286,002	3,251,800
Total segment assets include:				
Interests in associates	1,806	—	—	1,806
Interest in a joint venture	—	3,307	—	3,307
Available-for-sale financial assets	—	—	286,002	286,002
Additions to non-current assets (other than financial instruments and deferred income tax assets)	38,007	20,362	—	58,369
Tax recoverable	15,403	—	—	15,403
Deferred income tax assets	23,639	57,223	—	80,862

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Total segment profit before income tax	**63,422**	82,324
Net fair value (losses)/gains of FVPL	**(2,656)**	350
Corporate overhead	**(5,121)**	(5,114)
Rental income	**5,494**	406
Profit before income tax per condensed consolidated statement of comprehensive income	**61,139**	77,966

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

	As at	As at
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Total segment assets	**3,689,121**	3,251,800
FVPL	**17,343**	19,967
Corporate assets	**1,418**	3,616
Investment properties	**88,721**	88,721
Entrusted loans	**172,830**	174,443
Total assets per condensed consolidated balance sheet	**3,969,433**	3,538,547

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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
North America	**438,966**	507,984
The PRC	**676,590**	472,519
European Union	**101,964**	97,968
Hong Kong	**15,220**	20,573
Other countries	**4,809**	9,353
	1,237,549	1,108,397

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 30 June 2018 (Unaudited) HK$'000	As at 31 December 2017 (Audited) HK$'000
The PRC	**829,815**	593,898
Hong Kong	**147,626**	151,719
North America	**3,046**	3,789
	980,487	749,406

For the six months ended 30 June 2018, revenue of approximately HK$183,905,000 (2017: HK$221,637,000) was derived from one external customer (2017: one) attributable to the OEM reportable segment and accounted for greater than 10% (2017: greater than 10%) of the Group's revenue.

4 OTHER INCOME

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Commission income	**1,467**	1,428
Government grants	**772**	61
Rental income	**5,494**	1,444
Compensation received *(Note 13)*	**—**	10,081
Others	**316**	3,274
	8,049	16,288

5 OTHER GAINS, NET

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Losses)/gains on disposals of property, plant and equipment	**(3,130)**	5,164
Net fair value (losses)/gains on FVPL *(Note 13)*	**(2,656)**	350
Net exchange gains/(losses)	**5,814**	(4,325)
	28	1,189

6 OPERATING PROFIT

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**51,332**	47,084
Amortisation of land use rights	**1,614**	1,591
Amortisation of intangible assets	**3,351**	3,594
Employee benefit expenses	**309,728**	321,076
Provision for impairment of inventories	**2,935**	23,264
Reversal of impairment of trade receivables	**(1,269)**	(6,291)

7 FINANCE (COSTS)/INCOME, NET

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**2,432**	2,256
— loans to an associate	**—**	4,218
— promissory note	**1,595**	1,548
	4,027	8,022
Finance costs — interest expense on		
— bank borrowings	**(8,124)**	(6,081)
Finance (costs)/income, net	**(4,097)**	1,941

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**3,806**	9,982
— PRC enterprise income tax	**10,217**	15,337
Deferred income tax	**(3,135)**	(5,937)
	10,888	19,382

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the period.

The PRC enterprise income tax is calculated based on the statutory profit of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations. The standard PRC enterprise income tax rate is 25% (2017: 25%) during the period. During the six months ended 30 June 2018 and 2017, one subsidiary of the Group is qualified for a preferential income tax rate of 15% under the tax breaks to small and micro business. The remaining PRC subsidiaries of the Group are subject to standard PRC enterprise income tax rate of 25%.

The tax charge relating to components of other comprehensive income is as follows:

	Six months ended 30 June					
	2018			2017		
	Before tax	**Tax**	**After tax**	Before tax	Tax	After tax
	(Unaudited)	**(Unaudited)**	**(Unaudited)**	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Currency translation differences	**(30,330)**	**—**	**(30,330)**	51,017	—	51,017
Fair value gain on transfer of owner-occupied properties to investment properties	**276,851**	**(69,213)**	**207,638**	—	—	—
Other comprehensive income	**246,521**	**(69,213)**	**177,308**	51,017	—	51,017
Deferred tax		**(69,213)**			—	

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$49,596,000 (2017: HK$59,220,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,818,000 (2017: 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 2018 and 2017 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 2018.

10 DIVIDENDS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend, nil (2017: HK1.41 cents per ordinary share)	**—**	29,607
Special dividend, nil (2017: HK0.56 cents per ordinary share)	**—**	11,759
	—	41,366

At a meeting held on 24 August 2018, the directors did not propose and interim or special dividend.

11 TRADE AND OTHER RECEIVABLES

	As at	As at
	30 June	31 December
	2018	2017
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bill receivables	**565,830**	498,981
Less: Provision for impairment	**(47,103)**	(48,650)
Trade and bill receivables, net *(Note (i))*	**518,727**	450,331
Amounts due from related parties	**22,732**	15,226
Promissory note *(Note (ii))*	**37,493**	36,914
Entrusted loans *(Note (iii))*	**172,830**	174,443
Advances to Zhejiang Haoran Property Company Limited ("Zhejiang Haoran") *(Note 13)*	**—**	17,528
Deposits and prepayments	**134,236**	134,363
Other receivables	**136,574**	110,197
	1,022,592	939,002
Less: Non-current portion of promissory note *(Note (ii))*	**(35,555)**	(34,978)
Current portion	**987,037**	904,024

Notes:

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

	As at 30 June 2018 (Unaudited) *HK$'000*	As at 31 December 2017 (Audited) *HK$'000*
0 to 30 days	**255,410**	284,150
31 to 60 days	**100,460**	73,796
61 to 90 days	**71,028**	50,326
91 to 120 days	**74,345**	38,152
Over 120 days	**64,587**	52,557
	565,830	498,981

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 RMB30,000,000 (approximately HK$35,562,000) 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 (approximately HK$154,101,000) 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 was 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 had reached three civil claim mediation agreements with Borrower A, in which Borrower A had 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 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 which then 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 2018, Entrusted Loan A of approximately HK$16,833,000 (31 December 2017: HK$16,990,000) was impaired.

12 ASSETS HELD FOR SALE

As at 30 June 2018, property, plant and equipment of approximately HK$8,870,000 have been presented as held for sale following the decision of the Group's management to sell such assets in the near term.

13 FVPL

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
Listed equity securities *(Note (i))*	**17,343**	19,967
FVPL in Zhejiang Haoran *(Note (ii))*		
— Equity interests	**43,213**	—
— Shareholder's loans	**240,144**	—
— Advances	**17,366**	—
	300,723	—
	318,066	19,967

Movement of the Group's FVPL for the six months ended 30 June 2018 is as follows:

		(Unaudited)	
	Listed equity securities ***HK$'000***	**FVPL in Zhejiang Haoran** ***HK$'000***	**Total** ***HK$'000***
At 1 January 2018	**19,967**	**—**	**19,967**
Additions	**134**	**—**	**134**
Disposals	**(5)**	**—**	**(5)**
Reclassified from available-for-sale financial assets on adoption of HKFRS 9 *(Note 15)*	**—**	**286,002**	**286,002**
Reclassified from other receivables on adoption of HKFRS 9 *(Note 15)*	**—**	**17,528**	**17,528**
Net fair value losses *(Note 5)*	**(2,656)**	**—**	**(2,656)**
Currency translation difference	**(97)**	**(2,807)**	**(2,904)**
At 30 June 2018	**17,343**	**300,723**	**318,066**

Movement of the Group's FVPL for the six months ended 30 June 2017 is as follows:

	Listed equity securities (Unaudited) *HK$'000*
At 1 January 2017	19,498
Additions	111
Disposals	(136)
Net fair value gains *(Note 17)*	350
Currency translation difference	615
At 30 June 2017	20,438

Notes:

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

(ii) FVPL in Zhejiang Haoran

Zhejiang Haoran is a company engaged in commercial property development in Hangzhou. The principal asset of Zhejiang Haoran is a commercial property project located in Hangzhou (the "Property"), which is valued using direct comparison approach.

Repayment of the shareholders' loans of RMB211,285,000 (approximately HK$250,457,000) has been in default since 2014. In June 2016, the Group launched a legal claim against Zhejiang Haoran for repayment of a portion of the loans amounted to RMB8,700,000 (approximately HK$10,313,000). In March 2017, the People's Court of Yuhang District ruled the case against Zhejiang Haroran and the Group collected the relevant loan principal together with a 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 further issued two legal letters to Zhejiang Haoran to demand for repayment of a portion of the shareholder's loans of HK$204,718,000 (RMB172,700,000) and part of the advances of HK$8,594,000 (RMB7,250,000) in March 2017 and August 2017, respectively. During the period, the Group also filed a petition to wind up Zhejiang Haoran as a shareholder.

In June and August 2018, the aforesaid legal claims for repayment of shareholder's loans and advances against Zhejiang Haoran were overruled by the Hangzhou Intermediate People's Court and the People's Court of Yuhang District (collectively the "Courts"), respectively. While the judgements from the Courts stated that the Group has the legal right to recover such shareholder loans and advances, it was ruled that the Group will not be able to exercise such right to demand for repayment until such time when Zhejiang Haoran winds up and has repaid all third party debts.

Management disagreed with the Courts' judgments on the basis that there is no legal evidence indicating such shareholder's loans and advances are subordinated to other creditors and the Group's legal right to recover such loans shall be well before Zhejiang Haoran is wound up. In July and August 2018, the Group lodged appeals to the relevant courts in the PRC for the repayment claims regarding the shareholder's loans and advances, respectively, and sought to quash the judgements rendered for each of the claims. As at the date of approval of this condensed consolidated interim financial information, the legal proceedings of the appeals are still ongoing, while the petition to wind up Zhejiang Haoran is still ongoing and has not been heard by the relevant court.

Having obtained advice from its legal counsel and after considering the merits and basis of the appeals, the directors are of the opinion that the Group will be successful in the appeals and considered that the likelihood of other possible outcomes to be very low. Therefore, the directors are of the opinion that the above matters have no impacts on the assumptions and basis applied in the fair value assessment of the FVPL in Zhejiang Haoran and that such financial assets will be realised in the coming twelve months from 30 June 2018.

The Group was unable to obtain any financial information of Zhejiang Haoran as at and for the six months ended 30 June 2018. As such, the fair value of FVPL in Zhejiang Haoran as at 30 June 2018 was estimated by management using the Adjusted NAV approach based on Zhejiang Haoran's financial information as at 31 December 2016, which was its latest financial information made available to the Group. 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 assuming the construction of the Property has been completed as at 30 June 2018. Interest expense for the current period has been accrued for interest-bearing liabilities outstanding as at 31 December 2016 and assuming the balance outstanding and the interest rates remained unchanged from those as at 31 December 2016. Construction costs incurred subsequent to 31 December 2016 have been accrued up to 30 June 2018 assuming such costs have been incurred in accordance with the original project budget provided to the Group with certain overruns. Other assumptions adopted in the valuation, including but not limited to the minority interest discount rate, were assumed to remain unchanged from those as at 31 December 2017.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2018 (Unaudited)	As at 31 December 2017 (Audited)
	HK$'000	*HK$'000*
Trade and bill payables	**469,104**	475,551
Other payables and accruals	**212,449**	231,293
Amounts due to related parties	**8,210**	1,045
	689,763	707,889

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

	As at 30 June 2018 (Unaudited) ***HK$'000***	As at 31 December 2017 (Audited) *HK$'000*
0 to 30 days	**269,963**	329,734
31 to 60 days	**60,344**	41,063
61 to 90 days	**25,736**	24,604
Over 90 days	**113,061**	80,150
	469,104	475,551

15 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" on the Group's condensed consolidated financial information and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the condensed consolidated financial information

As explained in notes below, HKFRS 9 was generally adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not restated in the consolidated balance sheet as at 31 December 2017, but are recognised in the opening consolidated balance sheet on 1 January 2018.

(b) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information. The new accounting policies are set out in note 15(c). In accordance with the transitional provisions in HKFRS 9 (7.2.15) and (7.2.26), comparative figures have not been restated.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management assessed which business models apply to the financial assets it held and has reclassified its financial assets in relation to in Zhejiang Haoran previously classified as available-for-sale and loans and receivable into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

	Available-for-sale financial assets	**Other receivables**	**FVPL**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Closing balance as at 31 December 2017 — HKAS 39	286,002	17,528	—	303,530
Reclassified available-for-sale financial assets to FVPL	(286,002)	—	286,002	—
Reclassified other receivables to FVPL	—	(17,528)	17,528	—
Opening balance as at 1 January 2018 — HKFRS 9	—	—	303,530	303,530

The Group elected to present in the profit or loss changes in the fair value of its 29% equity interest in Zhejiang Haoran that was previously classified as available-for-sale because management plans to dispose such investment in the foreseeable future. As a result, an asset with a fair value of HK$43,617,000 was reclassified from available-for-sale financial assets to FVPL on 1 January 2018.

The shareholder's loans and advances granted to Zhejiang Haoran were reclassified from available-for-sale and other receivables to FVPL as the contractual cash flows under such financial assets do not represent solely payments of principal and interest on the principal amount.

There was no impact on retained earnings as at 1 January 2018.

(ii) Impairment of financial assets

The Group has only one type of financial assets, which is financial assets carried at amortised cost, that is subject to HKFRS 9's new expected credit loss model.

The Group was required to revise its impairment methodology under HKFRS 9 for such class of assets. The impact of the change in impairment methodology on the Group's retained earnings and equity is not material.

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the invoice dates.

(c) HKFRS 9 Financial Instruments — summary of significant accounting policies

The following describes the Group's updated financial instruments policy to reflect the adoption of HKFRS 9:

Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI"). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt securities

Subsequent measurement of debt securities depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt securities as financial assets measured at amortised cost. Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Otherwise, they are measured at fair value with all changes taken through profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Other gains, net", together with foreign exchange differences. Impairment losses are presented as separate line item in the consolidated profit or loss.

Equity securities

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to consolidated profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in the consolidated profit or loss as "Other income" when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in "Other gains, net" in the consolidated profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group applies the simplified approach permitted by HKFRS 9 to trade receivables, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) HKFRS 15 "Revenue from Contracts with Customers" — Impact of adoption

The Group adopted HKFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) was recognised in retained earnings as at 1 January 2018 and that comparatives was not restated.

The Group is engaged in the manufacturing and trading of garments and property investment.

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at the end of each reporting period.

The Group does not incur costs to fulfil contracts which should be capitalised as they relate directly to the contracts, generate resources used in satisfying the contract and are expected to be recovered.

The Group does not have any contracts where the period between the transfer of the promised goods to the customer and payment by the customer exceeds one year. Thus, the Group does not adjust any of the transaction prices for the time value of money.

As a result, other than certain reclassification of contract liabilities, the adoption of HKFRS 15 did not result in any net impact on the profit for the period, as the timing of revenue recognition on sales of products and rental income is not changed.

The following adjustment was made to the amounts recognised in the consolidated balance sheet at the date of initial application (1 January 2018):

	Trade and other payables *HK$'000* (unaudited)	**Contract liabilities** *HK$'000* (unaudited)	**Total** *HK$'000* (unaudited)
Closing balance as at 31 December 2017 — HKAS 18	707,889	—	707,889
Reclassified other payables to contract liabilities	(35,429)	35,429	—
Opening balance as at 1 January 2018 — HKFRS 15	672,460	35,429	707,889

(e) HKFRS 15 "Revenue from Contracts with Customers" — summary of significant accounting policies

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sales of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns and discounts and after eliminating sales within the Group.

(i) Sales of goods — OEM garment sales

Sales are recognised when control of the garment has transferred, being when the goods are delivered to the customers, the customers have full discretion over the goods and there is no unfulfilled obligation that could affect the customers' acceptance of the goods. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to customers, and either customers have accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts (if any). Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are made with credit terms that are consistent with market practice. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) Sales of goods — retailing of branded fashion apparel

Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are in cash or by credit cards or collected by department stores on behalf of the Group. The recorded revenue includes credit card fees payable for the transaction. Such credit card fees are included in selling, marketing and distribution costs. It is the Group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale. Because the number of goods returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(iii) Rental income

Rental income on assets leased out under operating leases is recognised on a straight-line basis over the lease term.

Contract liability

Cash or bank acceptance notes collected from certain customers before product delivery is recognised as contract liabilities.

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 2018.

Basis for Qualified Conclusion

As discussed in note 10 to the condensed consolidated interim financial information, the Group held financial assets at fair value through profit or loss of HK$301 million ("FVPL in Zhejiang Haoran") as at 30 June 2018 with respect to Zhejiang Haoran Property Company Limited ("Zhejiang Haoran"), representing the Group's equity interests in, shareholder's loans and advances granted to Zhejiang Haoran.

During the six-month period ended 30 June 2018, there were three litigations between the Group and Zhejiang Haoran, being the Group's legal claims against Zhejiang Haoran for repayment of a portion of the shareholder's loans of RMB173 million (approximately HK$205 million), part of the advances granted of RMB7 million (approximately HK$9 million), and a petition to wind up Zhejiang Haoran as a shareholder.

In June and August 2018, the aforesaid legal claims for repayment of shareholder's loans and advances against Zhejiang Haoran were overruled by the relevant courts in the People's Republic of China (collectively the "Courts"). In July and August 2018, the Group lodged appeals to the relevant courts in the PRC for the repayment claims regarding the shareholder's loans and advances, respectively, and sought to quash the judgements rendered for each of the claims. As at the date of this report, the legal proceedings of the appeals were still ongoing, while the petition to wind up Zhejiang Haoran was still ongoing and has not been heard by the relevant court.

In assessing the fair value of FVPL in Zhejiang Haoran as of 30 June 2018, management adopted the adjusted net asset value ("Adjusted NAV") approach to estimate the fair value of FVPL in Zhejiang Haoran, which was described in note 5.3 to the condensed consolidated interim financial information. However, the Group was unable to obtain any financial information of Zhejiang Haoran as at and for the six months ended 30 June 2018. As such, the fair value of FVPL in Zhejiang Haoran as at 30 June 2018 was estimated by management using the Adjusted NAV approach based on Zhejiang Haoran's financial information as at 31 December 2016, which was its latest financial information available to the Group. A number of assumptions were adopted using Zhejiang Haoran's financial information as at 31 December 2016 to arrive at the estimated fair value, the details of which were described in note 10 to the condensed consolidated interim financial information. In addition, having obtained advice from the legal counsel and after considering the merits and basis of the appeals, the directors of the Company are of the opinion that the Group will be successful in the appeals and considered that the likelihood of other possible outcomes to be very low. Therefore, the directors of the Company are of the opinion that the matters described in the preceding paragraphs have no impacts on the assumptions and basis applied in the fair value assessment of the FVPL in Zhejiang Haoran and that such financial assets will be realised in the coming twelve months from 30 June 2018.

As at the date of this report, the legal proceedings of the appeals and the petition to wind up Zhejiang Haoran were still ongoing where the outcomes are uncertain. We were unable to obtain sufficient appropriate evidences we considered necessary to assess management's valuation and classification of the FVPL in Zhejiang Haoran, including a written opinion from the legal counsel in relation to the likelihood of success of the appeals and the probabilities of other outcomes, the latest financial information of Zhejiang Haoran, a valuation from an independent valuer on the relevant property owned by Zhejiang Haoran, and direct access to the management of Zhejiang Haoran to assess the appropriateness of the financial information, the assumptions and the basis adopted by management in their assessment of the fair value of FVPL in Zhejiang Haoran. Given the scope limitation, there were no other satisfactory procedures that we could perform to determine whether any adjustments to the carrying value of the FVPL in Zhejiang Haoran as at 30 June 2018 were necessary, and whether the classification of FVPL in Zhejiang Haoran as current assets was appropriate.

Qualified Conclusion

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

Details of "note 10 to the condensed consolidated interim financial information" has been included in "note 13 to condensed consolidated interim financial information" of this announcement.

BUSINESS REVIEW

In 2018, trade conflicts between China and the United States have been escalating. The requests for the global trade protectionism are rising. The exchange rate of Renminbi against US dollar has fluctuated and the risk of global trade protectionism is high. The upsurge of the investment in real estate has led to a significant reduction in the growth of the domestic consumption in the PRC and a decline in the domestic consumption power in the PRC.

In the first half of 2018, the Group streamlined its internal management structure and set up three "Manufacturing Business Division" which are closely related to industry and trade. The Directors believe that the adjustments can better serve customers and explore new market. As a result, the Group recorded a turnover of HK$943.4 million from its OEM/ODM business, representing an increase of 9.0% as compared with same for the corresponding period in 2017.

In 2018, with regards to the retail business, the Group changed its management team, strengthened the product designs and expanded the stores with outstanding performance, and established a joint venture with vip.com to develop the e-commerce business for each platform, which recorded a revenue of HK$290.3 million in aggregate or a growth of 19.7% as compared to the same for the corresponding period in 2017. The Group has also made good performance in reducing the inventory and improving the cost control, which revealed a positive growth in all indicators of the retail business.

With regards to the wool textile business, the Group continued to develop new products on the basis of the rapid growth in last year and led the fashion trend of the woolen market. In the first half of the year, it recorded a revenue of HK$101.3 million or a growth of 38.3% as compared to the same for the corresponding period in 2017. With regards to the silk weaving business, the Group completed the technical transformation of the equipment in the first half of the year, which not only enhanced the production capacity of the silk weaving business of the Group, but also increased the product quality, resulting in achieving satisfactory results in both growth and profit for the silk business in 2018.

FINANCIAL REVIEW

Review of operations

During the six months ended 30 June 2018, the Group's revenue amounted to HK$1,237.6 million, representing an increase of 11.7% as compared with HK$1,108.4 million for the corresponding period in 2017. The gross profit for the six months ended 30 June 2018 was HK$346.0 million, representing an increase of 1.2% as compared with HK$342.0 million for the corresponding period in 2017. The net profit attributable to equity holders was HK$49.6 million. Earnings per Share were HK cents 2.36 and net asset value per share was HK$1.31.

OEM and ODM Business

During the period under review, the turnover derived from our OEM/ODM business recorded an increase from HK$865.9 million to HK$943.4 million for the corresponding period in 2017. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed HK$716.4 million (2017: HK$666.5 million), representing 75.9% (2017: 77.0%) of the total turnover of our OEM/ODM business.

Customers from the United States continued to be the Group's principal market with sales amounted to HK$439.0 million (2017: HK$508.0 million), representing 46.5% (2017: 58.7%) of the total turnover of our OEM/ODM business. Sales to Europe and other markets were HK$102.0 million (2017: HK$97.9 million) and HK$402.4 million (2017: HK$260.0 million), respectively.

Fashion Retail Business

During the six months ended 30 June 2018, the retail sales increased to HK$290.3 million from HK$242.5 million for the corresponding period in 2017. Finity, the major brand of the Group, contributed HK$134.5 million to the retail business, representing an increase of 22.4% as compared with HK$109.9 million for the corresponding period in 2017.

In terms of retail revenue analysis by sales channel, sales from concessions amounted to HK$160.1 million (2017: HK$141.4 million), accounting for 55.1% of total retail turnover. Sales from free-standing stores, franchisees and e-commerce amounted to HK$12.4 million (2017: HK$13.3 million), HK$57.7 million (2017: HK$46.9 million) and HK$60.1 million (2017: HK$40.9 million), respectively.

Property Investment Business

In 2018, the Group has changed part of the industrial complex to the China Ting International Fashion Base ("**華鼎國際時尚產業基地**") in order to facilitate the regional development, fashion expert localisation, e-commerce development for the fashion industry. All these provide significant contribution to the fashion industry in Yu Hang District, Hangzhou, while allowing the Group to develop diversified business models and enhance revenue.

During the six months ended 30 June 2018, the revenue from our property investment business amounted to HK$3.9 million.

Liquidity and Financial Resources

During the six months ended 30 June 2018, the Group satisfied their working capital needs principally from its business operations. As at 30 June 2018, the Group had cash and cash equivalents of HK$582.9 million, representing an increase of HK$84.5 million as compared with HK$498.4 million as of 31 December 2017. The Group's total bank borrowings were HK$341.4 million (31 December 2017: HK$247.3 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 12.3% (31 December 2017: 9.7%). 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 2018, 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.

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.

Human Resources

As of 30 June 2018, the Group employed a total of 6,800 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 2018.

QUALIFIED REVIEW OPINION IN RELATION TO THE EQUITY INVESTMENT IN AND THE SHAREHOLDER'S LOAN TO ZHEJIANG HAORAN PROPERTY COMPANY LIMITED ("ZHEJIANG HAORAN")

Background information

Since 2009, Zhejiang China Ting Group Company Limited ("**Zhejiang China Ting Group**"), a subsidiary of the Company, has acquired 100.0% equity interest in Zhejiang Huize Investment Company Limited (currently known as Hangzhou China Ting Industrial Investment Limited) (which holds 29% of the equity interest in Zhejiang Haoran) and shareholder's loan of RMB172.7 million and accrued interest and tax payment of RMB29.88 million for cash consideration of RMB60.0 million. The original purpose of such investment was to participate in the development of an office building in Hangzhou, the PRC to which the Group planned to relocate its headquarters. However, there are disagreements between the Group and the other shareholders of Zhejiang Haoran as to the financing to the project, the repayment of the shareholder's loan and allocation of certain units in the office building development project as and when it is completed. As of 30 June 2018, the book value of the Group's equity investment in Zhejiang Haoran and the amount of the advances and shareholder's loan, which are treated as financial assets at fair value through profit or loss ("**FVPL**"), were HK$300.7 million. The outstanding principal amounts of the advances and shareholder's loan was RMB172.7 million and RMB7.3 million as of 30 June 2018, respectively. Zhejiang Haoran has been in default in the repayment of the shareholder's loan. Despite various requests for the repayment of the shareholder's loan during the period between 2014 and 2016, Zhejiang Haoran failed to repay the requested amount of interest and the outstanding principal. Hence, in June 2016, Hangzhou China Ting issued a demand letter to Zhejiang Haoran for the recovery of part of the outstanding principal and the interest accrued thereon in the aggregate amount of RMB8.7 million (equivalent to

HK$10.3 million) and the related legal proceedings were commenced before the People's Court of Yuhang District in 2016. The judgement was made by the court in March 2017 in favour of Hangzhou China Ting, pursuant to which Zhejiang Haoran was required to settle the claimed outstanding principal of the shareholder's loan and related interest in the amount of RMB8.9 million. The amount was settled by Zhejiang Haoran in April 2017.

Subsequent to the settlement of the above claimed amount, Hangzhou China Ting commenced two legal proceedings before the People's Court of Yuhang District in March 2017 and August 2017 for the advances and shareholder's loan in the amount of RMB7.3 million and RMB172.7 million, respectively. Hence, the entire outstanding amount of the shareholder's loan (other than the principal amount of RMB8.7 million) is requested to be settled by Zhejiang Haoran pursuant to the two ongoing legal proceedings. The hearing of the second legal proceedings was transferred to the Hangzhou Intermediate People's Court (the "**Intermediate Court**") according to the related legal procedures in the PRC, and the management of Zhejiang Haoran has started refusing to provide to the Group the required information for the purpose of the Group's preparation of the consolidated accounts since 2017.

In June 2018, the Intermediate Court handed down the judgment that Hangzhou China Ting does not have the right to seek early repayment of the principal of the shareholder's loan of RMB172.7 million. Such right cannot be exercised unless Zhejiang Haoran is in the process of dissolution. With the advice from PRC legal advisers, Hangzhou China Ting has lodged an appeal against the decision in July 2018.

In August 2018, the People's Court of Yuhang District handed down the judgment that Hangzhou China Ting does not have the right to seek early repayment of the principal account of the advances of RMB7.3 million. Such right cannot be exercised unless Zhejiang Haoran is in the process of dissolution. With the advice from PRC legal advisers, Hangzhou China Ting has lodged an appeal against the decision in August 2018.

In light of the foregoing and because of the refusal of the management of Zhejiang Haoran to provide to the Group with information on the financial standing of Zhejiang Haoran for the purpose of the Group's preparation of its consolidated accounts, the auditor of the Company first issued qualified review opinion in respect of the value of the available for sale financial assets in the Group's interim results for the six months ended 30 June 2017. Similar qualified audit opinion was contained in the auditor's report for the annual results for the year ended 31 December 2017. The auditor of the Company has issued the same qualified review opinion in relation to the same subject matter in the interim results of the Group for the six months ended 30 June 2018.

Latest status as of the date of this announcement

As of the date of this announcement, the two legal proceedings described above are still ongoing. The Directors have decided to rely on the equity value of Zhejiang Haoran to estimate the future expected cash flows under such financial assets to assess their fair value. The approach adopted and assumptions applied by the Directors in the assessment of Zhejiang Haoran's equity value is set forth in Note 13 to the condensed consolidated financial information of this announcement.

Although the unfavourable judgment handed down by the courts in the PRC respect of the claims of RMB172.7 million and RMB7.3 million create uncertainties as to the recoverability of the financial assets, the Directors consider that there is sufficient evidence to support the merits of the appeals lodged by Hangzhou China Ting against the decisions of the courts in the PRC. On this basis, the Directors consider that the probability of recovering the outstanding balance from Zhejiang Haoran is not low. On this basis, there was no impairment for the amount due from Zhejiang Haoran as of 30 June 2018.

Information previously requested by the auditor of the Company

The auditor of the Company advised the Board that in order to assess the appropriateness of the estimation of the fair value of the investment in Zhejiang Haoran, a valuation of the fair value of such investment would be required, together with detailed supporting materials on the following areas:

(1) the latest shareholding structure of Zhejiang Haoran for the purpose of determining whether the Group is still one of the equity holders of Zhejiang Haoran holding 29.0% of the equity interest of Zhejiang Haoran;

(2) the latest development of the legal proceedings against Zhejiang Haoran;

(3) a PRC legal opinion on the rights of the Group in respect of its equity investments in Zhejiang Haoran;

(4) unaudited financial information on Zhejiang Haoran as of and for the year ended 31 December 2017;

(5) fair value estimation of the Group's equity interest in Zhejiang Haoran, including detailed assessment regarding the minority interest discount rate applied in the valuation;

(6) assessment regarding adopted unit rate (i.e. unit selling price of the property) applied in the valuation of the construction in progress of Zhejiang Haoran; and

(7) the construction progress of the property under construction and the estimated cost to complete as of 31 December 2017.

The auditor of the Company also requested direct access to the management of Zhejiang Haoran to discuss and understand the detailed operation status and the financial situation of Zhejiang Haoran.

In response to the auditor's requests, the Directors had instructed a law firm in the PRC to issue a letter to Zhejiang Haoran on 24 January 2018 to request for the information. However, Zhejiang Haoran refused to provide any information on the ground that there is an ongoing litigation between Zhejiang Haoran and certain subsidiaries of the Group. In the absence of cooperation by Zhejiang Haoran, the following information can only be provided to or obtained by the auditor of the Company for the purpose of carrying out of the audit on the consolidated financial statements of the Company as of and for the year ended 31 December 2017:

(a) An independent search conducted by the auditor of the Company which indicated that a subsidiary of the Company is still the registered owner of 29.0% of the equity interest in Zhejiang Haoran as of 31 December 2017.

(b) The then Latest progress of the litigations against Zhejiang Haoran has been communicated to the auditor of the Company by the PRC legal adviser to the Company.

(c) The PRC legal adviser to the Company has issued a legal opinion to the Group on the then latest status of the litigation.

(d) In the absence of any updated financial information of Zhejiang Haoran as of and for the year ended 31 December 2017, the Directors used the financial information of Zhejiang Haoran as of and for the year ended 31 December 2016 as the basis in determining the fair value of the available-for-sale financial assets, i.e. the equity interest in Zhejiang Haoran held by the Group, with certain adjustments taking into consideration the latest market price movements of comparable properties at nearby locations during the year ended 31 December 2017 and the interest expense for the year ended 31 December 2017.

(e) The minority interest discount rate for the Group's equity interest in Zhejiang Haoran has been adjusted upward because of the worsened relationship with Zhejiang Haoran during the year.

(f) The adopted unit rate of the construction in progress has been adjusted upward by referring to the latest market price movements of similar properties at nearby locations based on the desktop research performed by the Directors.

All other assumptions adopted in the valuation, including but without limitation to the construction progress of the property and the cost that may need to be incurred for completion of the property, remain unchanged from that as of 31 December 2016.

In the course of interim review of the Group's condensed consolidated financial information for the period ended 30 June 2018, the auditor of the Company has requested and obtained the updated version of aforesaid information that reflected the latest progress. Apart from that, in light of the development of the litigations subsequent to 31 December 2017, the following additional information has been requested by the auditor of the Company in the course of their interim review of the Group's condensed consolidated financial information for the period ended 30 June 2018:

(1) A PRC legal opinion on the likelihood of success of the ongoing appeals, the likelihood of other outcomes and the estimated time required for such appeals and claim to close and settle; and

(2) The basis and assumptions adopted by the Directors in the fair value assessment of the financial assets in relation to Zhejiang Haoran as at 30 June 2018, including a valuation performed by an independent valuer on the relevant property owned by Zhejiang Haoran, the Directors' estimated likelihood of success of the on-going appeals, the probability of other outcomes and the time required for such appeals and claim to close and settle.

In response to the auditor's request, the Directors have sought legal advice from Zhejiang T&C Law Firm and have been advised that Zhejiang T&C Law Firm was not able to advice the likelihood of success of the on-going appeals, the likelihood of other outcomes and the estimated time required for such appeals and claim to close and settle in light of the complexity of the legal proceedings.

Regarding the basis and assumptions adopted by the Directors in the fair value assessment, the Directors took into account the likelihood of success of the ongoing appeals and the likelihood of other outcomes in the assessment and considered the fair value of the financial assets under each outcome. The Directors referred to the valuation of certain portion of the Property assessed by external valuers in the course of the litigations to determine the fair value of the Property as at 30 June 2018. They are of the opinion that the Group will be successful in the appeals, the likelihood of other possible outcomes is very low and such financial assets will be realised in the coming twelve months from 30 June 2018.

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

At the meeting of the Audit Committee of the Board held on 22 March 2018 and 23 August 2018, the independent non-executive Directors, being members of the Audit Committee, reviewed the bases of determining the fair value of the Group's equity investment in Zhejiang Haoran and discussed with the management of the Group and the auditor of the Company any alternative that may be adopted in determining such fair value. The Audit Committee agreed on the fair value estimation approach and the determination of the fair value as it represented the best estimates available to the Group. The Audit Committee also agreed that the auditor of the Company was not able to verify certain parameters/assumptions/information adopted in the valuation and thus the issuance of a qualified audit opinion is understandable.

The Audit Committee also requested the management of the Group to take all necessary actions to the effect that no such qualified audit opinion will need to be made in the forthcoming audited financial statements.

The Company's plan to resolve the subject matter of the qualified audit opinion

The management of the Group confirms that there are two legal proceedings against Zhejiang Haoran at different levels of the PRC court in Hangzhou, the PRC. The Company has not formulated any concrete action plan to resolve the qualified review opinion issue. Preliminary and informal discussions were made among the Directors, and various alternatives were discussed, but no decision has been made.

BUSINESS OUTLOOK

In the second half of the year, the Group will further enhance the information-based and automatic management of its factories on the basis of the successful pilot program for intelligent garment manufacturing, with a view to improving the efficiency and flexible manufacturing capability of the factories in order to satisfy the market need for quick response to the OEM/ODM business. Therefore, the cooperation between the Group and new and old customers is enhanced greatly. While making efforts to create better results, the Group reduces the consumption of resources and the impact on the environment.

In addition, the Group will exert greater efforts on the development of domestic brand customers and the auxiliary work of supply chain in Southeast Asia. The uncertainty caused by the escalation of trade war between China and the United States makes the Group pay more attention to domestic customer orders, and domestic trade will become an important business form and financial stabiliser of the Group. In the meantime, it actively makes a layout of the overseas supply chain system to cope with the real-time changes in the trade crisis.

The brand retail business will remain as the development focus of the Group. The Group will further adjust its management team, implement the KPI assessment, improve the product design, innovate the sales model, expand the scale of channel, develop new retail business vigorously, control the inventory effectively, and adopt various measures such as data analysis to boost the development of the Group's brand retail business.

With regards to the weaving business, its development is strong this year. The market-oriented product research and development model makes the weaving business grow significantly. With regards to the printing and dyeing business, two factories of the Group have suspended and relocated due to their impacts on the environment and the ecology in the first half of the year. The Group will accelerate the upgrading and transformation of the printing and dyeing business and the recovery of production capacity in the second half of the year, so as to maintain China Ting's advantage in quick response to the traditional industrial chain.

In the first half of the year, the Group also made a good attempt in the operation of the fashion industrial park. In the future, it will explore its business in the same area. The Group hope that this new business will bring it with huge returns.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2018.

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 2018.

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 2018 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 2018. PricewaterhouseCoopers has issued a modified conclusion on the interim financial information for the six months ended 30 June 2018. Please refer to "Extract of review report" on page 26 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
Mr. CHENG Chi Pang

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

Hong Kong, 24 August 2018