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 2019

	Six months ended 30 June		
	2019	2018	
	HK$ million	*HK$ million*	*% Change*
Revenue			
OEM Business	**745.7**	943.4	(21.0)
Fashion Retail Business	**226.7**	290.3	(21.9)
Property Investment Business	**8.5**	3.9	117.9
	980.9	1,237.6	(20.7)
Operating (loss)/profit	**(17.4)**	65.6	
(Loss)/profit before income tax	**(25.1)**	61.1	
Equity attributable to the Company's equity holders	**2,584.9**	2,752.3	
Equity per share *(HK$)*	**1.23**	1.31	

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 2019, together with the unaudited comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	*3*	**980,879**	1,237,549
Cost of sales		**(766,928)**	(891,579)
Gross profit		**213,951**	345,970
Other income	*4*	**13,794**	8,049
Other gains, net	*5*	**13,395**	28
Reversal of net impairment loss for financial assets	*11*	**11,709**	1,269
Selling, marketing and distribution costs		**(117,251)**	(130,178)
Administrative expenses		**(153,043)**	(159,554)
Operating (loss)/profit	*6*	**(17,445)**	65,584
Finance income	*7*	**4,474**	4,027
Finance costs	*7*	**(11,033)**	(8,124)
Share of (losses)/profits of associates		**(423)**	170
Share of losses of joint ventures		**(712)**	(518)
(Loss)/profit before income tax		**(25,139)**	61,139
Income tax expense	*8*	**(7,490)**	(10,888)
(Loss)/profit for the period		**(32,629)**	50,251

	Note	Six months ended 30 June **2019** **(Unaudited)** ***HK$'000***	 2018 (Unaudited) *HK$'000*
Other comprehensive income for the period:			
Items that may be reclassified subsequently to profit or loss:			
— Currency translation differences		**4,140**	(30,330)
— Revaluation surplus upon transfer of owner occupied properties to investment properties, net of tax		**—**	207,638
Item that will not be reclassified subsequently to profit or loss:			
— Fair value gain on financial asset at fair value through other comprehensive income		**61**	—
Other comprehensive income for the period, net of tax		**4,201**	177,308
Total comprehensive (loss)/income for the period		**(28,428)**	227,559
(Loss)/profit attributable to:			
Equity holders of the Company		**(30,829)**	49,596
Non-controlling interests		**(1,800)**	655
		(32,629)	50,251
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(26,382)**	226,350
Non-controlling interests		**(2,046)**	1,209
		(28,428)	227,559
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company (expressed in HK cents per share)			
— basic and diluted	*9*	**(1.47)**	2.36

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2019

	Note	**As at 30 June 2019 (Unaudited)** *HK$'000*	As at 31 December 2018 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**390,809**	469,646
Investment properties		**374,906**	363,711
Land use rights		**—**	76,384
Intangible assets		**8,107**	10,623
Right-of-use assets	*10*	**168,219**	—
Interests in associates		**1,417**	1,846
Interests in joint ventures		**13,948**	14,690
Prepayments		**15,526**	15,526
Deferred income tax assets		**83,792**	78,463
		1,056,724	1,030,889
Current assets			
Inventories		**947,951**	995,661
Trade and other receivables	*11*	**686,651**	746,107
Financial assets at fair value through profit or loss ("FVPL")	*13*	**294,678**	304,269
Financial assets at fair value through other comprehensive income ("FVOCI")		**8,809**	—
Promissory note	*11*	**38,755**	38,124
Entrusted loans	*11*	**173,622**	166,022
Tax recoverable		**11,502**	9,939
Pledged bank deposits		**33,151**	50,957
Fixed deposits		**15,924**	20,553
Cash and cash equivalents		**453,761**	448,547
		2,664,804	2,780,179
Assets held for sale	*12*	**8,669**	8,674
		2,673,473	2,788,853
Total assets		**3,730,197**	3,819,742

	Note	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**209,982**	209,982
Reserves		**2,374,921**	2,401,303
		2,584,903	2,611,285
Non-controlling interests		**21,301**	28,724
Total equity		**2,606,204**	2,640,009
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**87,410**	83,136
Lease liabilities	*10*	**5,798**	—
		93,208	83,136
Current liabilities			
Trade and other payables	*14*	**580,418**	694,161
Contract liabilities	*3*	**30,267**	29,534
Lease liabilities	*10*	**11,699**	—
Bank borrowings		**403,235**	367,057
Current income tax liabilities		**5,166**	5,845
		1,030,785	1,096,597
Total liabilities		**1,123,993**	1,179,733
Total equity and liabilities		**3,730,197**	3,819,742
Net current assets		**1,642,688**	1,692,256
Total assets less current liabilities		**2,699,412**	2,723,145

NOTES

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2019 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 2018, 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 2018 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 2019:

HK (IFRIC) 23	Uncertainty over income tax treatments
Amendments to HKFRS 9	Prepayment features with negative compensation
HKFRS 16	Leases
Amendments to HKAS 19	Plan amendment, curtailment or settlement
Amendments to HKAS 28	Long-term interests in associates and joint ventures
Amendments to HKFRSs	Annual improvements to HKFRSs standards 2015–2017 cycle

The impact of the adoption of HKFRS 16 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 2019 and have not been early adopted:

		Effective for annual periods beginning on or after
HKFRS 3 (Revised)	Definition of a business	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor, associate or joint venture	To be determined
HKAS 1 and HKAS 8 (Amendments)	Definition of material	1 January 2020

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.

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, 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.

	OEM HK$'000	Retail HK$'000	(Unaudited) Property development HK$'000	Property investment HK$'000	Total HK$'000
Six months ended 30 June 2019					
Total revenue	**751,476**	**226,638**	**—**	**10,751**	**988,865**
Inter-segment revenue	**(5,755)**	**—**	**—**	**(2,231)**	**(7,986)**
Revenue (from external customers)	**745,721**	**226,638**	**—**	**8,520**	**980,879**
Segment (loss)/profit before income tax	**(2,016)**	**(30,161)**	**—**	**4,445**	**(27,732)**
Depreciation of property, plant and equipment	**(32,722)**	**(10,975)**	**—**	**—**	**(43,697)**
Depreciation of right-of-use assets *(Note 10)*	**(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	**(8,723)**	**2,344**	**—**	**(1,111)**	**(7,490)**
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	62,992	4,535	—	1,041	68,568
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	Retail	(Unaudited) Property development	Property investment	Total
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
As at 30 June 2019					
Total segment assets	**1,832,309**	**1,044,515**	**288,547**	**345,906**	**3,511,277**
Total segment assets include:					
Interests in associates	**1,417**	**—**	**—**	**—**	**1,417**
Interests in joint ventures	**—**	**13,948**	**—**	**—**	**13,948**
FVPL	**—**	**—**	**288,547**	**—**	**288,547**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**54,021**	**17,621**	**—**	**—**	**71,642**
Tax recoverable	**5,124**	**6,378**	**—**	**—**	**11,502**
Deferred income tax assets	**21,734**	**62,058**	**—**	**—**	**83,792**

	OEM	Retail	(Audited) Property development	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2018					
Total segment assets	1,977,042	992,556	288,876	336,711	3,595,185
Total segment assets include:					
Interests in associates	1,846	—	—	—	1,846
Interest in a joint venture	—	14,690	—	—	14,690
FVPL	—	—	288,876	—	288,876
Additions to non-current assets (other than financial instruments and deferred income tax assets)	52,039	18,778	—	—	70,817
Tax recoverable	8,555	1,384	—	—	9,939
Deferred income tax assets	15,676	62,787	—	—	78,463

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Total segment (loss)/profit before income tax	**(27,732)**	68,568
Net fair value gains/(losses) of FVPL	**4,653**	(2,656)
Corporate overhead	**(3,408)**	(5,121)
Fair value gains on investment properties	**1,000**	—
Rental income	**348**	348
(Loss)/profit before income tax per condensed consolidated statement of comprehensive income	**(25,139)**	61,139

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

	As at	As at
	30 June	31 December
	2019	2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Total segment assets	**3,511,277**	3,595,185
FVPL	**6,131**	15,393
FVOCI	**8,809**	—
Corporate assets	**2,358**	16,142
Investment properties	**28,000**	27,000
Entrusted loans	**173,622**	166,022
Total assets per condensed consolidated balance sheet	**3,730,197**	3,819,742

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
The PRC	**458,378**	676,590
North America	**396,688**	442,672
European Union	**102,985**	101,964
Hong Kong	**17,415**	15,220
Other countries	**5,413**	1,103
	980,879	1,237,549

The total of non-current assets other than interests in associates, loans to an associate, interests in joint ventures and deferred income tax assets are located in the following geographical areas:

	As at 30 June 2019 (Unaudited) ***HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
The PRC	**799,895**	774,616
Hong Kong	**155,585**	144,545
North America	**2,087**	2,613
	957,567	921,774

For the six months ended 30 June 2019, revenue of approximately HK$141,269,000 (2018: HK$183,905,000) was derived from one external customer (2018: one) attributable to the OEM reportable segment and accounted for greater than 10% (2018: 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 2019, the Group has recognised the following liabilities related to contracts with customers:

	As at 30 June 2019 (Unaudited) ***HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
Current contract liabilities	**30,267**	29,534

The following table shows the amount of revenue recognised in the six months ended 30 June 2019 relating to carried-forward contract liabilities:

	Six months ended 30 June	
	2019 (Unaudited) ***HK$'000***	2018 (Unaudited) *HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	**15,381**	21,387

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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Government grants	**7,365**	772
Rental income	**3,338**	5,494
Investment income	**1,127**	951
Others	**1,964**	832
	13,794	8,049

5 OTHER GAINS, NET

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Losses on disposals of property, plant and equipment	**(2,999)**	(3,130)
Net fair value gains of FVPL — realised	**3,856**	—
Net fair value gains/(losses) of FVPL — unrealised *(Note 13)*	**797**	(2,656)
Fair value gains on investment properties	**11,774**	—
Net exchange (losses)/gains	**(33)**	5,814
	13,395	28

6 OPERATING LOSS/PROFIT

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**43,697**	51,332
Depreciation of right-of-use assets	**8,513**	—
Amortisation of land use rights	**—**	1,614
Amortisation of intangible assets	**2,515**	3,351
Employee benefit expenses	**208,676**	309,728
Provision for impairment of inventories	**23,591**	2,935
Reversal of impairment loss of trade receivables	**—**	(1,269)

7 FINANCE COSTS, NET

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**2,825**	2,432
— promissory note	**1,649**	1,595
	4,474	4,027
Finance costs — interest expense on		
— bank borrowings	**(10,709)**	(8,124)
— lease liabilities	**(324)**	—
	(11,033)	(8,124)
Finance costs, net	**(6,559)**	(4,097)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**3,046**	3,806
— PRC enterprise income tax	**4,912**	10,217
Withholding tax	**635**	—
Deferred income tax	**(1,103)**	(3,135)
	7,490	10,888

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 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% (2018: 25%) during the period. During the six months ended 30 June 2019 and 2018, 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 (LOSSES)/EARNINGS PER SHARE

The calculation of basic losses/earnings per share is based on the Group's loss/profit attributable to equity holders of the Company of approximately HK$30,829,000 (2018: profit of HK$49,596,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,818,000 (2018: 2,099,818,000).

Diluted losses/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 2019 and 2018 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 2019.

10 LEASES

Amounts recognised in the condensed consolidated balance sheet:

	As at 30 June 2019 (Unaudited) ***HK$'000***	As at 1 January 2019 (Unaudited) *HK$'000*
Right-of-use assets		
Leasehold land and land use rights	**150,916**	76,384
Properties	**17,028**	11,629
Office equipment	**275**	312
	168,219	88,325
Lease liabilities		
— Current portion	**11,699**	6,916
— Non-current portion	**5,798**	5,025
	17,497	11,941

Additions to the right-of-use assets during the six months ended 30 June 2019 were approximately HK$11,124,000.

Amounts recognised in the condensed consolidated statements of comprehensive income:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets		
Leasehold land and land use rights	**2,864**	—
Properties	**5,612**	—
Office equipment	**37**	—
	8,513	—
Interests on lease liabilities	**324**	—
Expenses relating to short-term leases	**7,021**	—

The total cash outflow for leases during the six months ended 30 June 2019 was approximately 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 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bill receivables	**486,945**	528,710
Less: Loss allowance	**(60,272)**	(66,137)
Trade and bill receivables, net *(Note (i))*	**426,673**	462,573
Amounts due from related parties	**29,961**	45,649
Promissory note *(Note (ii))*	**38,755**	38,124
Entrusted loans *(Note (iii))*	**173,622**	166,022
Prepayments	**145,822**	143,074
Deposits and other receivables	**99,721**	110,336
	914,554	965,778
Less:		
Non-current portion of prepayments for property, plant and equipment	**(15,526)**	(15,526)
Current portion	**899,028**	950,252

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 2019 (Unaudited) ***HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
0 to 30 days	**165,586**	239,711
31 to 60 days	**89,461**	71,560
61 to 90 days	**47,504**	58,526
91 to 120 days	**71,187**	94,501
Over 120 days	**113,207**	64,412
	486,945	528,710

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

	Six months ended 30 June	
	2019 (Unaudited) ***HK$'000***	2018 (Unaudited) *HK$'000*
At 1 January	**66,137**	48,650
Reversal of impairment losses	**(3,920)**	(1,269)
Write off	**(1,865)**	—
Exchange differences	**(80)**	(278)
At 30 June	**60,272**	47,103

(ii) Promissory note

The promissory note represents a senior unsecured promissory note with principal amounted to US$10,000,000 (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.

On 1 July 2019, an amendment was reached with this major customer pursuant to which the repayment schedule of the then outstanding principal of US$5,000,000 is changed from 24 July 2019 to 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.

Other terms and conditions remain unchanged under the amendment. Such an amendment would result in a loss of approximately HK$2,905,000 in the consolidated profit or loss for the year ending 31 December 2019 and approximately HK$23,211,000 of promissory note to be classified as non-current assets as at 31 December 2019.

(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 which is also 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.

Entrusted Loans A and B became default in 2014 and on 18 November 2014, Borrower A and B filed voluntary bankruptcy at the People's Court of Yuhang District (the "Yuhang Court") which then approved the appointment of the administrator and accepted the petition for bankruptcy proceedings.

Two rounds of open tenders were held by the administrator in November 2017 and March 2018, respectively, to identify potential restructuring investors, which were both terminated with no qualified investor identified. In June 2019, a restructuring investor was successfully identified through the third round of open tender with the restructuring plan approved by the Yuhang Court in July 2019. The restructuring proceedings are currently in progress with the expected completion in early 2020.

As at 31 December 2018, the fair value of the pledged collaterals held by the Group for entrusted loans was determined based on the valuation performed by an independent qualified valuer using market based valuation techniques.

As at 30 June 2019, the fair value of the pledged collaterals held by the Group for entrusted loans was determined based on the valuation provided in the court-approved restructuring documents.

Based on the valuation provided in restructuring documents, Entrusted Loan A of approximately HK$8,362,000 (31 December 2018: HK$16,169,000) was impaired as at 30 June 2019 and a reversal of impairment loss amounting to HK$7,789,000 was recorded in the consolidated profit or loss in the six months ended 30 June 2019. The fair value of the pledged collaterals for Entrusted Loan B is higher than such entrusted loan's principal amounts and the directors are of the opinion that there is no impairment for Entrusted Loan B as at 30 June 2019 (31 December 2018: Nil).

Movements of the entrusted loans are as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
At 1 January	**166,022**	174,443
Reversal of impairment loss for Entrusted Loan A	**7,789**	—
Exchange differences	**(189)**	(1,613)
At 30 June	**173,622**	172,830

12 ASSETS HELD FOR SALE

As at 30 June 2019, property, plant and equipment and land use rights of approximately HK$8,669,000 (31 December 2018: HK$8,674,000) 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 2019	As at 31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Listed equity securities *(Note (i))*	**6,131**	15,393
FVPL in Zhejiang Haoran *(Note (ii))*		
— Equity interests	**41,464**	41,511
— Shareholder's loans	**230,420**	230,683
— Advances	**16,663**	16,682
	288,547	288,876
	294,678	304,269

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

		(Unaudited)	
	Listed equity securities	**FVPL in Zhejiang Haoran**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
At 1 January 2019	**15,393**	**288,876**	**304,269**
Additions	**58**	**—**	**58**
Disposals	**(10,271)**	**—**	**(10,271)**
Net fair value gains *(Note 5)*	**797**	**—**	**797**
Currency translation difference	**154**	**(329)**	**(175)**
At 30 June 2019	**6,131**	**288,547**	**294,678**

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

		(Unaudited)	
	Listed equity securities	FVPL in Zhejiang Haoran	Total
	HK$'000	*HK$'000*	*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	—	286,002	286,002
Reclassified from other receivables on adoption of HKFRS 9	—	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

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 30 June 2019, FVPL in Zhejiang Haoran represented the Group's 29% equity interest in, shareholders' loans and advances granted to Zhejiang Haoran totalled RMB253,690,000 (approximately HK$288,547,000) (31 December 2018: RMB253,690,000 (approximately HK$288,876,000)).

Repayment of the shareholder's loans of RMB211,285,000 (approximately HK$240,315,000) has been in default since 2014. In March 2017 and August 2017, the Group issued two legal letters to Zhejiang Haoran to demand for repayment of a portion of the shareholder's loans of RMB172,700,000 (approximately HK$196,429,000) and part of the advances of RMB7,250,000 (approximately HK$8,246,000), respectively. In June and August 2018, the aforesaid legal claims 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 would 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. In February 2019, the aforesaid appeals were dismissed by the relevant court and the original judgements made by the Courts were sustained. On 12 August 2019, the Group applied for retrial of the judgment in relation to the shareholder's loans before the Supreme People's Court of the People's Republic of China (the "Supreme People's Court") and is yet to be heard by the Supreme People's Court as of the date of this report.

During the year ended 31 December 2018, the Group took further legal actions against Zhejiang Haoran including a petition to wind up Zhejiang Haoran as a shareholder and to enforce its right as a shareholder of Zhejiang Haoran to access to its books and records. The petition to wind up was rejected by the relevant court in November 2018 while the relevant Courts ruled that the Group has the right to access to certain documents and records of Zhejiang Haoran as a shareholder, including the sales contracts of the Property, in February 2019. Zhejiang Haoran lodged an appeal against such judgment in March 2019, which was dismissed by the relevant court in August 2019.

In May 2019, the Group initiated another legal proceeding as the shareholder to access to specific financial information of Zhejiang Haoran, which have yet to be heard by the relevant court as of the date of this report.

As advised by the Group's legal counsel and after considering the merits and basis of the legal proceedings between Zhejiang Haoran and the Group, despite of the aforesaid appeals lodged by the Group being dismissed by the relevant court, the directors of the Company are of the opinion that the Group will be successful in the forthcoming legal proceedings. Thus, the directors of the Company considered that the assumptions and basis applied in the fair value assessment of the FVPL in Zhejiang Haoran, continued to represent their best estimates and such financial assets will be realised in the coming twelve months from 30 June 2019.

The Group was unable to obtain any financial information of Zhejiang Haoran as at and for the six months ended 30 June 2019. As such, the fair value of FVPL in Zhejiang Haoran as at 30 June 2019 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. Under the Adjusted NAV approach, 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 six months ended 30 June 2019. 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. Other assumptions adopted in the valuation, including but not limited to the completion time of the Property's construction, construction costs incurred for the Property subsequent to 31 December 2016, and minority interest discount rate, were assumed to remain unchanged from those as at 31 December 2018.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2019 (Unaudited) ***HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
Trade and bill payables	**365,286**	503,088
Other payables and accruals	**213,913**	189,804
Amounts due to related parties	**1,219**	1,269
	580,418	694,161

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

	As at 30 June 2019 (Unaudited) ***HK$'000***	As at 31 December 2018 (Audited) *HK$'000*
0 to 30 days	**220,529**	304,335
31 to 60 days	**33,724**	65,514
61 to 90 days	**26,223**	32,570
Over 90 days	**84,810**	100,669
	365,286	503,088

15 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of HKFRS 16 "Leases" on the Group's consolidated financial statements and discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

The Group has adopted HKFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening consolidated balance sheet on 1 January 2019.

(a) Adjustments recognised on adoption of HKFRS 16

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.70%.

	Six months ended 30 June 2019 (Unaudited) ***HK$'000***
Operating lease commitments disclosed as at 31 December 2018	**22,792**
Discounted at the date of initial application	**22,160**
Less:	
Exemption for short term and low value leases	**(10,219)**
Lease liabilities recognised as at 1 January 2019	**11,941**
Current lease liabilities	**7,801**
Non-current lease liabilities	**4,140**
	11,941

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated balance sheet as at 31 December 2018.

There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	As at 1 January 2019 (Unaudited) *HK$'000*
Leasehold land and land use rights	153,838
Properties	11,629
Office equipment	312
	165,779

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- property, plant and equipment — decreased by approximately HK$77,454,000
- land use rights — decreased by approximately HK$76,384,000
- right-of-use assets — increased by approximately HK$165,779,000
- lease liabilities — increased by approximately HK$11,941,000

The net impact on retained earnings on 1 January 2019 was nil.

(i) Impact on segment disclosures

Adjusted segment assets and segment liabilities as at 30 June 2019 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities. The following segments were affected by the change in policy:

	Segment assets (Unaudited) *HK$'000*	**Segment liabilities** (Unaudited) *HK$'000*
OEM	154,130	5,196
Retail	14,089	12,301

(ii) Practical expedients applied

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and HK(IFRIC) 4 "Determining whether an Arrangement contains a Lease".

(b) The Group's leasing activities and how these are accounted for

The Group leases various offices, dormitories, warehouses and retail stores. Rental contracts are typically made for fixed periods of 1 to 3 years but may have extension options as described in (ii) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the end of 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less lease incentives receivable (if any); and

- variable lease payment that are linked to sales of the retail store(s).

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability; and

- any lease payments made at or before the commencement date less any lease incentives received.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(i) Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms and there is a wide range of sales percentages applied. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(ii) Extension and termination options

Extension and termination options are included in a number of property leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

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 2019.

Basis for Qualified Conclusion

As discussed in note 11 to the condensed consolidated interim financial information, the Group held financial assets at fair value through profit or loss of RMB254 million (approximately HK$289 million) ("**FVPL in Zhejiang Haoran**") as at 30 June 2019 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. The Group is continuing to seek for recovery of a portion of the shareholder's loan and advance to Zhejiang Haoran and to enforce its right as a shareholder of Zhejiang Haoran to access the books and records of Zhejiang Haoran through legal proceedings.

In assessing the fair value of FVPL in Zhejiang Haoran as at 30 June 2019, 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 11 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 2019 because management of Zhejiang Haoran did not provide such information. The legal proceedings with regard to the Group's access to Zhejiang Haoran's books and records are ongoing and yet to be heard by the relevant court. Accordingly, the Group did not have access to any financial information of Zhejiang Haoran as of the date of this report.

As such, the fair value of FVPL in Zhejiang Haoran as at 30 June 2019 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 as at 30 June 2019, the details of which were described in note 10 to the condensed consolidated interim financial information. In addition, having obtained advice from the Group's legal counsel and after considering the merits and basis of the legal proceedings between Zhejiang Haoran and the Group, despite of certain appeals as referred in note 11 to the condensed consolidated interim financial information lodged by the Group being dismissed by the relevant court, the directors of the Company are of the opinion that the Group will be successful in the forthcoming legal proceedings. Thus, the directors of the Company considered the assumptions and basis applied in the fair value assessment of the FVPL in Zhejiang Haoran, continued to represent their best estimates and such financial assets will be realised in the coming twelve months from 30 June 2019.

As at the date of this report, the outcomes of legal proceedings between Zhejiang Haoran and the Group 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 2019 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 11 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 the first half of 2019, China's economic growth slowed down and institutional adjustments have been continuously advanced, while uncertainties were increasing both internally and externally, and the economy was still exposed to great downward pressure. In particular, the repeated trade conflicts between China and the United States imposed an extremely negative impact on people's confidence in the economy of both China and the whole world.

In 2019, under the joint efforts of our trading department and factories, the total revenue of the Group's OEM business amounted to HK$745.7 million, representing a decrease of 21.0% as compared with the corresponding period of last year. The decline of the Group's results in the first half of the year was mainly due to the loss of orders from our major customers as a result of the trade conflicts between China and the United States.

In the first half of 2019, the retail business was also exposed to the downward pressure arising from the depression of the domestic market. Although the retail team further strengthened product research and development and team construction and expanded the scope of cooperation with quality channel providers, the retail business still showed a downward trend, and recorded total revenue of HK$226.7 million, representing a decrease of 21.9% as compared with the corresponding period of last year. Only the e-commerce business maintained rapid growth.

Ups and downs were seen with regards to the weaving industry and the printing and dyeing industry. In the first half of the year, the wool textile business, silk weaving business and printing and dyeing business recorded a decline in performance due to various factors such as the adjusted product structure in the market and the shortened time of delivery, while the home textile business managed to record a year-on-year growth thanks to the timely adjustment of product structure and the scarcity of market resources, etc.

FINANCIAL REVIEW

Review of operations

During the six months ended 30 June 2019, the Group's revenue amounted to HK$980.9 million, representing a decrease of 20.7% as compared with HK$1,237.6 million for the corresponding period in 2018. The gross profit for the six months ended 30 June 2019 was HK$214.0 million, representing a decrease of 38.2% as compared with HK$346.0 million for the corresponding period in 2018. The net loss attributable to equity holders was HK$30.8 million. Loss per Share were HK cents 1.47 and net asset value per share was HK$1.23.

OEM and ODM Business

During the period under review, the turnover derived from our OEM/ODM business recorded a decrease from HK$943.4 million to HK$745.7 million for the corresponding period in 2018. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed HK$631.0 million (2018: HK$716.4 million), representing 84.6% (2018: 75.9%) 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$389.7 million (2018: HK$439.0 million), representing 52.3% (2018: 46.5%) of the total turnover of our OEM/ODM business. Sales to Europe and other markets were HK$103.0 million (2018: HK$102.0 million) and HK$253.0 million (2018: HK$402.4 million), respectively.

Fashion Retail Business

During the six months ended 30 June 2019, the retail sales decreased to HK$226.7 million from HK$290.3 million for the corresponding period in 2018. Finity, the major brand of the Group, contributed HK$96.2 million to the retail business, representing a decrease of 28.5% as compared with HK$134.5 million for the corresponding period in 2018.

In terms of retail revenue analysis by sales channel, sales from concessions amounted to HK$107.1 million (2018: HK$160.1 million), accounting for 47.2% of total retail turnover. Sales from free-standing stores, franchisees and e-commerce amounted to HK$8.2 million (2018: HK$12.4 million), HK$37.6 million (2018: HK$57.7 million) and HK$73.8 million (2018: HK$60.1 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 2018, 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 2019, the revenue from our property investment business amounted to HK$8.5 million, representing an increase of 117.9% as compared with HK$3.9 million for the corresponding period in 2018.

Liquidity and Financial Resources

During the six months ended 30 June 2019, the Group satisfied their working capital needs principally from its business operations. As at 30 June 2019, the Group had cash and cash equivalents of HK$453.8 million, representing an increase of HK$5.3 million as compared with HK$448.5 million as of 31 December 2018. The Group's total bank borrowings were HK$403.2 million (31 December 2018: HK$367.1 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 15.5% (31 December 2018: 13.9%). 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.

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 in 2014.

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) in February 2015.

Two rounds of open tenders were held by the administrator in November 2017 and March 2018, respectively, to solicit investors in the potential restructuring, which were both terminated with no qualified investor identified. In June 2019, an investor was successfully identified through the third round of open tender with the restructuring plan approved by the People's Court of Yuhang District, Hangzhou City in July 2019. The restructuring proceedings are currently in progress with the expected completion in the early of 2020.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2019.

QUALIFIED REVIEW OPINION IN RELATION TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS WITH RESPECT OF 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) ("**Hangzhou China Ting**") (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 People's Republic of China (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 2019, 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$288.5 million. 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 financial statements 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 June and August 2018, the aforesaid legal actions for repayment of shareholder's loans and advances against Zhejiang Haoran were rejected by the Hangzhou Intermediate People's Court and the People's Court of Yuhang District (collectively the "Courts"), respectively. Whilst the judgements from the Courts stated that the Group has the legal right to recover such amounts, it was of the view of the Courts that the Group would not be able to request for immediate repayment for repayment until Zhejiang Haoran has settled all third-party debts. Management has 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 or otherwise such loans could only be repaid at the time of winding up of Zhejiang Haoran. 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 overturn the judgements rendered for each of the claims. In February 2019, the appeals were dismissed by the relevant court and the original judgements made by the Courts were remained unchanged. On 12 August 2019, the Group applied for retrial of the judgment in relation to the shareholder's loan before the Supreme People's Court of the People's Republic of China (the "Supreme People's Court"), and the application has yet to be heard by the Supreme People's Court as of the date of this announcement.

During the year ended 31 December 2018, the Group took further legal actions against Zhejiang Haoran including a petition to wind up Zhejiang Haoran as a shareholder and to enforce its right as a shareholder of Zhejiang Haoran to access books and records. The petition to wind up was overruled by the Hangzhou Intermediate People's Court in November 2018, but the Courts ruled that the Group has the right to access to certain documents and records of Zhejiang Haoran as a shareholder, including the sales contracts of the Property, in February 2019. Zhejiang Haoran lodged an appeal against such judgment in March 2019, and the appeal was dismissed by the relevant court in August 2019.

In May 2019, the Group initiated another legal proceeding as the shareholder of Zhejiang Haoran to access to the specific financial information of Zhejiang Haoran, and the legal proceedings have yet to be heard by the relevant court as of the date of this announcement.

Having considered the litigation results, the Group decided that it will continue to pursue recovery of its FVPL in Zhejiang Haoran through petition to the Trial Supervision Division of the Supreme People's Court of the People's Republic of China to seek for retrial of the Group's petitions to demand for immediate repayment from Zhejiang Haoran. Moreover, the Group has yet been able to gain access to documents and records of Zhejiang Haoran as the court's proceedings are still in progress.

As advised by the Group's legal counsel as to the PRC law and after considering the merits and basis of the legal proceedings between Zhejiang Haoran and the Group, despite of the aforesaid appeals lodged by the Group being dismissed by the relevant court, the directors of the Company are of the opinion that the Group will be successful in the forthcoming legal proceedings. Thus, the directors of the Company considers the assumptions and basis applied in the fair value assessment of the FVPL in Zhejiang Haoran, continued to represent their best estimates and such financial assets will be realised in the coming twelve months from 30 June 2019.

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 modified 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 consolidated financial statements for the years ended 31 December 2017 and 2018. The auditor of the Company has issued the same modified review opinion in relation to the same subject matter in the review report for the condensed consolidated interim financial information of the Group for the six months ended 30 June 2019.

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) financial information on Zhejiang Haoran as of and for the six months ended 30 June 2019;

(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 30 June 2019.

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.

However, Zhejiang Haoran did not provide any information to 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 review on the condensed consolidated interim financial information of the Group as of and for the six months ended 30 June 2019:

(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 30 June 2019.

(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 six months ended 30 June 2019, 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 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 six months ended 30 June 2019 and the interest expense for the six months ended 30 June 2019.

(e) The price of the property 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 time of the property of Zhejiang Haoran, construction cost incurred subsequent to 31 December 2016, and the minority interest discount rate, remain unchanged from that as of 31 December 2018.

In the course of review of the Group's condensed consolidated interim financial information for the six months ended 30 June 2019, 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 2018, the following additional information has been requested by the auditor of the Company in the course of their review of the Group's condensed consolidated interim financial information for the six months ended 30 June 2019:

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

(2) The bases and assumptions adopted by the Directors in the fair value assessment of the financial assets in relation to Zhejiang Haoran as at 30 June 2019, including a valuation performed by an independent valuer on the relevant property owned by Zhejiang Haoran, the Directors' estimated likelihood of success of the forthcoming legal proceedings, the probability of other outcomes and the time required for such proceedings 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 advise the likelihood of success of the forthcoming legal proceedings, the likelihood of other outcomes and the estimated time required for such proceedings 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 legal proceedings 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 31 December 2018 adjusted with the latest market price movements of comparable properties at nearby locations during the six months ended 30 June 2019. They are of the opinion that the Group will be successful in the forthcoming legal proceedings, the likelihood of other possible outcomes is very low and such financial assets will be realised in the coming twelve months from 30 June 2019.

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

At the meeting of the Audit Committee of the Board held on 23 August 2019, 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 review 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 review opinion will need to be made in the forthcoming reviewed or audited financial statements.

BUSINESS OUTLOOK

The global economy is faced with challenges and opportunities. The uncertainties from the trade tension between China and US, as well as the Brexit, has brought further uncertainties to the Group's operation. To avoid the impact from the above, the medium-sized apparel processing base in Guizhou Province, the PRC will be officially put into production in November, and promising progress has also been made in the production bases overseas. Going forward, China Ting will continue to maintain production bases boasting a large scale, advanced equipment and scientific management to provide customers with design, research and development and production services for medium and high-end fashion apparel.

The Group has taken brand retail business as its development focus as always, and is dedicated to introducing more fashion brands into the market in China. At the same time, the Group identifies and cultivates a group of domestic designers and designer brands through the cooperation with first-class apparel design colleges and funds both at home and abroad. While attaching great importance to products, China Ting also actively explores new retail modes and channels to maintain rapid expansion of new retail business.

The weaving business and the printing and dyeing business need to be more market-oriented. The Group will promote the development of the weaving business and the printing and dyeing business by taking environmental protection and ecological conservation as the last line of defense and taking technological research and development and innovation as the core driver, so as to firmly maintain China Ting's advantage in the supply chain as a one-stop purchase destination.

In the first half of the year, China Ting's park operating department saw remarkably decreasing demand in the lease market due to the great downward pressure on domestic economy. In the second half of the year, it will be our top priorities to actively develop high-quality customers and attract diversified customers to settle in the park, so as to ensure the overall stability and risk dispersion of the park during operation by virtue of high-quality and diversified customers.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2019.

HUMAN RESOURCES

As of 30 June 2019, the Group employed a total of 5,880 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$60.5 million for the six months ended 30 June 2019 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 2019 amounted to HK$184.9 million, which were mainly related to the construction of the China Ting International Fashion Base and the purchase of new office premises.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

There was no significant investment, material acquisition and disposal of subsidiaries during the six months ended 30 June 2019.

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 Sates 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 53.2% and 46.7% of revenue were denominated in USD and RMB respectively, and approximately 7.2% and 92.8% of purchase of raw materials were denominated in USD and RMB respectively.

As at 30 June 2019, approximately 33.7%, 64.8% and 1.3% of cash and bank balances were denominated in USD, RMB and HK$, respectively, and approximately 29.4%, 56.2% and 14.4% of bank borrowings were denominated in USD, HK$ 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 during the six months ended 30 June 2019.

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.

CHANGE IN INFORMATION OF DIRECTORS

Mr. CHENG Chi Pang, one of the independent non-executive Directors, has informed the Company that he has resigned as an independent non-executive director of Fortune Sun (China) Holdings Limited (stock code: 0352) effective from 21 June 2019.

Save as mentioned above, there has been no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim financial information for the six months ended 30 June 2019 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 2019. PricewaterhouseCoopers has issued a modified conclusion on the interim financial information for the six months ended 30 June 2019. 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, 23 August 2019