CHINA CREATIVE GLOBAL HOLDINGS LIMITED
中創環球控股有限公司

(incorporated in the Cayman Islands with limited liability)
Stock Code: 1678

INTERIM REPORT 2017

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CORPORATE INFORMATION

CORPORATE PROFILE

China Creative Global Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group" or "China Creative Global") is one of the leading manufacturers of branded electric fireplaces and home decor products in the People's Republic of China (the "PRC"). The Group aims to create new and diversified products with artistic design and functionality to enhance the quality of users' surroundings that reflect their furnishing styles. The Group sells its products under the "Allen (亚伦)" brand in the PRC and also exports products to overseas customers in the United States, Canada, Germany, France, the United Kingdom, etc on ODM/OEM basis. The shares of the Company (the "Shares") were listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013.

BOARD OF DIRECTORS

Executive Directors

Mr. Chen Fanglin *(Chairman)*
Mr. Chen Hongming
Mr. Shen Jianzhong
Mr. Chen Jiang
Mr. Xu Qiang

Independent Non-executive Directors

Mr. Dai Jianping
Mr. Ng Wing Keung
Ms. Sun Kam Ching

AUDIT COMMITTEE

Mr. Ng Wing Keung *(Chairman)*
Mr. Dai Jianping
Ms. Sun Kam Ching

REMUNERATION COMMITTEE

Ms. Sun Kam Ching *(Chairman)*
Mr. Ng Wing Keung
Mr. Dai Jianping
Mr. Shen Jianzhong

NOMINATION COMMITTEE

Mr. Dai Jianping *(Chairman)*
Mr. Ng Wing Keung
Ms. Sun Kam Ching
Mr. Shen Jianzhong

COMPANY SECRETARY

Mr. Hui Hung Kwan, *CPA, FCCA*

AUTHORISED REPRESENTATIVES

Mr. Chen Hongming
Mr. Hui Hung Kwan

AUDITORS

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central, Hong Kong

PRINCIPAL BANKERS

China Merchants Bank, Quanxiu Branch
China Construction Bank, Licheng Branch
Industrial Bank

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 913
China Merchants Tower
168–200 Connaught Road Central
Sheung Wan
Hong Kong

HEAD OFFICE IN THE PRC

Allen Electronic Industrial Park
Heshi
Luojiang District
Quanzhou
Fujian Province
China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.cchome.hk

STOCK CODE

1678

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2017 RMB'000 (Unaudited)	2016 RMB'000 (Unaudited)	Change %
Revenue	26,716	256,972	-89.6
Gross profit	6,367	75,984	-91.6
(Loss)/profit before income tax	(42,124)	11,313	N/A
(Loss)/profit and total comprehensive (loss)/income for the period attributable to owners of the Company	(41,312)	5,956	N/A
(Loss)/earnings per share-Basic (RMB)[1]	(0.02)	0.003	N/A
Gross profit margin (%)	23.8%	29.6%	
Net profit margin (%)	N/A	2.3%	
	As at 30 June 2017	As at 31 December 2016	
Current ratio[2]	11.8	12.8	
Gearing ratio (%)[3]	8.0%	7.8%	

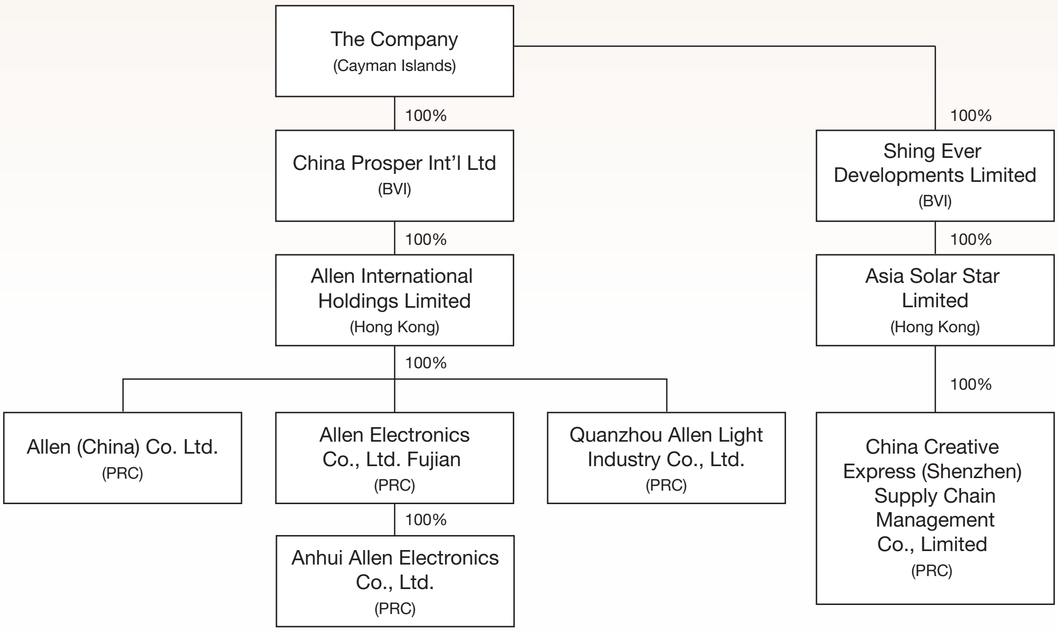
Notes:

1. Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

2. Current ratio is calculated based on the total current assets divided by the total current liabilities.

3. Gearing ratio calculated based on the total debts (being the bank borrowings) divided by the total equity.

Set out below is an organization chart of the Group as of 30 June 2017:



INDUSTRY REVIEW

The PRC's GDP for the first half of 2017 totalled to RMB38.15 trillion, a year-on-year expansion of 6.9%, demonstrating signs of the country's stabilized economic growth.

A gentle upward trend in the standard of living in the PRC which drives growth in consumer expenditure, is expected to endure. As recorded by National Bureau of Statistics of China, total retail sales of consumer goods in the first half of 2017 was RMB17,236.9 billion, representing a 10.4% year-on-year increase; from the above, retail sales of consumer goods of units above designated size was RMB7,695.3 billion, a year-on-year increase of 8.7 percent. These signify the takeoff of the rise in the PRC's domestic consumption, in line with its economic transition.

Alongside the macroeconomic transformation, modest climb in average disposable income and demand for household goods can be observed. Standing out are the retail sales of household furniture and fixtures for the first half of 2017, which attained growth rates of 13.4% and 13.9% respectively. Both were reported to be higher than the growth of total retail sales of consumer goods, by 3% and 3.5% respectively.

BUSINESS REVIEW

China Creative Global is principally engaged in the business of design, development, manufacture and sales of home decor products and electric fireplaces. The Group sells its products domestically in PRC under its "Allen (亚伦)" brand and exports its products on ODM/OEM basis to countries including the U.S., Canada, Germany, France and the U.K.

For the six months ended 30 June 2017, the Group's revenue decreased by 89.6% to RMB26.7 million from RMB257.0 million of the six months ended 30 June 2016 (the "corresponding period last year"). Loss attributable to the owners of the Company was recorded at RMB41.3 million, whereas profit of RMB6.0 million was recorded for the corresponding period last year, which can be explained by (1) a decrease in sales of electric fireplaces and home decor products due to the low market demand in the PRC; and (2) share of loss of an associate.

BUSINESS REVIEW (Continued)

The Group's products are under two major categories, namely (1) electric fireplaces and (2) home decor products. Revenue distribution by the two categories for the six months ended 30 June 2017 was 67.9% and 32.1% respectively, and was 54.7% and 45.3% in the corresponding period last year.

Overseas markets are the major revenue generator of the Group, contributing to RMB22.5 million (2016: RMB42.7 million) or 84.2% (2016: 16.6%) to the total revenue for the six months ended 30 June 2017. Europe covered the largest share of products sales, contributing to RMB18.5 million or 69.2% of the total sales for the six months ended 30 June 2017.

The domestic PRC market generated revenue of RMB4.2 million (2016: RMB214.3 million) for the six months ended 30 June 2017, representing 15.8% (2016: 83.4%) of the total revenue.

The Group considers innovation as the core element of our development. Our growing design team consists of 92 staff as at 30 June 2017.

PROSPECTS

The economy of the PRC is anticipated to enter a steadier path with expansion in domestic consumption, posing a promising sales outlet for manufacturers. The Group has confidence in the PRC's future domestic buying power. As a leading brand in the home furnishing market in the PRC, it is in our clear vision to continue as consumers' top choice for home decor products and electric fireplaces.

On 23 May 2017, the wholly-owned subsidiary of the Group, China Creative Express (Shenzhen) Supply Chain Management Co., Limited ("CC Express") (中創運通(深圳)供應鏈管理有限公司) entered into a non-binding memorandum of understanding with OOO TOMAPNMEOEIB (Damali Furniture Limited) ("Damali") in relation to the proposed formation of a joint venture company ("Proposed Joint Venture") for the purpose of trading processed wood products. CC Express shall contribute in cash for a 52% equity interest in the Proposed Joint Venture and Damali shall contribute all necessary resources for setting up of the Proposed Joint Venture for a 48% equity interest in the Proposed Joint Venture. The proposed total investment will be HKD140 million whereas CC Express shall appoint the legal representative and chief financial controller.

Damali, incorporated in Russia, owns a factory of approximately 6,000 square meters in Sakhalinskaya Oblast, Russia. The abundance of wood resources in Sakhalinskaya Oblast, Russia can cater for the strong demand of wood in the PRC. The Group believes such agreement will favor its profitability and business diversification, as well as lowering the cost of the Group's wood series electric fireplaces, benefiting altogether the Group and its shareholders. CC Express and Damali will be entitled to profits derived from the projects on a pro-rata basis in proportion to their respective equity ownership percentages in the Proposed Joint Venture.

Riding on its rich history, outstanding product development capacity and the reputation of "Allen (亚伦)" brand, the Group aims to optimize its business model and diversify sources of income in the business of elegant electric fireplaces and distinctive home decor products, while developing high-tech and environment-friendly business segments.

FINANCIAL REVIEW

Revenue

During the reporting period, the Group's revenue decreased by RMB230.3 million from RMB257.0 million to RMB26.7 million, represented a decrease of 89.6% compared with the corresponding period in 2016. The decrease was mainly driven by the decrease in sales of electric fireplaces and home decor products in the PRC.

Revenue analysis by product type is as follows:

	Six months ended 30 June			
	2017		2016	
	RMB'000	% of revenue	RMB'000	% of revenue
Electric fireplaces and air purifiers				
Frame electric fireplaces				
– Wood series	936	3.5	85,462	33.2
– Natural stone series	–	–	1,534	0.6
– Inorganic series	–	–	33,852	13.2
	936	3.5	120,848	47.0
Non-framed electric fireplaces	462	1.7	6,900	2.7
Air purifiers	–	–	7,843	3.0
Heater	12,052	45.1	–	–
Others	4,698	17.6	5,059	2.0
	18,148	67.9	140,650	54.7
Home decor products				
– Polyresin series	8,568	32.1	81,615	31.8
– Porcelain series	–	–	11,875	4.6
– Inorganic series	–	–	22,832	8.9
	8,568	32.1	116,322	45.3
	26,716	100.0	256,972	100.0

The decrease in the sales of electric fireplaces and home decor products were primarily due to the decrease in sales volume due to the weak market demand. The Group has ceased the production of porcelain series and inorganic series home decor products since April and August 2016 respectively. The production of air purifiers has also been ceased in the second half of 2016.

FINANCIAL REVIEW (Continued)

Gross Profit And Gross Profit Margin

The Group's gross profit decreased by RMB69.6 million from RMB76.0 million for the six months ended 30 June 2016 to RMB6.4 million for the six months ended 30 June 2017. The gross profit margin decreased from 29.6% for the six months ended 30 June 2016 to 23.8% for the six months ended 30 June 2017. The decrease was primarily due to the decrease in the selling prices and the lower contribution of sales in the PRC which have higher gross profit margin.

Selling And Distribution Costs

The Group's selling and distribution costs decreased by RMB12.7 million, or approximately 77.5%, from RMB16.4 million for the six months ended 30 June 2016 to RMB3.7 million for the six months ended 30 June 2017 primarily due to decrease in (i) delivery expenses due to the decrease in sales and (ii) advertising and promotion expenses.

Administrative Expenses

The Group's administrative expenses decreased by RMB5.5 million, or approximately 13.0%, from RMB42.5 million for the six months ended 30 June 2016 to RMB37.0 million for the six months ended 30 June 2017. The decrease was mainly due to (i) the decrease in staff costs; (ii) the decrease in research and development costs; and (iii) partly set off by the increase in depreciation and amortisation expenses.

Other Income

The Group's other income increased by RMB7.1 million or approximately 10.8 times, from RMB0.7 million for the six months ended 30 June 2016 to RMB7.8 million for the six months ended 30 June 2017 primarily due to the increase in rental income.

Other Losses – Net

The Group's other losses for the six months ended 30 June 2017 represented net foreign exchange loss of RMB0.7 million and loss on disposal of property, plant and equipment of RMB1.9 million. The losses for the six months ended 30 June 2016 represented net foreign exchange loss of RMB2.7 million.

Finance Costs

The Group's finance costs decreased by RMB0.8 million, or approximately 22.2%, from RMB3.8 million for the six months ended 30 June 2016 to RMB2.9 million for the six months ended 30 June 2017. The decrease was mainly due to the net foreign exchange gain on borrowings denominated in HKD.

FINANCIAL REVIEW (Continued)

Share of Loss of an Associate

The Group acquired 49% of the entire issued share capital in Radiant Forever Development Limited in December 2016. RMB10.1 million loss arising form the associate was shared to the Group.

Income Tax Credit/(Expenses)

The Group's income tax credit for the six months ended 30 June 2017 mainly represented overprovision of income tax in prior period. The Group's income tax expenses amounted to RMB5.4 million for the six months ended 30 June 2016 mainly represented current income tax.

(Loss)/Profit for the Period Attributable To Owners of the Company

As a result of the foregoing factors, loss attributable to owners of the Company amounted to RMB41.3 million for the six months ended 30 June 2017 while profit attributable to owners of the Company amounted to RMB6.0 million for the six months ended 30 June 2016, primarily as a result of the decrease in revenue and share of loss of an associate. Net profit margin was 2.3% for the six months ended 30 June 2016.

Working Capital

The Group's net current assets decreased from RMB921.3 million as at 31 December 2016 to RMB903.8 million as at 30 June 2017, representing a decrease of RMB17.5 million or 1.9%. The decrease in working capital was a result of the decrease in trade receivables and assets classified as held for sale, and partially offset by the increase in inventories, deposits, prepayments and other receivables and cash and cash equivalents.

The decrease in trade receivables was mainly due to the decrease in sales.

The increase in cash and cash equivalents was mainly due to our cash inflow from our investing activities during the six months ended 30 June 2017.

Financial Ratios

	At 30 June 2017	At 31 December 2016
Current ratio[1]	11.8	12.8
Gearing ratio (%)[2]	8.0%	7.8%

[1] Current ratio is calculated based on our total current assets divided by our total current liabilities.

[2] Gearing ratio calculated based on our total debts (being our bank borrowings) divided by our total equity.

FINANCIAL REVIEW (Continued)

Use Of Proceeds

The Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 December 2013. Net proceeds from the global offering were approximately HKD597.2 million (after deducting the underwriting commission and relevant expenses). As at 30 June 2017, the unused proceeds were deposited in licensed banks in Hong Kong and the PRC.

	Percentage to total amount	Net Proceeds HKD' million	Utilised Amount as at 30 June 2017 HKD' million	Unutilised Amount as at 30 June 2017 HKD' million
Establishing new production facilities	53.7%	320.7	320.7	–
Establishing seven creative home furnishing concept shops	16.0%	95.6	36.8	58.8
Expanding overseas sales network under our own brand overseas	7.3%	43.6	11.4	32.2
Own-brand promotion	7.0%	41.8	41.8	–
Increasing and enhancing our research and development activities	6.0%	35.8	35.8	–
General working capital	10.0%	59.7	59.7	–
		597.2	506.2	91.0

LIQUIDITY AND FINANCIAL RESOURCES

In order to achieve better cost control and minimise the costs of funds, the Group's treasury activities are centralised and cash is generally deposited with banks and denominated mostly in RMB, HKD and USD. As at 30 June 2017, the Group had net current assets of RMB903.8 million (31 December 2016: RMB921.3 million), of which cash and cash equivalents were RMB854.4 million (31 December 2016: RMB817.2 million).

The Group principally meets its working capital and other liquidity requirements through a combination of operating cash flows, capital contributions and borrowings. As at 30 June 2017, the Group's borrowings amounted to RMB177.9 million (31 December 2016: RMB176.1 million) and these borrowings were denominated in RMB and HKD. As at 30 June 2017, the effective interest rate on the Group's bank borrowings was 7.62% (31 December 2016: 7.66%).

The Group manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustment to the capital structure in light of changes in economic conditions affecting the Group.

The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchange rates during the six months ended 30 June 2017.

CAPITAL EXPENDITURE

For the six months ended 30 June 2017, the capital expenditure of the Group amounted to RMB0.3 million. It was mainly comprised of property, plant and equipment.

MATERIAL ACQUISITION AND DISPOSALS AND SIGNIFICANT INVESTMENTS

The Group did not have any material investments or capital assets, or material acquisitions or disposals of subsidiaries or significant investments for the six months ended 30 June 2017.

MANAGING CURRENCY RISK

Our functional currency is RMB. Our Group's foreign exchange risk mainly relate to fluctuations in exchange rates of RMB against our bank balances in USD and HKD and trade receivables denominated in USD, and these may affect our operation results. The Group does not have a hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGE ON ASSETS

At 30 June 2017, the Group had pledged its certain property, plant and equipment, land use rights and assets classified as held for sale with net book value of RMB178.5 million mainly for the purpose of securing bank loans.

HUMAN RESOURCES

As at 30 June 2017, we employed a total of 887 (as at 31 December 2016: 912) full time employees in the PRC and Hong Kong with total staff costs of RMB20.1 million for the six months ended 30 June 2017 (six months ended 30 June 2016: RMB53.2 million). The Group's emolument policies are formulated based on the performance of individual employee which will be reviewed periodically. Apart from the provident fund scheme (operation in accordance with the provisions of the Mandatory Provident Fund Schemes Ordinance for Hong Kong employees) or social insurance fund (including retirement pension insurance, medical insurance, unemployment insurance, injury insurance and maternity insurance for the PRC employees), discretionary bonuses and employee share options are also awarded to employees according to the assessment of individual performance. Since the adoption of the share option scheme on 2 December 2013 and up to 30 June 2017, no options have been granted.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, the interests and short positions of the Directors of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listing Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") will be as follows:

Name of Director	Capacity/Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interest (%)
Mr. Chen Fanglin	Interest in controlled corporation/ Long position (Note 1)	1,061,271,180	52.28%
	Beneficial owner/long position	166,000	0.01%
	Interest of spouse/ Long position (Note 2)	15,386,000	0.76%
		1,076,823,180	53.05%
Mr. Xu Qiang	Interest of spouse/ Long position (Note 3)	7,458,000	0.37%

Note 1: Mr. Chen Fanglin is deemed to be interested in the Shares held by China Wisdom Asia Limited in which Central Profit Group Limited holds entire interests. Central Profit Group Limited is his wholly-owned company. The details are set out as below:

Name of Director	Name of associated corporation	Capacity/ Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interests (%)
Mr. Chen Fanglin	China Wisdom Asia Limited	Interest in controlled corporation	50,000 shares of US$1.00 each	100%
Mr. Chen Fanglin	Central Profit Group Limited	Beneficial owner	one share of US$1.00	100%

Note 2: Chen Fanglin is the spouse of Chen Xiangqun and he is deemed to be interested in the Shares interested by Chen Xiangqun.

Note 3: Mr. Xu Qiang is deemed to be interested in the Shares interested by his spouse.

Save as disclosed above, none of the Directors of the Company had interests or short positions in the Shares, underlying Shares of equity derivatives or debentures of the Company or any associated corporation defined under the SFO which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 30 June 2017.

INTERESTS AND SHORT POSITIONS OF THE SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2017, the following persons (other than a Director of the Company), who had interests or short positions in the Shares or the underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

Name	Capacity/Nature of interest	Number of Shares	Approximate Percentage of Shareholding Interest (%)
China Wisdom Asia Limited	Beneficial owner/ Long position (Note 1)	1,061,271,180	52.28
Central Profit Group Limited	Interest in controlled corporation/ Long position (Note 1)	1,061,271,180	52.28
Chen Xiangqun	Interest of spouse/ Long position (Note 2)	1,061,437,180	52.29
	Beneficial owner	15,386,000	0.76

Notes:

1. The entire issued share capital of China Wisdom Asia Limited is held by Central Profit Group Limited, which is deemed to be interested in the Shares held by China Wisdom Asia Limited.

2. Chen Xiangqun is the spouse of Chen Fanglin and she is deemed to be interested in the Shares interested by Chen Fanglin.

Save as disclosed above, the Directors are not aware of any person, other than the Directors whose interests are set out in the section "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above, who had an interest or short positions in the Shares or underlying Shares that were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded pursuant to Section 336 of Part XV of the SFO as of 30 June 2017.

SHARE OPTION SCHEME

Pursuant to a resolution passed by all the shareholders on 2 December 2013, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") for the purpose of recognising and acknowledging the contributions the eligible participants had or may have made to the Group. The Board of Directors (the "Board") may, at its discretion, grant options pursuant to the Share Option Scheme to the Directors (including executive Directors and independent non-executive Directors), the Directors of the Company's subsidiaries and employees of the Group and any other persons (including consultants or advisers) whom the Board considers, in its absolute discretion, have contributed or will contribute to the Group. The Directors were authorised to grant options to subscribe for shares of the Company and to allot, issue and deal with the shares pursuant to the exercise of options granted under the Share Option Scheme and to take all such steps as may be necessary and/or desirable to implement and give effect to the Share Option Scheme. The maximum number of shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following completion of the Global Offering, being 180,000,000 Shares, excluding any shares that may be issued under the options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company), unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time.

Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to an eligible participant under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 1% of the shares in issue of the Company within any 12-month period. Any grant of options to a Director, or substantial shareholder (as defined in the Listing Rules) of the Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by our independent non-executive Directors. Unless otherwise approved by the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules, the number of shares that may be granted to a substantial shareholder or any independent non-executive Director or their respective associates under the Share Option Scheme and any other share option schemes of the Company (including both exercised and outstanding options) shall not exceed 0.1% of the shares in issue, having an aggregate value in excess of HKD5 million, within any 12-month period.

There is no minimum period for which an option must be held before it can be exercised, and the period during which an option may be exercised will be determined by the Board in its absolute discretion, however, no options shall be exercised 10 years after they have been granted. The subscription price of a share in respect of a particular option shall be not less than the highest of (a) the official closing price of the Shares on the daily quotation sheet of the Stock Exchange; (b) the average official closing price of the shares on the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) the nominal value of a share. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

From the date that the Share Option Scheme became effective and unconditional and up to the date of this interim report, no share options were granted under the Share Option Scheme.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Company has not redeemed any of the shares during the six months ended 30 June 2017. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's securities during the six months ended 30 June 2017.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout the six months ended 30 June 2017, the Company complied with the code provisions of the Corporate Governance Code (the "Code Provisions") set out in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealing in securities of the Company by the Directors. Specific enquiries have been made with the Directors, and all Directors confirmed in writing that they have complied with the required standards set out in the Model Code regarding their securities transactions for the six months ended 30 June 2017.

AUDIT COMMITTEE

The Company has established the audit committee and adopted the written terms of reference in compliance with the Code Provisions. The primary duties of the audit committee are to review and approve the Group's financial reporting process and internal control system. The audit committee comprises all independent non-executive Directors, namely, Mr. Ng Wing Keung, Mr. Dai Jianping and Ms. Sun Kam Ching. Mr. Ng Wing Keung is the chairman of the audit committee.

The Group's interim results for the six months ended 30 June 2017 and this interim report have been reviewed by the audit committee of the Company.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Note	(Unaudited) Six months ended 30 June 2017 RMB'000	2016 RMB'000
Revenue	6	26,716	256,972
Cost of sales	7	(20,349)	(180,988)
Gross profit		6,367	75,984
Selling and distribution costs	7	(3,688)	(16,367)
Administrative expenses	7	(36,982)	(42,515)
Other income	6	7,790	659
Other losses – net	8	(2,620)	(2,674)
Operating (loss)/profit		(29,133)	15,087
Finance costs		(2,937)	(3,774)
Share of loss of an associate		(10,054)	–
(Loss)/profit before income tax		(42,124)	11,313
Income tax credit/(expense)	9	812	(5,357)
(Loss)/profit and total comprehensive (loss)/ income for the period attributable to owners of the Company		(41,312)	5,956
(Loss)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB per share)	10	(0.02)	0.003

The notes on pages 21 to 38 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	612,838	627,856
Investment property	13	110,400	110,400
Land use rights		203,068	205,224
Investment in an associate		200,766	210,820
Prepayments	15	321,360	321,360
		1,448,432	1,475,660
Current assets			
Inventories		27,764	11,984
Trade receivables	14	37,988	71,737
Deposits, prepayments and other receivables	15	36,411	8,651
Cash and cash equivalents		854,376	817,213
		956,539	909,585
Assets classified as held for sale	16	30,779	89,752
		987,318	999,337
Total assets		2,435,750	2,474,997
EQUITY			
Equity attributable to owners of the Company			
Share capital	17	160	160
Share premium	17	693,494	693,494
Reserves		1,518,499	1,559,811
Total equity		2,212,153	2,253,465

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 30 June 2017

	Note	(Unaudited) As at 30 June 2017 RMB'000	(Audited) As at 31 December 2016 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	18	134,879	138,071
Deferred tax liabilities		5,210	5,377
		140,089	143,448
Current liabilities			
Trade and other payables	19	35,657	37,387
Bank borrowings	18	43,000	38,000
Current income tax liabilities		4,851	2,697
		83,508	78,084
Total liabilities		223,597	221,532
Total equity and liabilities		2,435,750	2,474,997

The notes on pages 21 to 38 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

			(Unaudited)				
			Reserves				
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Revaluation reserve RMB'000	Retained earnings RMB'000	Total RMB'000
As at 1 January 2016	155	665,621	406,736	143,183	1,642	1,129,191	2,346,528
Comprehensive income							
Profit for the period	–	–	–	–	–	5,956	5,956
Transactions with owners:							
Transfer to statutory reserve	–	–	–	1,804	–	(1,804)	–
Dividend related to 2015 declared in 2016	–	–	–	–	–	(25,515)	(25,515)
	–	–	–	1,804	–	(27,319)	(25,515)
As at 30 June 2016	155	665,621	406,736	144,987	1,642	1,107,828	2,326,969
As at 1 January 2017	160	693,494	406,736	144,178	1,642	1,007,255	2,253,465
Comprehensive loss							
Loss for the period	–	–	–	–	–	(41,312)	(41,312)
As at 30 June 2017	160	693,494	406,736	144,178	1,642	965,943	2,212,153

The notes on pages 21 to 38 are an integral part of this condensed consolidated financial information.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	(Unaudited) Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Cash flows from operating activities		
Cash generated from operations	6,657	185,215
Interest paid	(4,064)	(2,001)
Income tax refund/(paid)	2,799	(21,503)
Net cash generated from operating activities	5,392	161,711
Cash flows from investing activities		
Proceeds from disposal of assets classified as held for sale	25,000	9,900
Purchases of property, plant and equipment	(273)	(7,629)
Prepayments for property, plant and equipment and land use rights	–	(47,000)
Interest received	1,910	477
Net cash generated from/(used in) investing activities	26,637	(44,252)
Cash flows from financing activities		
Proceeds from borrowings	30,000	144,342
Repayments of borrowings	(25,000)	–
Net cash generated from financing activities	5,000	144,342
Net increase in cash and cash equivalents	37,029	261,801
Cash and cash equivalents at beginning of the period	817,213	720,178
Exchange difference on cash and cash equivalents	134	(912)
Cash and cash equivalents at end of the period	854,376	981,067

The notes on pages 21 to 38 are an integral part of this condensed consolidated financial information.

1 GENERAL INFORMATION

China Creative Global Holdings Limited (the "Company") was incorporated in the Cayman Islands on 7 July 2011 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, The Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are principally engaged in the business of design, development, manufacturing and sales of home decor products and electric fireplaces primarily in the People's Republic of China (the "PRC").

The Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited.

This condensed consolidated financial information is presented in thousands of units of Renminbi ("RMB'000"), unless otherwise stated.

This condensed consolidated financial information has not been audited.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

This condensed consolidated financial information for the six months ended 30 June 2017 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

2.2 Summary of significant accounting policies

Except as described below, the accounting policies applied are consistent with those of the Group's consolidated financial statements for the year ended 31 December 2016.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Summary of significant accounting policies (Continued)

(a) Amendments to standards adopted by the Group

The following amendments to standards are mandatory for the Group's financial year beginning 1 January 2017:

HKAS 7 (Amendment)	Statement of Cash Flows
HKAS 12 (Amendment)	Income Taxes
Annual Improvements Project	Annual Improvements 2014 – 2016 Cycle

The adoption of these amendments to standards does not have significant impact to the results or financial position of the Group.

(b) New and amendments to standards and interpretation not yet adopted

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

		Effective for annual periods beginning on or after
HKFRS 28 (Amendment)	First Time Adoption of HKFRS	1 January 2018
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HKFRS 1 (Amendment)	Investment in Associates and Joint Ventures	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets Between Investor	Not yet determined
HKFRS 16	Leases	1 January 2019
HK(IFRIC) – Int22	Foreign Currency Transactions and Advance Consideration	1 January 2018

Management is in the process of making an assessment on the impact of these new and amendments to standards and interpretations and is not yet in a position to state whether they will have a significant impact on the Group's results of operations and financial position.

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

3 ESTIMATES

The preparation of condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's consolidated financial statements for the year ended 31 December 2016.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

There have been no changes in the risk management department or in any risk management policies since the year end.

4.2 Liquidity risk

Except for the bonds obtained during the period, there was no other material change in the contractual undiscounted cash outflows for financial liabilities. Details of the bonds are disclosed in Note 18.

4.3 Fair value estimation

The Group's financial instruments carried at fair value as at balance sheet date are measured by the inputs to valuation techniques. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

There have been no transfer of financial assets and liabilities between levels 1, 2 and 3 during the period.

4 FINANCIAL RISK MANAGEMENT (Continued)

4.3 Fair value estimation (Continued)

Assets and liabilities held by the Group using the fair value method include investment property and assets classified as held for sale (Notes 13 and 16).

For other current financial assets of the Group, including trade and other receivables, pledged deposits, cash and cash equivalents, and current financial liabilities of the Group including trade and other payables and short-term borrowings approximate their fair values due to their short term maturities.

The Group does not have any financial assets/liabilities that are subject to offsetting, enforceable master netting arrangements and similar agreements during the period.

5 SEGMENT REPORTING

Management has determined the operating segments based on the reports reviewed by the chief operating decision-maker that are used to making strategic decisions.

The chief operating decision-maker is identified as the executive directors of the Company. The executive directors consider the business from a product perspective and assess the performance of the operating segments based on a measure of revenue and segment results.

The Group's two reportable operating segments are as follows:

Electric fireplaces and air purifiers	– Design, development, manufacturing and sales of electric fireplaces and air purifiers
Home decor products	– Design, development, manufacturing and sales of home decor products and humidifiers

Other activities primarily relate to investment in an associate, provision of corporate services for investment holding companies and holding corporate assets and liabilities. Corporate assets and liabilities mainly include investment property held for rental income, investment in an associate, property, plant and equipment and land use rights for corporate use. These activities are excluded from the reportable operating segments.

Segment assets consist primarily of certain property, plant and equipment, land use rights, inventories, trade receivables, deposits, prepayments and other receivables, pledged deposits and cash and cash equivalents. They exclude investment property, investment in an associate and other assets for corporate functions.

Segment liabilities consist primarily of trade and other payables. They exclude current income tax liabilities, deferred income tax liabilities, general borrowings and other liabilities for corporate functions.

All non-current assets of the Group are located in the PRC.

5 SEGMENT REPORTING (Continued)

The segment information provided to the executive directors is as follows:

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
For the six months ended 30 June 2017:				
Segment revenue				
– PRC	1,398	2,856	–	4,254
– International	16,750	5,724	–	22,474
	18,148	8,580	–	26,728
Less: Inter-segment revenue	–	(12)	–	(12)
Revenue from external customers	18,148	8,568	–	26,716
Segment results	(19,969)	(4,515)	(14,181)	(38,665)
Unallocated expense				(522)
Finance costs				(2,937)
Loss before income tax				(42,124)
Income tax credit				812
Loss for the period				(41,312)
Other segment items:				
Additions to:				
Property, plant and equipment	273	–	–	273
Depreciation and amortization	14,321	332	522	15,175
Interest income	1,453	447	10	1,910

5 SEGMENT REPORTING (Continued)

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
For the six months ended 30 June 2016:				
Segment revenue				
– PRC	127,087	96,992	–	224,079
– International	13,561	29,111	–	42,672
	140,648	126,103	–	266,751
Less: Inter-segment revenue	–	(9,779)	–	(9,779)
Revenue from external customers	140,648	116,324	–	256,972
Segment results	16,246	6,153	(6,978)	15,421
Unallocated expense				(334)
Finance costs				(3,774)
Profit before income tax				11,313
Income tax expense				(5,357)
Profit for the period				5,956
Other segment items:				
Additions to:				
Property, plant and equipment	11,916	50	108	12,074
Depreciation and amortization	12,842	857	334	14,033
Interest income	39	432	6	477

5 SEGMENT REPORTING (Continued)

The information on segment assets and liabilities provided to the executive directors is as follows:

	Electric fireplaces and air purifiers RMB'000	Home decor products RMB'000	Others RMB'000	Total RMB'000
As at 30 June 2017:				
Segment assets	1,628,549	493,542	313,659	2,435,750
Segment liabilities	20,551	12,180	190,866	223,597
As at 31 December 2016:				
Segment assets	1,654,903	496,418	323,676	2,474,997
Segment liabilities	18,976	15,389	187,167	221,532

For the six months ended 30 June 2017, there are two individual external customers which contributed 37% and 15% of the Group's revenue. For the six months ended 30 June 2016, there was no individual external customer which contributed more than 10% of the Group's revenue.

6 REVENUE AND OTHER INCOME

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Sales of products		
– Electric fireplaces	18,148	132,806
– Home decor products (excluding humidifiers)	8,568	116,300
– Air purifiers	–	7,842
– Humidifiers	–	24
	26,716	256,972
Other income		
– Interest income	1,910	477
– Rental income	5,880	182
	7,790	659

The sales of electric fireplaces are subject to seasonal fluctuations, with higher demand in the second half of the year due to seasonal weather conditions.

7 EXPENSES BY NATURE

The (loss)/profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Cost of inventories	14,866	139,371
Depreciation of property, plant and equipment (Note 12)	13,019	11,877
Amortization of land use rights	2,156	2,156
Employee benefit expenses	20,147	53,245

8 OTHER LOSSES – NET

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Net foreign exchange losses	685	2,674
Loss on disposal of property, plant and equipment	1,935	–
	2,620	2,674

9 INCOME TAX (CREDIT)/EXPENSE

Under the Enterprise Income Tax Law of the PRC (the "New EIT Law"), the applicable income tax rate for the Group's entities in the PRC, except for Allen Electronics Co., Ltd. Fujian, is 25%.

Pursuant to the New EIT Law, with respect to a new and high technology enterprise, the tax levied on its income will be charged at a preferential rate of 15% after obtaining the High New Technology Enterprise Certificate (the "Certificate") and completing the tax reduction and exemption filing with the tax authorities. Allen Electronics Co., Ltd. Fujian obtained the Certificate on 5 September 2013 and renewed the Certificate on 1 December 2016. The Certificate will expire on 30 November 2019.

Pursuant to the New EIT Law, a 10% withholding tax is levied on dividends declared by PRC companies to their foreign investors. A lower withholding tax rate of 5% is applicable if direct foreign investors with at least 25% equity interest in the PRC company are incorporated in Hong Kong and meet the relevant requirements pursuant to the tax arrangement between the PRC and Hong Kong. Since the equity holder of the PRC subsidiaries of the Company is a Hong Kong incorporated company, the Company has used 5% to provide for deferred tax liabilities on retained earnings which are anticipated to be distributed as at 30 June 2017 and 31 December 2016.

9 INCOME TAX (CREDIT)/EXPENSE (Continued)

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Current income tax	–	7,397
(Over)/under-provision in prior period	(645)	484
Deferred income tax	(167)	(2,524)
Total taxation (credit)/expense	(812)	5,357

Income tax (credit)/expense is recognised based on management's estimate of the weighted average annual income tax rate for the full financial year.

10 (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
(Loss)/profit attributable to owners of the Company	(41,312)	5,956
Weighted average number of ordinary shares in issue (in thousands)	2,030,000	1,980,000
Basic and diluted (loss)/earnings per share (expressed in RMB per share)	(0.02)	0.003

Note:

Diluted (loss)/earning per share for the periods ended 30 June 2017 and 2016 equal the basic (loss)/earnings per share as there were no dilutive potential ordinary shares outstanding during the periods.

11 DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

12 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RMB'000	Construction in progress RMB'000	Total RMB'000
Six months ended 30 June 2017			
Net book value			
At 1 January 2017	627,856	–	627,856
Additions	273	–	273
Disposal	(2,272)	–	(2,272)
Depreciation (Note 7)	(13,019)	–	(13,019)
At 30 June 2017	612,838	–	612,838
Six months ended 30 June 2016			
Net book value			
At 1 January 2016	674,561	14,400	688,961
Additions	130	11,944	12,074
Depreciation (Note 7)	(11,877)	–	(11,877)
At 30 June 2016	662,814	26,344	689,158

As at 30 June 2017 and 31 December 2016, bank borrowings are secured by certain property, plant and equipment with an aggregate net book value of approximately RMB99,732,000 (31 December 2016: RMB101,825,000) (Note 18).

13 INVESTMENT PROPERTY

As at 30 June 2017, the Group's investment property is a hotel building located in Quanzhou, the PRC. The carrying amount of the investment property in the condensed consolidated statement of financial position is as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
At valuation	110,400	110,400

The Investment property was valued at 31 December 2016 by an independent professionally qualified valuer, Roma Appraisals Limited, who is a member of the Hong Kong Institute of Surveyors and has appropriate qualifications and recent experiences in the valuation of similar properties.

The valuation of the investment property as at 31 December 2016 was determined using income approach based on significant unobservable inputs. The directors have reviewed the valuation of the investment property as at 30 June 2017 and considered that there are no significant changes in the underlying assumptions and the key unobservable inputs, and the valuation of the investment property remains the same as at 30 June 2017.

14 TRADE RECEIVABLES

The majority of the Group's sales are with credit terms of 60 to 90 days. At as 30 June 2017 and 31 December 2016, the aging analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
0 to 30 days	10,699	10,874
31 to 60 days	5,222	14,315
61 to 90 days	2,874	12,548
Over 90 days	19,193	34,000
	37,988	71,737

15 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Current		
Deposits and prepayments	2,308	3,056
Receivables from disposal of assets classified as held for sale (note (a))	33,973	–
Accrued rental income	–	5,093
Rental receivables	–	344
Others	130	158
	36,411	8,651
Non-current		
Prepayment for commercial buildings (note (b))	272,360	272,360
Prepayments for land use rights and property, plant and equipment (note (c))	49,000	49,000
	321,360	321,360
	357,771	330,011

Notes:

(a) During the six months ended 30 June 2017, certain assets classified as held for sale amounting to RMB58,973,000 have been resumed by the local government of Quanzhou and the compensation amounting to RMB33,973,000 has not yet been received by the Group.

(b) On 23 November 2015, the Group entered into a sales and purchase agreement with an independent third party to purchase commercial buildings and the related land use rights with a total consideration of RMB292,120,000 in Anhui, the PRC. During the year ended 31 December 2016, a balance of RMB19,760,000 had been refunded to the Group due to modification of floor plan during construction. The construction of the commercial buildings and the transfer of ownership of these assets are expected to be completed in year 2017.

(c) On 28 November 2014, the Group entered into a sales and purchase agreement ("the agreement") with an independent third party ("the seller") to purchase certain land use rights and buildings in Quanzhou, the PRC, with a total consideration of RMB98,000,000. On 3 December 2014, the Group paid RMB49,000,000 as a prepayment to the seller. During the year ended 31 December 2015, the seller was not able to complete the registration of transfer of the land use rights and buildings to the Group. On 25 August 2015, the seller refunded RMB47,000,000 to the Group but refused to refund the remaining balance of RMB2,000,000 to the Group.

During the year ended 31 December 2015, the seller filed a dispute case to the People's Court of Quangang ("the court") in respect of this transaction against the Group. Subsequently, the Group filed a defense to the court on 30 October 2015. No legal proceeding has been commenced.

During the year ended 31 December 2016, the dispute had been resolved and management expected that this transaction will be completed in 2017. As at 30 June 2017, the Group paid a total of RMB49,000,000 as a prepayment to the seller.

16 ASSETS CLASSIFIED AS HELD FOR SALE

On 30 September 2014, Quanzhou Allen Light Industry Co., Ltd., a wholly owned subsidiary of the Group, was notified by the local government of Quanzhou that certain land use rights and properties will be resumed for redevelopment.

The compensation of these properties and land use rights will be RMB109,552,000 according to the correspondences from the local government of Quanzhou and these properties and land use rights are classified as assets held for sale. The valuation was determined based on the compensation and was categorized in level 2 of the fair value hierarchy. During the period/year ended 30 June 2017 and 31 December 2016, certain assets classified as held for sale amounted to RMB58,973,000 and RMB19,800,000 have been resumed by the local government of Quanzhou respectively. As at 30 June 2017, the directors have reviewed the fair value of the assets classified as held for sale and considered that there are no significant changes in the underlying assumptions for the compensation and the fair value of the assets classified as held for sale.

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
At beginning of the period	89,752	109,552
Disposal	(58,973)	(19,800)
At end of the period	30,779	89,752

As at 30 June 2017, certain assets classified as held for sale were pledged as a security for bank borrowings made available to the Group.

17 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HKD
Authorized:		
At 1 January 2016, 30 June 2016, 1 January 2017 and 30 June 2017	10,000,000	1,000,000

17 SHARE CAPITAL AND SHARE PREMIUM (Continued)

	Number of ordinary shares (thousands)	Nominal value of ordinary shares HKD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total RMB'000
Issued and fully paid:					
At 1 January 2017 and 30 June 2017	2,030,000	203	160	693,494	693,654
At 1 January 2016 and 30 June 2016	1,980,000	198	155	665,621	665,776

18 BORROWINGS

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Non-current		
Bonds – unsecured (note (a))	134,879	138,071
Current		
Bank borrowings – secured (note (b))	43,000	38,000
Total borrowings	177,879	176,071

An analysis of the Group's borrowings into principal amounts is as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Bonds – unsecured (note (a))	138,435	142,484
Bank borrowings – secured (note (b))	43,000	38,000
	181,435	180,484
Adjusted by: unamortized loan arrangement fees	(3,556)	(4,413)
	177,879	176,071

18 BORROWINGS (Continued)

Notes:

(a) Bonds comprise principal amounts of:

(i) HKD7,000,000 (approximately RMB6,087,000) due in 2023 issued by the Company to an independent third party in March 2016. The bond is unsecured and bears interest at a fixed rate of 6% per annum;

(ii) HKD148,200,000 (approximately RMB128,870,000) due in 2019 issued by the Company to an independent third party in April 2016. The bond is unsecured and bears interest at a fixed rate of 7% per annum; and

(iii) HKD4,000,000 (approximately RMB3,478,000) due in 2024 issued by the company to an independent third party in July 2016. The bond unsecured and bears interest at a fixed rate of 6% per annum.

(b) As at 30 June 2017 and 31 December 2016, the bank borrowings are either repayable within one year or repayable on demand and with floating interest rate. The Group's bank borrowings approximate their fair values due to short maturity date.

As at 30 June 2017 and 31 December 2016, the Group's borrowings were secured by certain property, plant, and equipment, land use rights, assets classified as held for sale, guarantee of Mr. Chen Fanglin and related parties (Notes 12, 16 and 21).

As at 30 June 2017, the effective interest rate of the Group's borrowings is 7.62% (31 December 2016: 7.66%).

Interest expense on borrowings charged to the condensed consolidated statement of comprehensive income for the six months ended 30 June 2017 is RMB6,937,000 (30 June 2016: RMB3,774,000).

The carrying values of the borrowings are denominated in the following currencies:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
HKD	134,879	138,071
RMB	43,000	38,000
	177,879	176,071

19 TRADE AND OTHER PAYABLES

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Trade payables	22,890	20,350
Salary and welfare payables	4,661	4,230
Retention fee payables	4,501	4,516
Interest payables	2,128	2,286
Amount due to the immediate holding company	–	1,119
Others	1,477	4,886
	35,657	37,387

The aging analysis of the Group's trade and bills payables based on invoice date is as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
0 to 30 days	12,560	10,169
31 to 60 days	4,386	6,930
61 to 90 days	5,470	2,733
Over 90 days	474	518
	22,890	20,350

20 COMMITMENTS

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	As at 30 June 2017 RMB'000	As at 31 December 2016 RMB'000
Contracted but not provided for		
– Land use rights	17,210	17,210
– Property, plant and equipment	31,790	31,790
	49,000	49,000

21 RELATED-PARTY TRANSACTIONS

As at 30 June 2017, the Group is controlled by China Wisdom Asia Limited (incorporated in the BVI), which owns 53% of the Company's shares. The remaining 47% of the shares are widely held. The ultimate parent of the Group is Central Profit Group Limited (incorporated in the BVI). The ultimate controlling party of the Group is Mr. Chen Fanglin.

The directors of the Company are of the view that the following companies were related parties that had transactions or balances with the Group during the period:

Person/Company	Relationship with the Group
Ms. Chen Xiangqun	Spouse of Mr. Chen Fanglin
Quanzhou Xinliya Trading Co., Ltd. (泉州欣利亞商貿有限公司)	Beneficially owned by Mr. Chen Fanglin
Quanzhou Meiya Property Management Co., Ltd. (泉州美亚商业管理有限公司)	Beneficially owned by Mr. Chen Fanglin

21 RELATED-PARTY TRANSACTIONS (Continued)

The related-party transactions made during the period are as follows:

(a) Purchase of services

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Rental expense (note)	–	432

Note:

It represents rental expense of a home furnishing concept shop paid or payable to Quanzhou Xinliya Trading Co., Ltd and was determined at prevailing market rate of similar shops nearby.

(b) Key management compensation

Key management includes directors and other key management of the Group. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2017 RMB'000	2016 RMB'000
Directors' fees	159	152
Basic salaries, housing allowances, other allowances and benefits in kind	1,824	2,804
Social security and pension costs	515	523
	2,498	3,479

(c) Guarantee by Mr. Chen Fanglin

As at 30 June 2017 and 31 December 2016, certain bank borrowings are secured by Mr. Chen Fanglin.

(d) Guarantee by Quanzhou Meiya Property Management Co., Ltd. and Ms. Chen Xiangqun

As at 30 June 2017 and 31 December 2016, certain bank borrowings are secured by Quanzhou Meiya Property Management Co., Ltd. and Ms. Chen Xiangqun.