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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Six months ended 30 June		% Change
	2022 (Unaudited) <i>HK\$ million</i>	2021 (Unaudited) <i>HK\$ million</i>	
Revenue			
OEM Business	681.8	555.8	22.7
Fashion Retail Business	225.6	214.0	5.4
Property Investment Business	31.2	19.8	57.6
	938.6	789.6	18.9
Operating loss	(45.9)	(89.0)	
Loss before income tax	(47.9)	(85.5)	
Equity attributable to the Company's equity holders	2,500.7	2,888.2	
Equity per share (<i>HK\$</i>)	1.19	1.38	

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**” or “**China Ting**”) is pleased to announce the condensed consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2022, together with the comparative figures for the six months ended 30 June 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	938,615	789,624
Cost of sales		<u>(785,930)</u>	<u>(655,184)</u>
Gross profit		152,685	134,440
Other income	4	12,588	18,840
Other gains, net	5	34,920	9,569
Provision for impairment loss for financial assets, net		(14,905)	(4,422)
Selling, marketing and distribution costs		(96,412)	(97,139)
Administrative expenses		<u>(134,784)</u>	<u>(150,257)</u>
Operating loss	6	(45,908)	(88,969)
Finance income	7	4,430	5,533
Finance costs	7	(2,646)	(1,139)
Share of results of investments accounted for using the equity method		<u>(3,736)</u>	<u>(954)</u>
Loss before income tax		(47,860)	(85,529)
Income tax expense	8	<u>(20,575)</u>	<u>(7,077)</u>
Loss for the period		<u>(68,435)</u>	<u>(92,606)</u>

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive (loss)/income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Currency translation differences	(113,791)	34,883
— Fair value gains on transfers of owner-occupied properties to investment properties, net of tax	—	91,067
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
— Fair value gains on financial assets at fair value through other comprehensive income	307	13,483
Other comprehensive (loss)/income for the period, net of tax	(113,484)	139,433
Total comprehensive (loss)/income for the period	(181,919)	46,827
(Loss)/profit attributable to:		
Equity holders of the Company	(68,395)	(93,919)
Non-controlling interests	(40)	1,313
	(68,435)	(92,606)
Total comprehensive (loss)/income attributable to:		
Equity holders of the Company	(180,132)	44,860
Non-controlling interests	(1,787)	1,967
	(181,919)	46,827
Loss per share for loss attributable to equity holders of the Company (expressed in HK cents per share)		
— basic and diluted	(3.26)	(4.47)

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2022

		As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		323,951	328,561
Right-of-use assets		164,011	174,374
Investment properties		847,266	863,436
Intangible assets		10,675	18,175
Investments accounted for using the equity method	<i>11</i>	9,001	12,041
Promissory note	<i>12</i>	7,527	16,117
Deferred income tax assets		94,619	105,940
		<u>1,457,050</u>	<u>1,518,644</u>
Current assets			
Inventories		909,010	998,371
Trade and other receivables	<i>12</i>	688,572	678,294
Financial assets at fair value through profit or loss ("FVPL")	<i>13</i>	209,452	7,111
Financial assets at fair value through other comprehensive income ("FVOCI")		9,965	9,752
Promissory note	<i>12</i>	13,808	11,991
Tax recoverable		7,941	8,744
Pledged bank deposits		1,407	737
Cash and cash equivalents		488,231	752,195
		<u>2,327,386</u>	<u>2,467,195</u>
Total assets		<u>3,784,436</u>	<u>3,985,839</u>

		As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,982	209,982
Reserves		2,290,731	2,470,863
		<u>2,500,713</u>	<u>2,680,845</u>
Non-controlling interests		31,326	33,113
		<u>2,532,039</u>	<u>2,713,958</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		136,521	143,809
Lease liabilities		11,360	15,276
		<u>147,881</u>	<u>159,085</u>
Current liabilities			
Trade and other payables	14	677,948	664,668
Contract liabilities	3	53,442	54,456
Lease liabilities		8,035	9,898
Bank borrowings		234,259	250,976
Current income tax liabilities		130,832	132,798
		<u>1,104,516</u>	<u>1,112,796</u>
Total liabilities		<u>1,252,397</u>	<u>1,271,881</u>
Total equity and liabilities		<u>3,784,436</u>	<u>3,985,839</u>

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2021 as described in those annual consolidated financial statements, except for the adoption of amended standards as set out below.

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

(a) Amendments to existing standards and annual improvements adopted by the Group

The following amendments to existing standards and annual improvements have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2022:

Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments

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

- (b) The following new standard and amendments to existing standards have been issued, but are not effective for the financial year beginning on 1 January 2022 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

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

3 SEGMENT INFORMATION

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

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

Total segment assets exclude certain investment properties located in Hong Kong, corporate assets and investments measured at FVPL and FVOCI, all of which are managed on a central basis.

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

	(Unaudited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2022				
Total revenue	685,131	227,706	35,975	948,812
Inter-segment revenue	(3,387)	(2,071)	(4,739)	(10,197)
Revenue (from external customers)	681,744	225,635	31,236	938,615
Segment (loss)/profit before income tax	(19,394)	(59,312)	32,253	(46,453)
Fair value gains on investment properties	—	—	22,536	22,536
Depreciation of property, plant and equipment	(25,040)	(15,313)	—	(40,353)
Depreciation of right-of-use assets	(4,492)	(3,392)	—	(7,884)
Amortisation of intangible assets	(1,207)	(388)	—	(1,595)
Finance income	4,315	115	—	4,430
Finance costs	(2,446)	(200)	—	(2,646)
Share of results of investments accounted for using the equity method	(3,736)	—	—	(3,736)
Income tax expense	(3,762)	(8,750)	(8,063)	(20,575)

	(Unaudited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2021				
Total revenue	558,614	215,699	21,884	796,197
Inter-segment revenue	<u>(2,775)</u>	<u>(1,680)</u>	<u>(2,118)</u>	<u>(6,573)</u>
Revenue (from external customers)	<u>555,839</u>	<u>214,019</u>	<u>19,766</u>	<u>789,624</u>
Segment (loss)/profit before income tax and gain on expropriation of land and properties	(108,681)	(10,265)	9,779	(109,167)
Gain on expropriation of land and properties	<u>25,553</u>	<u>—</u>	<u>—</u>	<u>25,553</u>
Segment (loss)/profit before income tax	<u>(83,128)</u>	<u>(10,265)</u>	<u>9,779</u>	<u>(83,614)</u>
Fair value losses on investment properties	—	—	(13,941)	(13,941)
Depreciation of property, plant and equipment	(29,607)	(10,290)	—	(39,897)
Depreciation of right-of-use assets	(5,707)	(3,448)	—	(9,155)
Amortisation of intangible assets	(4,984)	(388)	—	(5,372)
Finance income	5,435	98	—	5,533
Finance costs	(1,119)	(20)	—	(1,139)
Share of results of investments accounted for using the equity method	(954)	—	—	(954)
Income tax expense	<u>(581)</u>	<u>(4,922)</u>	<u>(1,574)</u>	<u>(7,077)</u>

	(Unaudited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2022				
Total segment assets	<u>1,465,546</u>	<u>1,453,400</u>	<u>817,266</u>	<u>3,736,212</u>
Total segment assets include:				
Investments accounted for using the equity method	9,001	—	—	9,001
Additions to non-current assets (other than financial instruments and deferred income tax assets)	42,811	20,468	—	63,279
Tax recoverable	7,139	802	—	7,941
Deferred income tax assets	<u>14,458</u>	<u>80,161</u>	<u>—</u>	<u>94,619</u>
	(Audited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2021				
Total segment assets	<u>1,608,252</u>	<u>1,496,048</u>	<u>833,436</u>	<u>3,937,736</u>
Total segment assets include:				
Investments accounted for using the equity method	12,041	—	—	12,041
Additions to non-current assets (other than financial instruments and deferred income tax assets)	122,440	25,757	—	148,197
Tax recoverable	5,444	3,300	—	8,744
Deferred income tax assets	<u>17,998</u>	<u>87,942</u>	<u>—</u>	<u>105,940</u>

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

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total segment loss before income tax	(46,453)	(83,614)
Net fair value gains of FVPL	1,065	346
Corporate overhead	(2,798)	(2,789)
Rental income	326	528
	<hr/>	<hr/>
Loss before income tax per condensed consolidated statement of comprehensive income	(47,860)	(85,529)
	<hr/> <hr/>	<hr/> <hr/>

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

	As at	As at
	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Total segment assets	3,736,212	3,937,736
FVPL	7,735	7,111
FVOCI	9,965	9,752
Corporate assets	524	1,240
Investment properties	30,000	30,000
	<hr/>	<hr/>
Total assets per condensed consolidated balance sheet	3,784,436	3,985,839
	<hr/> <hr/>	<hr/> <hr/>

The Company is domiciled in the Cayman Islands. The results of the Group's revenue from external customers located in the following geographical areas are as follows:

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
The PRC	567,853	498,308
North America	281,214	219,043
European Union	64,068	53,705
Hong Kong	16,720	16,980
Other countries	8,760	1,588
	<hr/>	<hr/>
	938,615	789,624
	<hr/> <hr/>	<hr/> <hr/>

The total of non-current assets other than investments accounted for using the equity method, promissory note and deferred income tax assets are located in the following geographical areas:

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
The PRC	1,142,628	1,176,926
Hong Kong	191,752	194,594
North America	11,523	13,026
	<u>1,345,903</u>	<u>1,384,546</u>

For the six months ended 30 June 2022 and 2021, there is no customer individually accounted for more than 10% of the Group's total revenue.

The contract liabilities represent the advance payments received from counterparties for goods or services that have not yet been transferred or provided to the counterparties. As at 30 June 2022, the Group has recognised the following liabilities related to contracts with customers:

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Current contract liabilities	<u>53,442</u>	<u>54,456</u>

The following table shows the amount of revenue recognised in the six months ended 30 June 2022 relating to carried-forward contract liabilities:

	Six months ended 30 June 2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the period	<u>38,199</u>	<u>31,141</u>

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

4 OTHER INCOME

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	8,473	11,190
Government grants	1,915	4,036
Investment income	1,441	1,123
Building management income	—	821
Others	759	1,670
	<u>12,588</u>	<u>18,840</u>

5 OTHER GAINS, NET

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gain on expropriation of land and properties (<i>Note</i>)	—	25,553
Loss on disposals of property, plant and equipment	(7,670)	(191)
Net fair value (loss)/gain of FVPL — realised	(394)	82
Net fair value gain of FVPL — unrealised	2,877	264
Fair value gain/(loss) on investment properties	22,536	(13,941)
Forfeited customer deposits	4,528	—
Net exchange gain/(loss)	13,043	(2,198)
	<u>34,920</u>	<u>9,569</u>

Note: During the six months ended 30 June 2021, the Group's land and properties located in Hangzhou with net book value of HK\$1,485,000 were expropriated by local government. A compensation of HK\$27,038,000 was granted by local government in this regard, resulting in a net gain of HK\$25,553,000.

Compensation proceed of HK\$21,630,000 has been received by the Group during the six months ended 30 June 2021 while the remaining balance of HK\$5,408,000 was recorded as part of the Group's other receivables as at 30 June 2022 (31 December 2021: HK\$5,408,000).

6 OPERATING LOSS

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

	Six months ended 30 June	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Depreciation of property, plant and equipment	40,353	39,897
Depreciation of right-of-use assets	7,884	9,155
Amortisation of intangible assets	1,595	5,372
Provision for impairment of inventories	48,011	40,682
Employee benefits expenses	197,101	195,306
	<u>495,944</u>	<u>430,412</u>

7 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	2,847	3,152
— promissory note	1,583	2,381
	<u>4,430</u>	<u>5,533</u>
Finance costs		
— interest expense on bank borrowings	(2,530)	(1,333)
— interest expense on lease liabilities	(363)	(412)
	<u>(2,893)</u>	<u>(1,745)</u>
— amount capitalised	247	606
	<u>(2,646)</u>	<u>(1,139)</u>
Finance income/(costs), net	<u>1,784</u>	<u>4,394</u>

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Current income tax		
— Hong Kong profits tax	—	18
— PRC enterprise income tax	9,885	14,747
Withholding tax	5,596	—
Deferred income tax	5,094	(7,688)
	<u>20,575</u>	<u>7,077</u>

Hong Kong profits tax has been provided for at the rate of 8.25% on the estimated assessable profit up to HK\$2,000,000 and 16.5% on any part of estimated assessable profit over HK\$2,000,000 during the period (2021: Same).

The PRC enterprise income tax is calculated based on the statutory profits of subsidiaries incorporated in the PRC in accordance with the PRC tax laws and regulations. The standard PRC enterprise income tax rate is 25% (2021: 25%) during the period. During the six months ended 30 June 2022 and 2021, one subsidiary of the Group is qualified for a preferential income tax rate of 15% under the tax breaks to small and micro business. The remaining PRC subsidiaries of the Group are subject to standard PRC enterprise income tax rate of 25%.

9 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to equity holders of the Company of approximately HK\$68,395,000 (2021: HK\$93,919,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,818,000 (2021: 2,099,818,000).

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 six months ended 30 June 2022 and 2021, there were no dilutive potential ordinary shares deemed to be issued under the share option scheme as there are no outstanding options during the six months ended 30 June 2022 and 2021.

10 DIVIDENDS

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2022 and 2021.

11 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movements of investments accounted for using the equity method are as follows:

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
At 1 January	12,041	1,544
Additions (<i>Note</i>)	1,145	14,528
Share of loss, net	(3,736)	(4,031)
Elimination of profits from downstream transactions	—	(233)
Exchange differences	(449)	233
	<u>9,001</u>	<u>12,041</u>

Note: On 28 January 2021, the Group entered into an investment agreement and an entrusted shareholding agreement pursuant to which the Group effectively acquired 14% equity interest of 杭州高鳴信息技術有限公司 (“Hangzhou Gaoming”), a company incorporated in the PRC at a net consideration of approximately RMB8,540,000 (approximately HK\$10,263,000). The Group accounted for Hangzhou Gaoming as an associate.

During the six months ended 30 June 2021, the Group entered into a shareholders’ agreement with Delta Industries Limited, a Hong Kong incorporated company (the “JV partner”), pursuant to which the Group and the JV partner converted China Ting Fashion Limited (“CT Fashion”), a then wholly owned subsidiary of the Group, into a joint venture.

In May 2021, CT Fashion set up a subsidiary in Vietnam namely Concept Creator Delta Garment Vietnam Limited, which will be engaged by the Group as a contract processor.

As at 30 June 2022, the total capital injections made by the Group and the JV partner into CT Fashion amounted to US\$697,672 (approximately HK\$5,409,536) (31 December 2021: US\$550,000 (approximately HK\$4,265,000)) and US\$570,822 (approximately HK\$4,425,983) (31 December 2021: US\$450,000 (approximately HK\$3,489,000)), respectively.

12 TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 (Unaudited) <i>HK\$'000</i>	As at 31 December 2021 (Audited) <i>HK\$'000</i>
Trade and bill receivables	476,555	423,231
Less: Loss allowance	<u>(129,388)</u>	<u>(115,680)</u>
Trade and bill receivables, net (<i>Note (i)</i>)	347,167	307,551
Amounts due from related parties	36,176	40,074
Compensation receivable from government	5,267	5,408
Prepayments	214,050	213,824
Deposits and other receivables	<u>85,912</u>	<u>111,437</u>
	<u>688,572</u>	<u>678,294</u>
Promissory note (<i>Note (ii)</i>)		
— Non-current portion	7,527	16,117
— Current portion	<u>13,808</u>	<u>11,991</u>
	<u>21,335</u>	<u>28,108</u>

Notes:

(i) Trade and bill receivables

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

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
0 to 30 days	175,167	157,622
31 to 60 days	65,688	66,187
61 to 90 days	51,620	30,645
91 to 120 days	42,197	42,066
Over 120 days	<u>141,883</u>	<u>126,711</u>
	<u>476,555</u>	<u>423,231</u>

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

	Six months ended 30 June	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
At 1 January	115,680	99,859
Provision for impairment losses, net	15,830	86
Exchange differences	<u>(2,122)</u>	<u>497</u>
At 30 June	<u>129,388</u>	<u>100,442</u>

(ii) Promissory note

The Group held an interest-free promissory note due from a major customer of the Group with a principal of US\$8,000,000 (approximately HK\$61,880,000) repayable by 40 equal monthly instalments of US\$200,000 (approximately HK\$1,547,000) commencing from 1 August 2020. As at 30 June 2022, the outstanding principal of the promissory note was US\$3,400,000 (approximately HK\$26,299,000) (31 December 2021: US\$4,600,000 (approximately HK\$35,581,000)), before impairment loss provision.

13 FVPL

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Listed equity securities (<i>Note (i)</i>)	7,735	7,111
Structured bank products, at quoted price (<i>Note (ii)</i>)	<u>201,717</u>	<u>—</u>
	<u><u>209,452</u></u>	<u><u>7,111</u></u>

Notes:

- (i) The fair value of all equity securities is determined with reference to their current bid prices in an active market.
- (ii) The fair value of structured bank products is determined with reference to expected return rate of 1.3%–3.7% provided by the underlying banks. The investments in structured bank products were denominated in Renminbi. Changes in fair value were recognised in “other gains, net” in the condensed consolidated statement of comprehensive income.

14 TRADE AND OTHER PAYABLES

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
Trade and bill payables	437,055	432,995
Accrued employee benefit expenses	31,916	26,575
Customer deposits	52,170	54,648
VAT and other tax payables	25,578	21,476
Accrued operating expenses	49,458	51,692
Other payables	<u>81,771</u>	<u>77,282</u>
	<u><u>677,948</u></u>	<u><u>664,668</u></u>

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

	As at 30 June 2022 (Unaudited) HK\$'000	As at 31 December 2021 (Audited) HK\$'000
0 to 30 days	330,107	301,998
31 to 60 days	15,495	56,194
61 to 90 days	29,396	12,828
Over 90 days	<u>62,057</u>	<u>61,975</u>
	<u><u>437,055</u></u>	<u><u>432,995</u></u>

BUSINESS REVIEW

The first half of 2022 was a difficult time unprecedented for the market in China, where the repeated outbreaks of the COVID-19 pandemic in various cities, especially the long-time lockdown and control measures of major financial port cities such as Shanghai, had a significant impact on the economy of the entire East China. For domestic market, only approximately 50% of the market was open for normal business, with domestic consumer demand severely suppressed. For the overseas markets, a significant number of international orders were postponed or cancelled due to the stringent policies for pandemic prevention. As a result, China's economic growth slowed down remarkably in the first half of 2022, and the GDP growth forecast was lowered to half of that at the beginning of 2022, making enterprises feel a great economic pressure.

The Group's OEM/ODM business recorded a revenue of HKD681.8 million in the stressful first half of 2022, representing a significant year-on-year increase of 22.7% as compared to the six months ended 30 June 2021, which was mainly due to the fact that the Group's adjustments its business structure and production during these two years from the outbreak of the pandemic, and has now adapted itself to the operation mode under the pandemic. Also, the Group exerted solid efforts on the pandemic prevention and control in a safe and prudent manner, not only to ensure the health of employees, but also to ensure the normal operation in various aspects, such as imported materials and bulk cargo logistics, thereby enabling the Group's OEM/ODM business to maintain sound operation and not get materially impacted despite the severe pandemic situation.

The fashion retail business was affected by the pandemic in various cities in China, with brick-and-mortar stores recording deteriorating performance and half of them was not able to operate normally. Although new retail models such as live broadcasting and online stores filled the performance gap to a certain extent, they are still unable to make up in full for the deteriorating performance of the stores, resulting in a negative impact on the retail business in terms of inventory, which faced greater financial pressure directly resulting from the increasing backlog of goods for spring and early summer. However, take this opportunities, the Group expanded the number of high-quality stores by making use of the time when the property was sluggish, thereby building-up energies for the sales of the stores after post-pandemic recovery.

The industrial park operation business maintained a stable performance in the first half of 2022. Over 85% of the existing buildings achieved an occupancy rate of 100%. The Group also initiated the reconstruction project of the industrial park on Beisha East Road at the beginning of 2022. The construction of the first phase with a total gross floor area of approximately 300,000 square meters will be completed as planned from the end of this year to the middle of next year. This is expected to create a performance growth to the industrial park operation business of the Group.

FINANCIAL REVIEW

Review of operations

During the six months ended 30 June 2022, the Group's revenue amounted to HK\$938.6 million, representing an increase of 18.9% as compared with HK\$789.6 million for the corresponding period in 2021. The gross profit for the six months ended 30 June 2022 was HK\$152.7 million, representing an increase of 13.6% as compared with HK\$134.4 million for the corresponding period in 2021. The net loss attributable to equity holders of the Company was HK\$68.4 million. Loss per share was 3.26 HK cents and net asset value per share was HK\$1.19.

OEM/ODM Business

During the six months ended 30 June 2022, the turnover derived from our OEM/ODM business recorded an increase from HK\$555.8 million to HK\$681.8 million for the corresponding period in 2021. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed HK\$559.5 million (2021: HK\$422.5 million), representing 82.1% (2021: 76.0%) of the total turnover of our OEM/ODM business.

Customers from the United States continued to be the Group's principal market with sales amounted to HK\$281.2 million (2021: HK\$193.6 million), representing 41.2% (2021: 34.8%) of the total turnover of our OEM/ODM business. Sales to Europe and other countries were HK\$64.1 million (2021: HK\$53.3 million) and HK\$336.5 million (2021: HK\$308.9 million), respectively.

Fashion Retail Business

During the six months ended 30 June 2022, the retail sales increased to HK\$225.6 million from HK\$214.0 million for the corresponding period in 2021. FINITY, the major brand of the Group, contributed HK\$122.2 million to the retail business, representing a decrease of 1.2% as compared with HK\$123.7 million for the corresponding period in 2021.

In terms of retail revenue analysis by sales channels, sales from concessions amounted to HK\$97.5 million (2021: HK\$104.6 million), accounting for 43.2% of total retail turnover. Sales from free-standing stores, franchisees and e-commerce amounted to HK\$6.4 million (2021: HK\$3.8 million), HK\$64.7 million (2021: HK\$41.1 million) and HK\$57.0 million (2021: HK\$64.5 million), respectively.

Property Investment Business

The Group has changed part of the industrial complex to the China Ting International Fashion Base (“華鼎國際時尚產業基地”) in 2019, and continued to expand the plant area in current period. The main purpose of the China Ting International Fashion Base is to facilitate the regional development, fashion expert localisation, e-commerce development for the fashion industry. All these provide significant contribution to the fashion industry in Yu Hang District, Hangzhou, while allowing the Group to develop diversified business models and enhance revenue.

During the six months ended 30 June 2022, the revenue from our property investment business amounted to HK\$31.2 million, representing an increase of 57.6% as compared with HK\$19.8 million for the corresponding period in 2021.

Liquidity and Financial Resources

During the six months ended 30 June 2022, the Group satisfied their working capital needs principally from its business operations. As at 30 June 2022, the Group had cash and cash equivalents of HK\$487.2 million, representing a decrease of HK\$265.0 million as compared with HK\$752.2 million as of 31 December 2021. The Group’s total bank borrowings were HK\$234.3 million (31 December 2021: HK\$251.0 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 9.3% (31 December 2021: 9.2%). The Directors are of the opinion that, after taking into account the existing available bank borrowing facilities and internal resources, the Group has adequate financial resources to support its working capital requirement and future expansion.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2022.

BUSINESS OUTLOOK

In the second half of 2022, with the gradual stabilisation of the COVID-19 pandemic in China, the domestic economy is expected to rebound. However, certain unstable factors, such as the Russian-Ukrainian conflict and the friction in Taiwan Strait, brought uncertainties to China’s domestic and foreign trade. The second half of 2022 therefore remains challenging.

Continued efforts will be made both online and offline for the domestic retail business, particularly for the development of online business, which is regarded as the strategic focus for the development of the Group. Meanwhile, in line with the development of new business, the training of professional talents will be of particular importance. The fashion industry research institute jointly established by China Ting and Zhejiang Sci-Tech University will develop new materials, new designs, new models and new talents.

As for the OEM/ODM business, the Group will actively deploy overseas bases on the premise of providing in-depth customer services to provide customers with the best supply chain services on a global scale. The Group will make full use of the high-quality fabric development capabilities and style design capabilities in China, and the differentiated production advantages of different domestic and overseas production bases in multiple categories of products, to provide customers with the most competitive products, thereby consolidating and developing the OEM/ODM business with closer cooperation relationship.

In the second half of 2022, the construction of the first phase of the industrial park on Beisha East Road will be completed, providing more than 100,000 square meters of leasable area. The investment invitation and the operation of this industrial park will be the focus of the Group for the next three to five years, and will also bring new performance driver for the Group, which can increase the rental income of the Group, and bring ample business opportunities in the course of operation.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2022.

HUMAN RESOURCES

As at 30 June 2022, the Group employed a total of 3,512 employees in the Mainland China, Hong Kong and the United States.

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

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

CAPITAL EXPENDITURE AND COMMITMENTS

The Group exercised careful control over capital expenditure. The Group incurred capital expenditures of HK\$63.3 million for the six months ended 30 June 2022 which was primarily used in the expansion of the China Ting International Fashion Base and the leasehold improvement of the Group's retail outlets and factories. Capital commitments contracted for but not incurred by the Group as at 30 June 2022 amounted to HK\$1,022.0 million, which were mainly related to the construction of the China Ting International Fashion Base.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSAL

Save as disclosed in Note 11 above, the Group has no significant investments, material acquisition and disposal for the six months ended 30 June 2022.

SUBSEQUENT EVENTS

There were no material subsequent events undertaken by the Group after 30 June 2022 and up to date of this announcement.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATE

The Company uses Hong Kong dollars (“**HK\$**”) as its functional currency and the Group's presentation currency. Since HK\$ was pegged against United States dollars (“**USD**”), the Directors consider the Group's foreign currency exchange exposure arising from USD transactions to be minimal during the six months ended 30 June 2022.

The sales and purchase of raw materials of the Group are mainly denominated in USD and Renminbi (“**RMB**”). During the six months ended 30 June 2022, approximately 39.5% and 60.5% of revenue were denominated in USD and RMB respectively, and approximately 6.4% and 93.6% of purchase of raw materials were denominated in USD and RMB, respectively.

As at 30 June 2022, approximately 12.3%, 87.1% and 0.4% of cash and cash equivalents and pledged bank deposits were denominated in USD, RMB and HK\$, respectively, and approximately 90.4% and 9.6% of bank borrowings were denominated in HK\$ and RMB, respectively.

Regarding the trade disputes between China and the United States, it is expected that on-going currency fluctuation of RMB against USD is unavoidable. To minimise the impact, we will monitor the foreign currency risk closely to ensure the net exposure is at an acceptable level. The Directors may consider using financial instruments to reduce the currency risk exposure when necessary. During the six months ended 30 June 2022, the Group did not use any financial instrument for hedging purpose.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company for the six months ended 30 June 2022.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The audit committee (the “**Audit Committee**”) of the Company has reviewed with the management and the auditor (the “**Auditor**”) of the Company the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial information. The Audit Committee has reviewed the unaudited interim financial information for the six months ended 30 June 2022.

PricewaterhouseCoopers, the external auditors of the Company, have reviewed the unaudited interim financial information for the six months ended 30 June 2022 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE CODE

The Board is committed to enhancing the corporate governance of the Group, and the Group reviews and updates all such necessary measures in order to promote good corporate governance. The Company has complied with the code provisions of the Corporate Governance Code as set forth in Part 2 of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 June 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set forth in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquires with all the Directors, they have confirmed their compliance with the required standard as set forth in the Model Code during the six months ended 30 June 2022.

PUBLICATION OF THE INTERIM REPORT

An interim report of the Company for the six months ended 30 June 2022 containing all the relevant information required by the Listing Rules will be despatched to the Company’s shareholders and published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.chinating.com.hk) in due course.

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:

Mr. WONG Chi Keung

Mr. LEUNG Man Kit

Mr. CHENG Chi Pang

By Order of the Board

CHINA TING GROUP HOLDINGS LIMITED

TING Hung Yi

Executive Director and Chief Executive Officer

Hong Kong, 31 August 2022