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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS			
	2015	2014	
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>% Change</i>
Revenue			
OEM Business	1,899.0	2,021.1	(6.0)
Fashion Retail Business	487.2	517.9	(5.9)
	<u>2,386.2</u>	<u>2,539.0</u>	(6.0)
Operating loss	(13.0)	(139.2)	(90.7)
Loss attributable to the Company's equity holder	(39.1)	(280.9)	(86.1)
Significant items:			
Share of losses of Hangzhou China Ting Property arising from fair value change in the property project			
— Provision for inventory	—	120.1	
Impairment loss on loan to an associate	17.8	114.6	
Loss on transfer of interests in an associate to available-for-sale financial assets	—	83.5	
Impairment loss on an available-for-sale financial assets	36.5	—	
Losses on derivative financial instruments	26.1	26.6	
Gain on disposal of an associate	—	(14.6)	
Impairment loss of goodwill	59.9	28.0	
Provision for bad debts in relation to the bankruptcy of Coldwatercreek and Mexx Group	—	27.6	
Impairment loss on entrusted loans	—	17.7	
Profit attributable to the Company's equity holder before the significant items	<u>101.4</u>	<u>122.6</u>	(17.3)
Equity attributable to the Company's equity holders	2,368.1	2,529.8	(6.4)
Equity per share (<i>HK\$</i>)	1.13	1.20	(5.8)

FINAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**”) wishes to announce the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2015, together with the comparative figures for the year 2014, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK\$'000	2014 HK\$'000
Revenue	2	2,386,175	2,539,001
Cost of sales		<u>(1,691,292)</u>	<u>(1,808,136)</u>
Gross profit		694,883	730,865
Other income	3	23,334	22,977
Other gains, net	4	30,480	30,374
Selling, marketing and distribution costs		(311,591)	(334,752)
Administrative expenses		(309,935)	(318,130)
Losses on derivative financial instruments		(26,053)	(26,591)
Impairment loss on an available-for-sale financial asset		(36,549)	—
Impairment loss on goodwill		(59,856)	(28,000)
Impairment loss on loans to an associate	4	(17,759)	(114,633)
Impairment loss on entrusted loans		—	(17,737)
Loss on transfer of interests in an associate to available-for-sale financial assets	4	<u>—</u>	<u>(83,528)</u>
Operating loss	5	(13,046)	(139,155)
Finance income	6	32,160	40,172
Finance costs	6	(13,504)	(13,379)
Share of profit/(losses) of associates			
— Share of profit/(losses) of associates before provision for inventory		11	(11,518)
— Provision for inventory	4	—	(120,101)
Share of losses of joint ventures		<u>(5,057)</u>	<u>(2,943)</u>
Profit/(loss) before income tax		564	(246,924)
Income tax expense	7	<u>(41,697)</u>	<u>(42,367)</u>
Loss for the year		<u>(41,133)</u>	<u>(289,291)</u>
Other comprehensive (loss)/income			
Items that may be reclassified to profit or loss			
Currency translation differences		(117,343)	(63,419)
Revaluation (loss)/gain on available-for-sale financial assets		(36,690)	141
Reclassification adjustment upon impairment of an available-for-sale financial asset		<u>36,549</u>	<u>—</u>
Other comprehensive loss, net of tax		<u>(117,484)</u>	<u>(63,278)</u>
Total comprehensive loss		<u>(158,617)</u>	<u>(352,569)</u>

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Loss attributable to:			
Equity holders of the Company		(39,098)	(280,928)
Non-controlling interests		(2,035)	(8,363)
		<u>(41,133)</u>	<u>(289,291)</u>
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		(161,717)	(343,134)
Non-controlling interests		3,100	(9,435)
		<u>(158,617)</u>	<u>(352,569)</u>
Loss per share for loss attributable to the equity holders of the			
Company during the year (expressed in HK cents per share)			
— basic	8	<u>(1.86)</u>	<u>(13.38)</u>
— diluted	8	<u>(1.86)</u>	<u>(13.38)</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2015

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		660,399	741,296
Investment properties		25,000	23,000
Land use rights		79,848	84,688
Interests in associates		2,000	2,048
Loans to an associate		245,392	216,448
Interests in joint ventures		14,019	19,842
Intangible assets		23,929	91,170
Promissory note	10	—	51,800
Deferred income tax assets		53,697	51,773
		1,104,284	1,282,065
Current assets			
Inventories		743,864	713,751
Trade and other receivables	10	737,294	719,336
Tax recoverable		2,098	10,907
Available-for-sale financial assets		297,131	348,071
Financial assets at fair value through profit or loss		22,953	22,116
Entrusted loans	10	173,285	182,113
Cash and bank balances		330,873	337,432
		2,307,498	2,333,726
Total assets		3,411,782	3,615,791
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,982	209,982
Reserves		2,158,116	2,319,833
		2,368,098	2,529,815
Non-controlling interests		34,682	31,582
Total equity		2,402,780	2,561,397

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		12,738	12,959
Current liabilities			
Trade and other payables	11	594,353	662,046
Bank borrowings		334,259	340,358
Derivative financial instruments		48,675	29,378
Current income tax liabilities		18,977	9,653
		996,264	1,041,435
Total liabilities		1,009,002	1,054,394
Total equity and liabilities		3,411,782	3,615,791

NOTES

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial assets, derivative financial instruments and investment properties, which are carried at fair value.

(a) New and amended standards adopted by the Group

The following new or amended standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2015:

HKAS 19 (Amendment)	Defined benefit plans: Employee contributions
Annual improvements 2010 to 2012	Improvements to HKASs and HKFRSs
Annual improvements 2011 to 2013	Improvements to HKASs and HKFRSs

In addition, the requirements of Part 9 “Accounts and Audit” of the new Hong Kong Companies Ordinance (Cap. 622) come into operation during the financial year, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

(b) New standards and amendments to existing standards that have been issued but are not effective for the financial year beginning 1 January 2015 and have not been early adopted

		Effective for annual periods beginning on or after
Annual improvements 2012 to 2014	Improvements to HKASs and HKFRSs	1 January 2016
HKFRS 14	Regulatory deferral accounts	1 January 2016
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	1 January 2016
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment entities: Applying the consolidation exception	1 January 2016
HKFRS 11 (Amendment)	Accounting for acquisitions of interests in joint operations	1 January 2016
HKAS 1 (Amendment)	Disclosure initiative	1 January 2016
HKAS 16 and HKAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer plants	1 January 2016
HKAS 27 (Amendment)	Equity method in separate financial statements	1 January 2016
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 9	Financial instruments	1 January 2018

The Group has already commenced an assessment of the likely impact of adopting the above new standards and amendments to existing standards but it is not yet in a position to state whether they will have a significant impact on its reported results of operations and financial position. The Group plans to adopt these new standards and amendments to existing standards when they become effective.

2 SEGMENT INFORMATION

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

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

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

Total segment assets exclude investment properties, deferred income tax assets, tax recoverable, financial assets at fair value through profit or loss and entrusted loans, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Turnover comprises sale of goods. Sales between segments are carried out based on terms agreed. The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property development <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2015				
Total revenue	1,922,864	487,385	—	2,410,249
Inter-segment revenue	(23,899)	(175)	—	(24,074)
Revenue (from external customers)	1,898,965	487,210	—	2,386,175
Segment profit/(loss) before income tax	85,803	(18,255)	(33,615)	33,933
Impairment loss on goodwill	(59,856)	—	—	(59,856)
Depreciation of property, plant and equipment	(88,616)	(24,004)	—	(112,620)
Amortisation of land use rights	(4,177)	(34)	—	(4,211)
Amortisation of intangible assets	(4,571)	(1,666)	—	(6,237)
Finance income	11,123	344	20,693	32,160
Finance costs	(9,692)	(3,812)	—	(13,504)
Impairment loss on loans to an associate	—	—	(17,759)	(17,759)
Share of profit of an associate	11	—	—	11
Share of losses of joint ventures	(13)	(5,044)	—	(5,057)
Impairment loss on an available-for-sale financial asset	—	—	(36,549)	(36,549)
Income tax (expense)/credit	(41,774)	77	—	(41,697)

	OEM HK\$'000	Retail HK\$'000	Property development HK\$'000	Total HK\$'000
Year ended 31 December 2014				
Total revenue	2,036,605	517,931	—	2,554,536
Inter-segment revenue	(15,535)	—	—	(15,535)
Revenue (from external customers)	2,021,070	517,931	—	2,539,001
Segment profit/(loss) before income tax	84,996	4,979	(305,730)	(215,755)
Impairment loss on goodwill	(28,000)	—	—	(28,000)
Depreciation of property, plant and equipment	(71,459)	(44,073)	—	(115,532)
Amortisation of land use rights	(3,644)	(34)	—	(3,678)
Amortisation of intangible assets	(4,571)	(2,967)	—	(7,538)
Finance income	11,272	390	15,254	26,916
Finance costs	(11,601)	(1,778)	—	(13,379)
Impairment loss on loans to an associate	—	—	(114,633)	(114,633)
Share of losses of associates	(158)	(8,638)	(122,823)	(131,619)
Share of losses of joint ventures	(59)	(2,884)	—	(2,943)
Loss on transfer of interests in an associate to available-for-sale financial assets	—	—	(83,528)	(83,528)
Income tax expense	(39,759)	(2,608)	—	(42,367)

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

As at 31 December 2014				
Total segment assets	1,938,440	884,846	564,519	3,387,805
Total segment assets include:				
Interests in associates	2,048	—	—	2,048
Loans to an associate	—	—	216,448	216,448
Interests in joint ventures	2,652	17,190	—	19,842
Available-for-sale financial assets	—	—	348,071	348,071
Additions to non-current assets (other than financial instruments and deferred income tax assets)	11,584	55,320	—	66,904
Tax recoverable	10,907	—	—	10,907
Deferred income tax assets	20,172	31,601	—	51,773

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Total segment profit/(loss) before income tax	33,933	(215,755)
Net fair value gains on financial assets at fair value through profit or loss	3,224	8,910
Corporate overhead	(11,056)	(9,523)
Rental income	516	516
Interest income from entrusted loans	—	13,256
Impairment loss on entrusted loans	—	(17,737)
Losses on derivative financial instruments	(26,053)	(26,591)
Profit/(loss) before income tax per consolidated statement of comprehensive income	<u>564</u>	<u>(246,924)</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Total segment assets	3,188,619	3,387,805
Financial assets at fair value through profit or loss	22,953	22,116
Corporate assets	1,925	757
Investment properties	25,000	23,000
Entrusted loans	173,285	182,113
Total assets per consolidated balance sheet	<u>3,411,782</u>	<u>3,615,791</u>

The Company is domiciled in the Cayman Islands. The results of its revenue from external customers based on the destination of the customers are as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
North America	1,229,041	1,384,930
European Union	214,698	247,448
PRC	825,676	819,148
Hong Kong	86,455	74,248
Other countries	30,305	13,227
	<u>2,386,175</u>	<u>2,539,001</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
PRC	630,150	753,628
Hong Kong	183,459	186,103
North America	423	423
	<u>814,032</u>	<u>940,154</u>

For the year ended 31 December 2015, revenues of approximately HK\$427,482,000 (2014: HK\$389,814,000) are derived from a single external customer (2014: one). These revenues are attributable to the OEM reportable segments and accounted for greater than 10% of the Group's revenue.

3 OTHER INCOME

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Commission income	7,326	3,468
Government grants	3,745	5,217
Rental income	6,329	6,964
Scrap sales	2,089	5,306
Others	3,845	2,022
	<u>23,334</u>	<u>22,977</u>

4 OTHER GAINS, NET

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Net exchange gains	29,355	5,546
Fair value gain on investment properties	2,000	3,000
Net fair value gains on financial assets at fair value through profit or loss	3,224	8,910
Losses on disposal of property, plant and equipment	(4,099)	(1,655)
Gain on disposal of an associate	—	14,573
	<u>30,480</u>	<u>30,374</u>
Impairment loss on loan to an associate (<i>Note (a)</i>)	(17,759)	(114,633)
Loss on transfer of interests in an associate to available-for-sale financial assets (<i>Note (b)</i>)	—	(83,528)
Share of losses of associates — Provision for inventory (<i>Note (a)</i>)	—	(120,101)

- (a) Hangzhou China Ting Property Development Company Limited (“China Ting Property”) is an associate of the Group engaging in residential property development in Hangzhou. During the year ended 31 December 2014, the Group's share of provision for inventory of approximately HK\$120,101,000 of China Ting Property represents the impairment on inventory. In view of the unfavourable property market conditions in the region where the residential property project was located, the directors of China Ting Property consider to recognise an impairment provision for the inventory.

In addition, there was an impairment loss on loan to China Ting Property amounted to HK\$17,759,000 (2014: HK\$114,633,000) during the year ended 31 December 2015.

- (b) On 9 July 2014, the Group lost the significant influence on Zhejiang Haoran Property Company Limited (“Haoran Property”), a previous associate of the Group, since the two representatives of the Group on the board of directors were removed in a shareholders' meeting.

Due to the loss of significant influence, Haoran Property was not considered as an associate of the Group and the interest in Haoran Property is accounted for as available-for-sale financial asset which is stated at fair value. As a result, a loss of approximately HK\$83,528,000 has been recognised in the consolidated statement of comprehensive income upon the reclassification during the year ended 31 December 2014.

5 OPERATING LOSS

Operating loss is stated after charging the following:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amortisation of land use rights	4,211	3,678
Amortisation of intangible assets	6,237	7,538
Depreciation of property, plant and equipment	<u>112,620</u>	<u>115,532</u>

6 FINANCE INCOME AND COSTS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	6,041	5,023
— amount due from associates	—	1,037
— loans to an associate	20,693	15,254
— entrusted loans	—	13,256
— promissory notes	<u>5,426</u>	<u>5,602</u>
	32,160	40,172
Finance costs — interest expense on		
— bank borrowings	<u>(13,504)</u>	<u>(13,379)</u>
	<u>18,656</u>	<u>26,793</u>

7 INCOME TAX EXPENSE

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax (<i>Note (a)</i>)	7,337	7,092
— PRC enterprise income tax (<i>Note (b)</i>)	35,520	39,511
— Under/(over)-provision in prior years	1,957	(711)
Deferred income tax	<u>(3,117)</u>	<u>(3,525)</u>
	<u>41,697</u>	<u>42,367</u>

Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profit for the year.
- (b) PRC enterprise income tax is provided on the basis of the profits of the PRC established and operating subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for these subsidiaries of the Group is 25% (2014: 25%).

8 LOSS PER SHARE

- (a) The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of approximately HK\$39,098,000 (2014: HK\$280,928,000) and weighted average number of ordinary shares in issue during the year of 2,099,818,000 (2014: 2,099,818,000).

- (b) Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares.

During the years ended 31 December 2015 and 2014, 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 during the year. There were no outstanding options as at 31 December 2015 and 2014.

9 DIVIDENDS

At a meeting held on 24 March 2016, the directors do not recommend the payment of any dividend for the year ended 31 December 2015 (2014: nil).

10 TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade and bill receivables (<i>Note (i)</i>)	495,051	517,045
Less: Provision for impairment	<u>(41,536)</u>	<u>(49,459)</u>
Trade and bill receivables, net	453,515	467,586
Amounts due from joint ventures	588	2,159
Promissory note (<i>Note (ii)</i>)	56,462	70,708
Entrusted loans (<i>Note (iii)</i>)	173,285	182,113
Other receivables, deposits and prepayments	<u>226,729</u>	<u>230,683</u>
	910,579	953,249
Less: Non-current portion of promissory note	<u>—</u>	<u>(51,800)</u>
	<u><u>910,579</u></u>	<u><u>901,449</u></u>

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

Notes:

(i) Trade and bill receivables

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Up to 30 days	268,278	285,945
31 to 60 days	85,801	86,511
61 to 90 days	53,616	56,657
91 to 120 days	50,703	41,266
Over 120 days	<u>36,653</u>	<u>46,666</u>
	<u><u>495,051</u></u>	<u><u>517,045</u></u>

For OEM garment sales, the Group's trade receivables from its customers are generally settled by way of letters of credit or telegraphic transfer with credit periods of not more than 90 days. The grant of open account terms without security coverage is generally restricted to large or long-established customers with good repayment history. Sales to these customers comprise a significant proportion of the Group's OEM garment sales. On the other hand, for new and existing customers with short trading history, letters of credit issued by these customers are normally demanded for settlement purposes.

For sales of branded fashion apparel to franchisees, the Group normally requests payments in advance or deposits from such customers, with the remaining balances settled immediately upon delivery of goods. The Group also grants open account terms of 30 credit days to long-established customers with good repayment history.

Retail sales are settled in cash or by credit cards or collected by department stores on behalf of the Group. The department stores are normally required to settle the proceeds to the Group within 2 months from the date of sale.

Bill receivables are with average maturity dates of within 2 months.

The carrying amounts of trade and other receivables approximate their fair values.

(ii) Promissory note

The promissory note represents a senior unsecured promissory note with original principal amounted to US\$10,000,000 (equivalent to approximately HK\$71,350,000) converted from trade receivables due from a major customer which will be payable in various installments until the end of 2016. The promissory note is interest-bearing at 5.25% per annum.

(iii) Entrusted loans

On 24 December 2012, the Group entered into three secured entrusted loans (“Entrusted Loan A”) with total principals amounting to RMB30,000,000 (equivalent to approximately HK\$35,817,000) 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 will be payable on or before 25 December 2014. An affiliate of Borrower A pledged to the lending agent certain number of properties located at Yuhang District in Hangzhou as collaterals.

Further on 5 February 2013, the Group entered into another eight secured entrusted loans (“Entrusted Loan B”) with total principals amounting to RMB130,000,000 (equivalent to approximately HK\$155,205,000) due from a company established in the PRC, an affiliate of Borrower A (“Borrower B”), through a lending agent, a commercial bank in the PRC. Entrusted Loan B is interest-bearing at 18% per annum payable on a monthly basis and the principal will be payable on or before 5 February 2014. An affiliate of Borrower B pledged to the lending agent a parcel of land located at Lin’an City in Hangzhou as collateral.

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

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

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

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

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

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

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

As at 31 December 2015, Entrusted Loan A of approximately HK\$17,737,000 (2014: HK\$17,737,000) was considered impaired.

11 TRADE AND OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade and bill payables	370,937	449,897
Other payables and accruals	220,903	210,857
Amount due to an associate	2,513	1,292
	<u>594,353</u>	<u>662,046</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Up to 30 days	236,165	315,738
31 to 60 days	45,864	51,766
61 to 90 days	24,956	32,113
Over 90 days	63,952	50,280
	<u>370,937</u>	<u>449,897</u>

Bill payables are with average maturity dates of within 2 months.

12. EVENTS AFTER THE BALANCE SHEET DATE

On 1 March 2016, the Group renewed interest rate of the loans to an associate to 4.75% per annum. Except for the interest rate, all other terms and conditions of the loans to an associate remain unchanged.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Overview

In 2015, the global economy remained sluggish in terms of recovery momentum. The domestic economy posed a downward pressure. A decrease in both import and export volume from and to the major trade partners were recorded. The export value of apparel and textile items reached a total amount of US\$281,925.0 million, representing a year-on-year decrease of 5.5%.

In 2015, the U.S. remained the Group's major export market. The general development of the U.S. economy made a positive and stable turnaround in 2015, but the retail market remained under-confident. Moreover, under the dual impact of Speed-to-market and E-commerce, the shrinking of the middle to high end fashion brands was highly visible. In addition, the continuous increase of raw material prices and labour costs in China exerted a substantial impact on the Group's OEM/ODM business. The Group committed to make every effort to provide more quality services and premium products to the customers. In 2015, the OEM/ODM business recorded a turnover of HK\$1,899.0 million, representing a 6.0% decrease as compared with that of last year.

In 2015, the department store industry of China continued its third year of sliding. The setting of a slowdown of domestic demand was related on one hand to the decrease in the growth of the domestic economy, while on the other hand the speedy expansion of E-commerce channels. The unexpected uprising of over-the-border trade and continuous increasing of various costs also made a substantial impact on the Group's retail business. Through brand adjustment and upgrade, as well as aggregating premium resources, China Ting Group advocated brand development. In 2015, the turnover of the brand retail business reached HK\$487.2 million, a year-on-year decrease of 5.9% when compared with that of last year.

(2) Financial Review

Results performance

The operating loss of the Group for the year ended 31 December 2015 was HK\$13.0 million (2014: HK\$139.2 million) and the loss attributable to the Company's equity holder of HK\$39.1 million (2014: HK\$280.9 million). The losses are principally due to the following factors:-

- (1) Additional impairment of loan to Hangzhou China Ting Property Development Company Limited ("Hangzhou China Ting Property"), an associate of the Company, of approximately HK\$17.8 million (2014: HK\$234.7 million) being charged to the profit and loss of the Group because of the sluggish residential property condition in Hangzhou, the People's Republic of China;
- (2) Additional impairment amount of approximately HK\$36.5 million (2014: HK\$83.5 million) being charged to the profit and loss of the Group representing the difference between the investment cost and the fair value of the equity investment in Zhejiang Haoran Property Company Limited ("Zhejiang Haoran");
- (3) Additional impairment loss of HK\$59.9 million (2014: HK\$28.0 million) being charged to the profit and loss of the Group for the goodwill arising from the acquisition of Zhejiang China Ting Group Company Limited in 2006 and Interfield Industrial Limited ("Interfield") in 2008;

- (4) The Group entered into certain foreign exchange contracts (between US\$ and RMB) during the year of 2014 and 2015 as part of the measures to mitigate the foreign exchange risk arising from the OEM trading business of the Group. A loss on derivative financial instruments of HK\$26.1 million in 2015 (2014: HK\$26.6 million).

As a result, the net loss attributable to equity holders for the year ended 31 December 2015 was HK\$39.1 million and the net asset value per share as at 31 December 2015 was HK\$1.13.

OEM and ODM business

During the year of 2015, the revenue derived from our OEM/ODM business recorded a decrease of HK\$122.1 million from HK\$2,021.1 million in 2014 to HK\$1,899.0 million in 2015. Products made from silk, cotton and synthetic fabrics continue to be the major products which contributed HK\$1,423.8 million (2014: HK\$1,553.0 million), representing 75.0% (2014: 76.8%) of the total turnover of our OEM/ODM business for the year ended 31 December 2015.

In respect of market concentration, sales to the US market amounted to HK\$1,229.0 million in 2015 (2014: HK\$1,384.9 million), which accounted for 64.7% (2014: 68.5%) of the OEM/ODM revenue. Sales to European Union and other markets in 2015 were HK\$214.7 million (2014: HK\$247.4 million) and HK\$455.2 million (2014: HK\$388.7 million), respectively.

Fashion retail business

During the year ended 31 December 2015, the retail sales of the Group decreased by 5.9% from HK\$517.9 million to HK\$487.2 million. Finity, the major brand of the Group, contributed HK\$254.2 million to the retail business, representing a decrease of 7.6% as compared with HK\$275.2 million for the year 2014.

In terms of retail revenue analysis by sales channels, sales from concessionary counters amounted to HK\$412.3 million (2014: HK\$400.6 million), accounting for 84.6% of total retail turnover for the year ended 31 December 2015. Sales from freestanding stores and franchisees for the year ended 31 December 2015 amounted to HK\$35.9 million (2014: HK\$53.6 million) and HK\$39.0 million (2014: HK\$63.8 million), respectively.

Liquidity and financial resources

The Group continues to retain a solid financial position. During the year, the Group's working capital needs were principally supported by the financial resources generated from its ordinary course of business. As of 31 December 2015, the cash and cash equivalents were HK\$303.0 million, representing an increase of 32.0% from HK\$229.5 million as of 31 December 2014. The Group had bank borrowings of HK\$334.3 million as of 31 December 2015 (2014: HK\$340.4 million), repayable within one year. The debt to equity ratio (total borrowings as a percentage of total equity) was 13.9% (2014: 13.3%). The Directors consider that the Group has adequate financial resources to support its working capital requirement and future expansion.

The sales of the Group are mainly denominated in US dollars and Renminbi and the purchase of raw materials are mainly made in Renminbi, US dollars and Hong Kong dollars. As of 31 December 2015, all cash and cash equivalents, and bank borrowings were mainly denominated in US dollars, Renminbi and Hong Kong dollars. The Group has entered into certain foreign exchange contracts (between United States dollars and Renminbi) in the first half of 2015 as part of the measures to mitigate the foreign exchange risk arising from the OEM trading business of the Group. According to the applicable accounting policies of the Group, the contracts would

need to be evaluated against the market value of the corresponding currencies as of 31 December 2015. For the year ended 31 December 2015, the Group records a loss on derivative financial instruments of HK\$26.1 million. Such loss does not represent any cash inflow/outflow but will be reflected in the profit and loss of the Group during the period.

Impairment loss on loan to Hangzhou China Ting Property

Hangzhou China Ting Property has launched for sales of 君臨天峯府 (C. Ting King's Summit), its residential property development project, since the fourth quarter of 2014. The average launch price of the residential units was set at a low level at around RMB10,800 (equivalent to HK\$12,900) per square meter in order to promote the sales. The low average launch price was primarily due to the fact that a number of property developers in Hangzhou started promoting and launching their residential property projects in the third quarter of 2014 following the relaxation of the relevant government policies in home purchases, which resulted in an increase in the supply of the residential property units and greater downward pressure on the selling prices. After review of the sales progress of the property project and the fact that the number of residential units sold is less than the expected level, the Directors considered that the fair value of Hangzhou China Ting Property would need to be adjusted downward. For the year ended 31 December 2015, the Group shared a loss arising from fair value adjustment, which has been recorded as an impairment loss on the loans to and the equity holding percentage held by the Group in Hangzhou China Ting Property.

Entrusted loans to Zhongdou Group and Zhongdou Shopping Centre

The Company announced the updated status of the NBC Entrusted Loans and the BOCOM Entrusted Loans in its announcements dated 10 February 2015, 10 December, 3 November, 19 August, 23 June 2014 and 5 February 2013 (the "Entrusted Loans Announcements"). The total amount of these two entrusted loans is RMB160.0 million (equivalent to HK\$191.0 million). The borrowers of these two entrusted loans have failed to make repayments, and the borrowers and the related companies, namely 中都控股集團有限公司 (Zhongdou Group Holdings Limited*), 浙江中都房地產集團有限公司 (Zhejiang Zhongdou Property Group Company Limited*), 浙江中都百貨有限公司 (Zhejiang Zhongdou Department Store Company Limited*), 杭州中都購物中心有限公司 (Hangzhou Zhongdou Shopping Centre Company Limited*) have filed voluntary bankruptcy at the People's Court of Yuhang District, Hangzhou City. A creditor served a petition for bankruptcy proceedings against 浙江臨安中都置業有限公司 (Zhejiang Linan Zhongdou Property Company Limited*) which has pledged a parcel of land to secure due performance of obligations under the NBC Entrusted Loan, at the People's Court of Yuhang District, Hangzhou City.

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

Pursuant to the order, each of the Bank of Communications Limited, Zhejiang Branch and Ningbo Bank Corporation lodged a proof of debt to the administrator in respect of the claims under the BOCOM Entrusted Loans and NCB Entrusted Loans in the amount of RMB33.6 million (equivalent to HK\$40.1 million) and RMB141.8 million (equivalent to HK\$169.3 million) on 9 February 2015 and 16 February 2015, respectively.

Reclassification of the Group's equity investments in Zhejiang Haoran

As set forth in the announcement of the Company dated 25 March 2015, the Group has reclassified its equity investment in Zhejiang Haoran as a result of the Group's representatives being removed as directors of Zhejiang Haoran since July 2014. The removal decision was unilaterally approved by a majority of the equity holders of Zhejiang Haoran. The equity investment was previously recorded under the equity method as the Group's investment in an associate. Following the removal of the Group's representatives as directors of Zhejiang Haoran, the Group's equity investment in Zhejiang Haoran is currently treated as available-for-sale financial assets which are stated at fair value. For the year ended 31 December 2015, an amount of HK\$36.5 million was charged to the profit and loss of the Group representing the change in the fair value of the equity investment.

(3) Outlook

In respect of its OEM/ODM business, the Group will focus on the research and development of new products and the restructuring of supply chains. We will continue to introduce more valuable products and designs to customers, to respond promptly to market demand, to improve customers' experience in full scale, to maintain long term and stable relationship with old customers, and commit to explore quality new customers. In terms of market layout, the Group will continue to focus on the U.S. market while expediting the development of European and Japanese markets as well as strategically and selectively exploring domestic brand customer markets.

Brand retail business remains to be the development focus of the Group. In 2016, the Group will endeavor to focus on developing its brand retail business, provide consumers with products of higher quality and increase its market share through various options such as cooperation with first-rated international design team, expanding its sales network by carefully selecting store location, improving single store's profitability, strengthening terminal team building, exploring the potential of E-commerce, and seeking quality joint venture partners.

Meanwhile, the Group will continue to introduce, after the famous American lifestyle brand Vince Camuto and the Korean fashion brand TRENTA, more international fashion brands that can meet the needs of the Chinese market and provide a greater variety of fashionable choices to the consumers, which will further enrich the lines of retail items of China Ting Group. This will enable the retail business of the Group to cover every aspect of a fashionable life, such as women's wear, men's wear, children's wear, leather bags, shoes, spectacles, accessories and perfumes.

In 2016, China Ting Group will have a direct encounter of a challenging market development, and will strive for every best for the customers, the employees and the shareholders in order to realize the objective to the upgrading and development of the Group.

(4) Human Resources

As of 31 December 2015, the Group had approximately 8,800 full-time employees. Staff costs for 2015 stand at HK\$593.9 million, representing an increase of 4.8% over the previous year.

The Group recognises the importance of good relationships with its employees and has adopted an incentive bonus scheme for them, under which bonuses are determined every year based on the performance of individual employees and with reference to the Group's annual profits and

performance. Our Directors believe that a competitive remuneration package, a safe and comfortable workplace, and career development opportunities are incentives for employees to excel in their areas of responsibilities.

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

CORPORATE GOVERNANCE

The Board is committed to enhancing the corporate governance of the Group in internal control and compliance; adhere to business code of ethics and advocate environmental awareness. The Group periodically reviews, updates and improve all such necessary measures with reference to the latest corporate governance developments in order to promote good corporate governance.

The Group has during the year ended 31 December 2015 complied with the code provisions of the Corporate Governance Code and the Corporate Governance Report set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set forth in the Model Code throughout the year ended 31 December 2015.

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive Directors are independent.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, the Board has established an audit committee (the “**Audit Committee**”) to review the financial reporting procedures and internal control matters with management and our Group's auditors and provide guidance thereto. The members of the Audit Committee comprise all the three independent non-executive Directors. The Audit Committee has considered and reviewed the annual results of the Group for the financial year ended 31 December 2015 and the accounting principles and practices adopted by the Group and discussed matters in relation to internal control and financial reporting with the management and the independent auditor.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares during the year ended 31 December 2015.

ANNUAL REPORT AND DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2015 containing all the information required by the Listing Rules will be dispatched to Shareholders and available on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held in May 2016. A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2015.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, banks, professional parties, business partners, management team and employees of the Company for their continuous support and contribution to the Group.

GENERAL INFORMATION

As of the date of this announcement, the Board comprises the following Directors:-

Executive Directors

Mr. TING Man Yi (*Chairman*)
Mr. TING Hung Yi (*Chief Executive Officer*)
Mr. DING Jianer
Mr. CHEUNG Ting Yin, Peter

Independent non-executive Directors

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

By Order of the Board
CHINA TING GROUP HOLDINGS LIMITED
CHENG Ho Lung, Raymond
Company Secretary

Hong Kong, 24 March 2016