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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 2020

	Six months ended 30 June		% Change
	2020	2019	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
Revenue			
OEM Business	570.5	745.7	(23.5)
Fashion Retail Business	156.6	226.7	(30.9)
Property Investment Business	8.9	8.5	4.7
	<u>736.0</u>	<u>980.9</u>	(25.0)
Operating profit/(loss)	24.1	(17.4)	
Profit/(loss) before income tax	20.6	(25.1)	
Equity attributable to the Company's equity holders	2,476.7	2,584.9	
Equity per share (<i>HK\$</i>)	1.18	1.23	

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 2020, together with the unaudited comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	<i>Note</i>	Six months ended 30 June	
		2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Revenue	3	736,089	980,879
Cost of sales		<u>(624,150)</u>	<u>(766,928)</u>
Gross profit		111,939	213,951
Other income	4	10,072	13,794
Other gains, net	5	192,777	13,395
(Provision for)/reversal of net impairment loss for financial assets	11	(59,357)	11,709
Selling, marketing and distribution costs		<u>(90,045)</u>	<u>(117,251)</u>
Administrative expenses		<u>(141,335)</u>	<u>(153,043)</u>
Operating profit/(loss)	6	24,051	(17,445)
Finance income	7	4,285	4,474
Finance costs	7	(7,472)	(11,033)
Share of losses of associates		(225)	(423)
Share of losses of joint ventures		<u>—</u>	<u>(712)</u>
Profit/(loss) before income tax		20,639	(25,139)
Income tax expense	8	<u>(6,759)</u>	<u>(7,490)</u>
Profit/(loss) for the period		<u>13,880</u>	<u>(32,629)</u>

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Other comprehensive (loss)/income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Currency translation differences	(48,110)	4,140
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
— Fair value (loss)/gain on financial asset at fair value through other comprehensive income	(3,716)	61
Other comprehensive (loss)/income for the period, net of tax	(51,826)	4,201
Total comprehensive loss for the period	(37,946)	(28,428)
Profit/(loss) attributable to:		
Equity holders of the Company	13,031	(30,829)
Non-controlling interests	849	(1,800)
	13,880	(32,629)
Total comprehensive loss attributable to:		
Equity holders of the Company	(37,845)	(26,382)
Non-controlling interests	(101)	(2,046)
	(37,946)	(28,428)
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Company (expressed in HK cents per share)		
— basic and diluted	9 0.62	(1.47)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2020

		As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		502,564	480,208
Right-of-use assets	<i>10</i>	180,988	189,768
Investment properties		358,140	371,232
Intangible assets		13,241	14,574
Interests in associates		1,040	1,236
Promissory note		25,291	24,227
Prepayments		3,335	—
Deferred income tax assets		89,896	86,417
		<u>1,174,495</u>	<u>1,167,662</u>
Current assets			
Inventories		898,404	982,023
Trade and other receivables	<i>11</i>	987,182	647,615
Financial assets at fair value through profit or loss ("FVPL")	<i>13</i>	5,712	310,505
Financial assets at fair value through other comprehensive income ("FVOCI")		5,371	9,087
Promissory note	<i>11</i>	12,842	12,380
Entrusted loans	<i>11</i>	—	5,643
Tax recoverable		6,719	6,413
Pledged bank deposits		1,012	4,815
Fixed deposits		55	10,020
Cash and cash equivalents		673,695	455,596
		<u>2,590,992</u>	<u>2,444,097</u>
Assets held for sale	<i>12</i>	8,499	8,590
		<u>2,599,491</u>	<u>2,452,687</u>
Total assets		<u>3,773,986</u>	<u>3,620,349</u>

		As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,982	209,982
Reserves		<u>2,266,696</u>	<u>2,304,541</u>
		2,476,678	2,514,523
Non-controlling interests		<u>22,866</u>	<u>22,967</u>
Total equity		<u>2,499,544</u>	<u>2,537,490</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		84,872	87,293
Lease liabilities	10	<u>16,413</u>	<u>18,539</u>
		<u>101,285</u>	<u>105,832</u>
Current liabilities			
Trade and other payables	14	520,127	513,056
Contract liabilities	3	22,544	22,791
Lease liabilities	10	8,947	10,885
Bank borrowings		608,534	424,855
Current income tax liabilities		<u>13,005</u>	<u>5,440</u>
		<u>1,173,157</u>	<u>977,027</u>
Total liabilities		<u>1,274,442</u>	<u>1,082,859</u>
Total equity and liabilities		<u>3,773,986</u>	<u>3,620,349</u>

NOTES

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2020 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 2019, 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 2019 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 new standards and amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2020:

Amendments to HKFRS 3	Business combinations
Amendments to HKAS 1 and HKAS 8	Definition of material
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest rate benchmark reform
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting

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

- (b) The following new standard and amendments to existing standards have been issued, but are not effective for the financial year beginning on 1 January 2020 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 16	COVID-19-related rent concessions	1 June 2020
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2022
Amendments to HKFRS 3	Reference to the conceptual framework	1 January 2022
Amendments to HKAS 16	Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Cost of fulfilling a contract	1 January 2022
Annual improvements project	Annual improvements 2018–2020 cycle	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor, associate or joint venture	To be determined

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

3 SEGMENT INFORMATION

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

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

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

	(Unaudited)				
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2020					
Total revenue	572,969	156,649	—	10,755	740,373
Inter-segment revenue	<u>(2,424)</u>	<u>(34)</u>	<u>—</u>	<u>(1,826)</u>	<u>(4,284)</u>
Revenue (from external customers)	<u>570,545</u>	<u>156,615</u>	<u>—</u>	<u>8,929</u>	<u>736,089</u>
Segment (loss)/profit before income tax	<u>(125,291)</u>	<u>(34,060)</u>	<u>176,877</u>	<u>4,439</u>	<u>21,965</u>
Depreciation of property, plant and equipment	(41,251)	(1,911)	—	—	(43,162)
Depreciation of right-of-use assets (<i>Note 10</i>)	(5,855)	(4,519)	—	—	(10,374)
Amortisation of intangible assets	(931)	(388)	—	—	(1,319)
Finance income	5,882	60	—	—	5,942
Finance costs	(7,549)	(1,580)	—	—	(9,129)
Share of losses of associates	(225)	—	—	—	(225)
Income tax (expense)/credit	<u>(4,042)</u>	<u>6,315</u>	<u>(7,922)</u>	<u>(1,110)</u>	<u>(6,759)</u>
Six months ended 30 June 2019					
Total revenue	751,476	226,638	—	10,751	988,865
Inter-segment revenue	<u>(5,755)</u>	<u>—</u>	<u>—</u>	<u>(2,231)</u>	<u>(7,986)</u>
Revenue (from external customers)	<u>745,721</u>	<u>226,638</u>	<u>—</u>	<u>8,520</u>	<u>980,879</u>
Segment (loss)/profit before income tax	<u>(2,016)</u>	<u>(30,161)</u>	<u>—</u>	<u>4,445</u>	<u>(27,732)</u>
Depreciation of property, plant and equipment	(32,722)	(10,975)	—	—	(43,697)
Depreciation of right-of-use assets (<i>Note 10</i>)	(3,772)	(4,741)	—	—	(8,513)
Amortisation of intangible assets	(2,127)	(388)	—	—	(2,515)
Finance income	4,409	65	—	—	4,474
Finance costs	(7,689)	(3,344)	—	—	(11,033)
Share of losses of associates	(423)	—	—	—	(423)
Share of losses of joint ventures	—	(712)	—	—	(712)
Income tax (expense)/credit	<u>(8,723)</u>	<u>2,344</u>	<u>—</u>	<u>(1,111)</u>	<u>(7,490)</u>

	(Unaudited)				
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2020					
Total segment assets	<u>2,439,589</u>	<u>964,590</u>	<u>—</u>	<u>328,140</u>	<u>3,732,319</u>
Total segment assets include:					
Interests in associates	1,040	—	—	—	1,040
Additions to non-current assets (other than financial instruments and deferred income tax assets)	67,175	9,678	—	—	76,853
Tax recoverable	2,518	4,201	—	—	6,719
Deferred income tax assets	<u>17,562</u>	<u>72,334</u>	<u>—</u>	<u>—</u>	<u>89,896</u>
	(Audited)				
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2019					
Total segment assets	<u>1,909,885</u>	<u>1,012,849</u>	<u>304,858</u>	<u>342,432</u>	<u>3,570,024</u>
Total segment assets include:					
Interests in associates	1,236	—	—	—	1,236
FVPL	—	—	304,858	—	304,858
Additions to non-current assets (other than financial instruments and deferred income tax assets)	230,227	23,488	—	—	253,715
Tax recoverable	3,116	3,297	—	—	6,413
Deferred income tax assets	<u>17,898</u>	<u>68,519</u>	<u>—</u>	<u>—</u>	<u>86,417</u>

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total segment profit/(loss) before income tax	21,965	(27,732)
Net fair value gains of FVPL	453	4,653
Corporate overhead	(3,090)	(3,408)
Fair value gains on investment properties	1,200	1,000
Rental income	111	348
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Profit/(loss) before income tax per condensed consolidated statement of comprehensive income	20,639	(25,139)
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A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at	As at
	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Total segment assets	3,732,319	3,570,024
FVPL	5,712	5,647
FVOCI	5,371	9,087
Corporate assets	584	1,148
Investment properties	30,000	28,800
Entrusted loans	—	5,643
	<hr/>	<hr/>
Total assets per condensed consolidated balance sheet	3,773,986	3,620,349
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The Company is domiciled in the Cayman Islands. The results of the Group's revenue from external customers located in the following geographical areas are as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The PRC	354,613	458,378
North America	285,916	396,688
European Union	80,683	102,985
Hong Kong	13,001	17,415
Other countries	1,876	5,413
	<hr/>	<hr/>
	736,089	980,879
	<hr/> <hr/>	<hr/> <hr/>

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
The PRC	843,412	840,397
Hong Kong	196,938	197,765
North America	17,918	17,620
	<u>1,058,268</u>	<u>1,055,782</u>

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

For the six months ended 30 June 2019, revenue of approximately HK\$141,269,000 was derived from one external customer attributable to the OEM reportable segment and accounted for greater than 10% of the Group's revenue.

The contract liabilities represent the advance payments received from counterparties for goods or services that have not yet been transferred or provided to the counterparties. As at 30 June 2020, the Group has recognised the following liabilities related to contracts with customers:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
Current contract liabilities	<u>22,544</u>	<u>22,791</u>

The following table shows the amount of revenue recognised in the six months ended 30 June 2020 relating to carried-forward contract liabilities:

	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>17,215</u>	<u>15,381</u>

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

4 OTHER INCOME

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Government grants	4,175	7,365
Rental income	4,178	3,338
Investment income	496	1,127
Others	1,223	1,964
	<u>10,072</u>	<u>13,794</u>

5 OTHER GAINS, NET

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on disposal of FVPL in Zhejiang Haoran (<i>Note 13</i>)	193,275	—
Losses on disposals of property, plant and equipment	(200)	(2,999)
Net fair value gains of FVPL — realised	376	3,856
Net fair value gains of FVPL — unrealised (<i>Note 13</i>)	302	797
Fair value (losses)/gains on investment properties	(6,510)	11,774
Net exchange gains/(losses)	5,534	(33)
	<u>192,777</u>	<u>13,395</u>

6 OPERATING PROFIT/LOSS

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Depreciation of property, plant and equipment	43,162	43,697
Depreciation of right-of-use assets	10,374	8,513
Amortisation of intangible assets	1,319	2,515
Employee benefit expenses	138,907	208,676
Provision for impairment of inventories	49,106	23,591
	<u>49,106</u>	<u>23,591</u>

7 FINANCE COSTS, NET

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	1,911	2,825
— promissory notes	<u>2,374</u>	<u>1,649</u>
	<u>4,285</u>	<u>4,474</u>
Finance costs		
— interest expense on bank borrowings	(8,675)	(10,709)
— interest expense on lease liabilities	<u>(454)</u>	<u>(324)</u>
	(9,129)	(11,033)
— amount capitalised (<i>Note</i>)	<u>1,657</u>	<u>—</u>
	<u>(7,472)</u>	<u>(11,033)</u>
Finance costs, net	<u><u>(3,187)</u></u>	<u><u>(6,559)</u></u>

Note: The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the six months ended 30 June 2020, in this case 1.28% (2019: Not applicable).

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020 (Unaudited) <i>HK\$'000</i>	2019 (Unaudited) <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax	5,022	3,046
— PRC enterprise income tax	8,855	4,912
Withholding tax	—	635
Deferred income tax	<u>(7,118)</u>	<u>(1,103)</u>
	<u><u>6,759</u></u>	<u><u>7,490</u></u>

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 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% (2019: 25%) during the period. During the six months ended 30 June 2020

and 2019, one subsidiary of the Group is qualified for a preferential income tax rate of 15% under the tax breaks to small and micro business. The remaining PRC subsidiaries of the Group are subject to standard PRC enterprise income tax rate of 25%.

9 EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/loss per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$13,031,000 (2019: loss attributable to equity holders of the Company of approximately HK\$30,829,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,818,000 (2019: 2,099,818,000).

Diluted earnings/loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

During the six months ended 30 June 2020 and 2019 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 2020.

10 LEASES

Amounts recognised in the condensed consolidated balance sheet:

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2020 (Audited) HK\$'000
Right-of-use assets		
Leasehold land and land use rights	157,071	161,431
Properties	23,715	28,099
Office equipment	202	238
	<u>180,988</u>	<u>189,768</u>
Lease liabilities		
— Current portion	8,947	10,885
— Non-current portion	16,413	18,539
	<u>25,360</u>	<u>29,424</u>

Additions to the right-of-use assets during the six months ended 30 June 2020 were approximately HK\$2,849,000 (2019: HK\$11,124,000).

Amounts recognised in the condensed consolidated statements of comprehensive income:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation charge of right-of-use assets		
Leasehold land and land use rights	3,297	2,864
Properties	7,040	5,612
Office equipment	37	37
	<u>10,374</u>	<u>8,513</u>
Interests on lease liabilities	454	324
Expenses relating to short-term leases	1,831	7,021
	<u>1,831</u>	<u>7,021</u>

The total cash outflow for leases during the six months ended 30 June 2020 was approximately HK\$9,533,000 (2019: HK\$12,795,000).

The Group leases various properties and office equipment. Rental contracts are typically made for fixed deposits of 1 to 3 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants.

11 TRADE AND OTHER RECEIVABLES

	As at	As at
	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade and bill receivables	473,202	431,260
Less: Loss allowance	(110,467)	(72,304)
	<u>362,735</u>	<u>358,956</u>
Trade and bill receivables, net (<i>Note (i)</i>)	362,735	358,956
Amounts due from related parties	31,580	42,008
Promissory note (<i>Note (ii)</i>)	38,133	36,607
Entrusted loans	—	5,643
Prepayments	137,828	141,814
Deposits and other receivables	458,374	104,837
	<u>1,028,650</u>	<u>689,865</u>
Less:		
Non-current portion of promissory note (<i>Note (ii)</i>)	25,291	24,227
Non-current portion of prepayments	3,335	—
	<u>28,626</u>	<u>24,227</u>
Current portion	<u>1,000,024</u>	<u>665,638</u>

Notes:

(i) Trade and bill receivables

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

	As at 30 June 2020 (Unaudited) HK\$'000	As at 31 December 2019 (Audited) HK\$'000
0 to 30 days	107,317	190,614
31 to 60 days	37,039	65,354
61 to 90 days	45,576	30,951
91 to 120 days	134,420	63,952
Over 120 days	148,850	80,389
	<u>473,202</u>	<u>431,260</u>

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

	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
At 1 January	72,304	66,137
Provision for/(reversal of) impairment losses	55,744	(3,920)
Write off	(15,035)	(1,865)
Exchange differences	(2,546)	(80)
At 30 June	<u>110,467</u>	<u>60,272</u>

(ii) Promissory note

The promissory note represents a senior unsecured promissory note with principal of US\$10,000,000 (approximately HK\$77,350,000) converted from trade receivables due from a major customer which is interest bearing at 5.25% per annum.

Repayment schedule of the outstanding principal of US\$5,000,000 as at 30 June 2020 is as follows:

- principal amount of US\$500,000 plus accrued interest to be due and payable on 24 January 2020;
- principal amount of US\$1,000,000 plus accrued interest to be due and payable on 24 July 2020;
- principal amount of US\$500,000 plus accrued interest to be due and payable on 24 July 2021; and

- remaining principal amount of US\$3,000,000 plus accrued interest to be due and payable by three equal instalments on 24 January and 24 July 2022 and 24 January 2023, respectively.

On 1 August 2020, the Group entered into a debt restructuring agreement (“Debt Restructuring Agreement”) with this customer pursuant to which the outstanding promissory note principal of US\$5,000,000 and the outstanding trade receivables of US\$9,092,000 due from this customer are converted into a consolidated debt, of which US\$8,000,000 is to be repaid by 40 equal monthly instalments of US\$200,000 with the first payment made on 1 August 2020 while the balance of US\$6,092,000 will be recovered through the supply right for at least 1,500,000 units of garments that such customer is obligated to purchase from the Group annually during the term of 40 months starting from 1 August 2020.

12 ASSETS HELD FOR SALE

As at 30 June 2020, property, plant and equipment and land use rights of approximately HK\$8,499,000 (31 December 2019: HK\$8,590,000) have been presented as held for sale following the decision of the Group’s management to sell such assets in the near term. At the date of this report, such assets held for sale are open to tender through public auction platforms. The Group has been working with local government and currently in the process of identifying appropriate potential buyers.

13 FVPL

	As at 30 June 2020 (Unaudited) HK\$’000	As at 31 December 2019 (Audited) HK\$’000
Listed equity securities (<i>Note (i)</i>)	5,712	5,647
FVPL in Zhejiang Haoran (<i>Note (ii)</i>)		
— Equity interests	—	61,838
— Shareholder’s loans	—	226,631
— Advances	—	16,389
	—	304,858
	5,712	310,505

Movement of the Group's FVPL for the six months ended 30 June 2020 and 2019 is as follows:

	Listed equity securities <i>HK\$'000</i>	(Unaudited) FVPL in Zhejiang Haoran <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	5,647	304,858	310,505
Additions	146	—	146
Disposals	(274)	(298,971)	(299,245)
Net fair value gains (<i>Note 5</i>)	302	—	302
Currency translation difference	(109)	(5,887)	(5,996)
	<u>5,712</u>	<u>—</u>	<u>5,712</u>
At 30 June 2020	<u>5,712</u>	<u>—</u>	<u>5,712</u>
At 1 January 2019	15,393	288,876	304,269
Additions	58	—	58
Disposals	(10,271)	—	(10,271)
Net fair value gains (<i>Note 5</i>)	797	—	797
Currency translation difference	154	(329)	(175)
	<u>6,131</u>	<u>288,547</u>	<u>294,678</u>
At 30 June 2019	<u>6,131</u>	<u>288,547</u>	<u>294,678</u>

Notes:

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

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

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

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

was applied in the valuation as at 31 December 2019. The directors considered that the above-mentioned assumptions and basis applied in the fair value assessment of FVPL in Zhejiang Haoran were appropriate and represented their best estimates as at 31 December 2019.

Management assumed there was no change in the fair value of FVPL in Zhejiang Haoran during the current interim period and the fair value of such FVPL immediately before disposal was of HK\$298,971,000. On 30 June 2020, the FVPL in Zhejiang Haoran was disposed of by the Group to a company designated by the major shareholder of Zhejiang Haoran at a consideration of HK\$491,482,000 and a disposal gain of HK\$193,275,000 was recognised accordingly in the Group's condensed consolidated statement of comprehensive income for the six months ended 30 June 2020. Disposal proceed of HK\$126,423,000 has been received by the Group during the current interim period while the remaining balance of HK\$365,059,000 was recorded as part of the Group's other receivables as at 30 June 2020.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
Trade and bill payables	306,408	316,615
Other payables and accruals	213,244	195,182
Amounts due to related parties	475	1,259
	<u>520,127</u>	<u>513,056</u>

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

	As at 30 June 2020 (Unaudited) <i>HK\$'000</i>	As at 31 December 2019 (Audited) <i>HK\$'000</i>
0 to 30 days	146,253	228,231
31 to 60 days	21,790	41,071
61 to 90 days	24,093	12,155
Over 90 days	114,272	35,158
	<u>306,408</u>	<u>316,615</u>

EXTRACT OF REVIEW REPORT

The following sets out an extract of the report by PricewaterhouseCoopers, the auditor of the Company (the “**Auditor**”), regard the interim financial information of the Group for the six months ended 30 June 2020.

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

The Group had continued to seek for recovery of the shareholders’ loan and advance to Zhejiang Haoran and to enforce its right as a shareholder of Zhejiang Haoran through legal proceedings since 2016. The fair value of the FVPL in Zhejiang Haoran as at 31 December 2019 was estimated by management using the adjusted net asset value approach, as described in note 10 to the condensed consolidated interim financial information, based on the financial information of Zhejiang Haoran as at 31 December 2016 and other information made available to the Group during the legal proceeding because management of Zhejiang Haoran did not provide such required up to date financial information to the Group.

On 30 June 2020 (“**date of disposal**”), the Group disposed of its entire interest in Zhejiang Haoran to the major shareholder of Zhejiang Haoran at a consideration of approximately HK\$491 million. Management assumed there was no change in the fair value during the six months ended 30 June 2020 up to the time immediately before disposal. Hence, the Group recognised a gain on disposal of HK\$193 million in the condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 calculated as the difference between the consideration and the carrying value of the FVPL of Zhejiang Haoran at HK\$299 million.

Up to the date of this report, management was unable to provide us with sufficient appropriate evidence we considered necessary to assess management's valuation of the FVPL in Zhejiang Haoran as at 1 January 2020 and 30 June 2020 (immediately before disposal). We were unable to determine whether any adjustments were necessary to the balance of the FVPL in Zhejiang Haoran as at 1 January 2020 and 30 June 2020 (immediately before disposal) of HK\$305 million and HK\$299 million, respectively. Any adjustments to the carrying value of FVPL in Zhejiang Haoran as at 1 January 2020 and 30 June 2020 (immediately before disposal) could have a significant consequential effect on the fair value gain of nil, disposal gain of HK\$193 million and exchange loss of HK\$6 million recognised in the condensed consolidated interim statement of comprehensive income for the six months ended 30 June 2020. There were no other satisfactory procedures that we could perform to determine whether any adjustments to the aforementioned fair value gain, disposal gain and related exchange loss for the six months ended 30 June 2020 is necessary.

Qualified Conclusion

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

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

At the meeting of the Audit Committee held on 28 August 2020, the independent non-executive Directors, being all members of the Audit Committee, reviewed the bases of determining the fair value of the Group's equity investment in Zhejiang Haoran and discussed with the management of the Group and the auditor of the Company any alternative that may be adopted in determining such fair value. The Audit Committee agreed on the fair value estimation approach and the determination of the fair value as it represented the best estimates available to the Group. The Audit Committee also agreed that the auditor of the Company was not able to verify certain parameters/assumptions/information adopted in the valuation and thus the issuance of a qualified review opinion is understandable.

As the Qualified Conclusion was relating to the opening balance of the FVPL in Zhejiang Haoran as at 1 January 2020, the Audit Committee expected the views of the auditor of the Company for the annual results of the Group for the year ending 31 December 2020 would remain unchanged.

BUSINESS REVIEW

At the outset of 2020, the novel coronavirus (the “**COVID-19**”) that swept the Mainland China brought to an abrupt end to the Chinese New Year holiday and the overall economy in China was suspended for a month; then came unfortunately the worldwide spread of the COVID-19, which still has a severe adverse impact on the global economic activities. Slow economic recovery has been seen in key markets such as the United States, and international trade is exposed to the increasing impact of trade barriers. The Group’s business took on the trend of slow recovery after a significant decline in the first half of the year.

In 2020, the Group’s OEM/ODM business got off to an unfavourable start and was basically in a state of suspension. After the resumption of production in mid-February, it was further affected by the unfavourable outbreak of the COVID-19 in the United States and Europe, which caused the business volume to plummet. Moreover, despite the gradual recovery of domestic orders in the PRC, the Group also experienced fierce competition arising from the overcapacity in China. Although the Group developed many new customers and orders under the unfavorable situation by virtue of its financial strength and technical capability, its overall business still experienced a significant decline, with the turnover decreased by 23.5%.

The retail business also had an unfavourable start in 2020, with physical retail stores in China shut down for two months. Although the government introduced a series of measures to stimulate consumption afterwards, the consumption capacity and the desire of citizens nationwide were weakened simultaneously due to the decline in the overall income level caused by the COVID-19. Online sales were also affected by the COVID-19 to a lesser extent and become the only breakthrough against the COVID-19. KOL live broadcast turned into an overnight hit and became a symbol of the new retail model. Although the online business of the Company recorded a remarkable growth, the retail segment saw a decline in general, with the turnover decreased by 30.9%.

As upstream sectors in the apparel industrial chain, the weaving segment and the printing and dyeing segment were affected by the overall downturn in downstream sectors, and took on a sharp downward trend, but are currently in the course of slow recovery.

FINANCIAL REVIEW

Review of operations

During the six months ended 30 June 2020, the Group's revenue amounted to HK\$736.0 million, representing a decrease of 25.0% as compared with HK\$980.9 million for the corresponding period in 2019. The gross profit for the six months ended 30 June 2020 was HK\$111.9 million, representing a decrease of 47.7% as compared with HK\$214.0 million for the corresponding period in 2019. The net profit attributable to equity holders was HK\$13.0 million. Profit per Share were HK cents 0.62 and net asset value per share was HK\$1.18.

OEM and ODM Business

During the period under review, the turnover derived from our OEM/ODM business recorded a decrease from HK\$745.7 million to HK\$570.5 million for the corresponding period in 2019. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed HK\$432.7 million (2019: HK\$631.0 million), representing 75.8% (2019: 84.6%) 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\$285.9 million (2019: HK\$389.7 million), representing 50.1% (2019: 52.3%) of the total turnover of our OEM/ODM business. Sales to Europe and other markets were HK\$80.7 million (2019: HK\$103.0 million) and HK\$203.9 million (2019: HK\$253.0 million), respectively.

Fashion Retail Business

During the six months ended 30 June 2020, the retail sales decreased to HK\$156.6 million from HK\$226.7 million for the corresponding period in 2019. Finity, the major brand of the Group, contributed HK\$94.6 million to the retail business, representing a decrease of 1.7% as compared with HK\$96.2 million for the corresponding period in 2019.

In terms of retail revenue analysis by sales channel, sales from concessions amounted to HK\$53.6 million (2019: HK\$107.1 million), accounting for 34.2% of total retail turnover. Sales from free-standing stores, franchisees and e-commerce amounted to HK\$3.3 million (2019: HK\$8.2 million), HK\$32.2 million (2019: HK\$37.6 million) and HK\$67.5 million (2019: HK\$73.8 million), respectively.

Property Investment Business

The Group has changed part of the industrial complex to the China Ting International Fashion Base (“華鼎國際時尚產業基地”) in 2019, 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 2020, the revenue from our property investment business amounted to HK\$8.9 million, representing an increase of 4.7% as compared with HK\$8.5 million for the corresponding period in 2019.

Liquidity and Financial Resources

During the six months ended 30 June 2020, the Group satisfied their working capital needs principally from its business operations. As at 30 June 2020, the Group had cash and cash equivalents of HK\$673.7 million, representing an increase of HK\$218.1 million as compared with HK\$455.6 million as of 31 December 2019. The Group’s total bank borrowings were HK\$608.5 million (31 December 2019: HK\$424.9 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 24.3% (31 December 2019: 16.7%). 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.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2020.

BUSINESS OUTLOOK

The COVID-19 in 2020 has caused a huge impact to our lifestyle and economic model, leaving us with no option but to consider the changes brought about by the COVID-19 as a normal to our new business model and the international trade pattern, and strive to rapidly adapt to this new situation. In terms of the OEM/ODM business segment, on the one hand, we need to exert further efforts on the development of new retail customers, while further stepping up the production process to cater for the requirements of the new retail model for supply chain. On the other hand, we need to develop domestic and global customers, especially non-US customers, in a more balanced way, so as to mitigate the political impact of the long-term rivalry between the two countries on the business of the Group.

Brand business will remain as the development focus of the Group. In the second half of the year, approximately RMB100 million will be invested in brand acquisition, store expansion, production chain improvement, logistics system enhancement and continuous talent training programs. The Group expects the brand retail business to be built into its second business pillar through three years of continuous investment and improvement, and bring a large number of internal orders to the OEM business, so as to promote the synergistic development of both businesses.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

HUMAN RESOURCES

As at 30 June 2020, the Group employed a total of 4,250 employees in the Mainland China, Hong Kong and the United States.

The Group recognises the importance of good relationships with its employees and has established an incentive bonus scheme for them, in which the benefits are determined based on the performance of the Group and individual employees, reviewable every year. Our Directors believe that a comparative remuneration scheme, a safe and comfortable workplace, and career development opportunities are incentives for employees to excel in their areas of responsibilities.

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

CAPITAL EXPENDITURE AND COMMITMENTS

The Group exercised careful control over capital expenditure. The Group incurred capital expenditures of HK\$74.0 million for the six months ended 30 June 2020 which was primarily used in the expansion of the China Ting International Fashion Base and the leasehold improvement of the Group's retail outlets and factories. Capital commitments contracted for but not incurred by the Group as at 30 June 2020 amounted to HK\$43.3 million, which were mainly related to the construction of the China Ting International Fashion Base.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

There was no significant investment, material acquisition and disposal of subsidiaries for the six months ended 30 June 2020.

SUBSEQUENT EVENTS

There were no material subsequent events undertaken by the Group after 30 June 2020 and up to date of this announcement.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

The sales and purchase of raw materials of the Group are mainly denominated in USD and Renminbi (“**RMB**”). During the period, approximately 51.8% and 48.2% of revenue were denominated in USD and RMB respectively, and approximately 6.5% and 93.5% of purchase of raw materials were denominated in USD and RMB respectively.

As at 30 June 2020, approximately 17.6%, 81.5% and 0.8% of cash and bank balances were denominated in USD, RMB and HK\$, respectively, and approximately 41.0%, 24.4% and 34.6% of bank borrowings were denominated in USD, HK\$ and RMB, respectively.

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

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares for the six months ended 30 June 2020.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the Auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial information. In addition, the 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 2020 have been reviewed by the Auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The Audit Committee has reviewed the interim financial information for the six months ended 30 June 2020. PricewaterhouseCoopers has issued a modified conclusion on the interim financial information for the six months ended 30 June 2020. Please refer to "Extract of review report" on page 20 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
Executive Director and Chief Executive Officer

Hong Kong, 28 August 2020