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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

	Year ended 31 December		
	2021	2020	
	HK$ million	*HK$ million*	*% Change*
Revenue			
OEM Business	**1,122.1**	1,138.3	(1.4)
Fashion Retail Business	**443.9**	382.1	16.2
Property Investment Business	**43.3**	22.0	96.8
	1,609.3	1,542.4	4.3
Operating (loss)/profit	**(312.2)**	297.6	N/A
(Loss)/profit attributable to the Company's equity holders	**(333.3)**	146.0	N/A
Equity attributable to the Company's equity holders	**2,714.0**	2,843.3	
Equity per share *(HK$)*	**1.29**	1.35	

The board (the "**Board**") of directors (the "**Directors**") of China Ting Group Holdings Limited (the "**Company**" or "**China Ting**") wishes to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	**2021** *HK$'000*	2020 *HK$'000*
Revenue	3	**1,609,266**	1,542,425
Cost of sales		**(1,475,386)**	(1,318,699)
Gross profit		**133,880**	223,726
Other income, net	4	**18,129**	22,610
Other gains, net	5	**25,557**	608,271
Provision for impairment loss of financial assets, net	11	**(13,980)**	(109,667)
Selling, marketing and distribution costs		**(212,003)**	(188,174)
Administrative expenses		**(267,125)**	(259,189)
Operating (loss)/profit		**(315,542)**	297,577
Finance income	7	**9,973**	5,127
Finance costs	7	**(2,596)**	(9,604)
Share of results of investments accounted for using the equity method		**(4,031)**	166
(Loss)/profit before income tax		**(312,196)**	293,266
Income tax expense	8	**(19,998)**	(140,272)
(Loss)/profit for the year		**(332,194)**	152,994
Other comprehensive income			
Items that may be reclassified to profit or loss:			
— Currency translation differences		**79,570**	135,947
— Fair value gains on transfers of owner-occupied properties to investment properties, net of tax		**91,067**	49,833
Item that will not be reclassified subsequently to profit or loss:			
— Fair value gains/(losses) on FVOCI		**1,000**	(1,749)
Other comprehensive income, net of tax		**171,637**	184,031
Total comprehensive (loss)/income		**(160,557)**	337,025

	Note	**2021** *HK$'000*	2020 *HK$'000*
(Loss)/profit attributable to:			
Equity holders of the Company		**(333,295)**	146,044
Non-controlling interests		**1,101**	6,950
		(332,194)	152,994
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(162,501)**	328,823
Non-controlling interests		**1,944**	8,202
		(160,557)	337,025
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company during the year (expressed in HK cents per share)			
— basic	9	**(15.87)**	6.96
— diluted	9	**(15.87)**	6.96

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2021

	Note	2021 HK$'000	2020 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**328,561**	533,320
Right-of-use assets	10	**174,374**	176,457
Investment properties		**863,436**	476,556
Intangible assets		**18,175**	42,901
Investments accounted for using the equity method		**12,041**	1,544
Promissory note	11	**16,117**	31,949
Deferred income tax assets		**105,940**	99,809
		1,518,644	1,362,536
Current assets			
Inventories		**998,371**	923,289
Trade and other receivables	11	**678,294**	1,080,058
Financial assets at fair value through profit or loss ("FVPL")	12	**7,111**	6,248
Financial assets at fair value through other comprehensive income ("FVOCI")		**9,752**	8,640
Promissory note	11	**11,991**	9,382
Tax recoverable		**8,744**	6,585
Pledged bank deposits		**737**	5,193
Fixed deposits		**—**	26,128
Cash and cash equivalents		**752,195**	577,172
		2,467,195	2,642,695
Assets held for sale	13	**—**	8,880
		2,467,195	2,651,575
Total assets		**3,985,839**	4,014,111

	Note	2021 HK$'000	2020 HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**209,982**	209,982
Reserves		**2,470,863**	2,633,364
		2,680,845	2,843,346
Non-controlling interests		**33,113**	31,169
Total equity		**2,713,958**	2,874,515
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**143,809**	114,378
Lease liabilities	10	**15,276**	17,026
		159,085	131,404
Current liabilities			
Trade and other payables	14	**664,668**	569,777
Contract liabilities	3	**54,456**	37,794
Lease liabilities	10	**9,898**	9,721
Bank borrowings		**250,976**	270,129
Current income tax liabilities		**132,798**	120,771
		1,112,796	1,008,192
Total liabilities		**1,271,881**	1,139,596
Total equity and liabilities		**3,985,839**	4,014,111

NOTES

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance (Chapter 622 of the laws of Hong Kong). They have been prepared under the historical cost convention, as modified by the revaluation of FVPL, FVOCI and investment properties, which are carried at fair value and assets held for sale which are carried at fair value less cost to sell.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Amendments to existing standards adopted by the Group

The following amendments to existing standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2021:

Amendments to HKAS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to HKFRS16	Covid-19-Related Rent Concessions

The adoption of these amendments to existing standards did not result in any substantial change to the Group's accounting policies. The amendments to existing standards listed above did not have any significant impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(b) New and amended standards and annual improvements not yet adopted:

		Effective for accounting periods beginning on or after
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020	1 January 2022
Amendments to HKFRS 3, HKAS 16 and HKAS 37	Narrow-scope amendments	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations	1 January 2022
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, amendments to existing standards and annual improvements is expected to have a significant effect on the consolidated financial statements of the Group.

2 FINANCIAL RISK FACTORS

Impairment of financial assets

The Group has two types of financial assets that are subject to the expected credit loss model:

— Trade receivables

— Other financial assets at amortised costs

While cash and bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss is immaterial.

Trade receivables

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, except for those individually significant trade receivables or trade receivables at default which are tested individually.

Measurement of expected credit loss on individual basis

Trade receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. As at 31 December 2021, the balances of such individually assessed trade receivables and the loss allowance in respect of these receivables are HK$104,882,000 (2020: HK$68,000,000) and HK$72,411,000 (2020: HK$32,907,000), respectively.

Measurement of expected credit loss on collective basis

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before 30 June 2021 or 2020, respectively, and the corresponding historical credit losses experienced within this period. The historical loss rates are further adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

	Up to 30 days *HK$'000*	**31 to 60 days** *HK$'000*	**61 to 90 days** *HK$'000*	**91 to 120 days** *HK$'000*	**Over 120 days** *HK$'000*	**Total** *HK$'000*
At 31 December 2021						
Expected loss rate	1.4%	2.4%	3.6%	21.2%	57.7%	
Gross carrying amount	133,815	61,159	29,621	41,953	51,801	318,349
Loss allowance	1,922	1,480	1,061	8,899	29,907	43,269

	Up to 30 days *HK$'000*	31 to 60 days *HK$'000*	61 to 90 days *HK$'000*	91 to 120 days *HK$'000*	Over 120 days *HK$'000*	Total *HK$'000*
At 31 December 2020						
Expected loss rate	2.4%	2.6%	8.4%	24.7%	69.0%	
Gross carrying amount	167,369	40,278	33,078	48,061	68,386	357,172
Loss allowance	4,063	1,028	2,790	11,864	47,207	66,952

Trade receivables are written off when there is no reasonable expectation of recovery. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item. During the year ended 31 December 2020, trade receivables amounting to HK$29,002,000 have been directly written off and trade receivables previously provided for amounting to HK$15,035,000 have been written off.

Other financial assets at amortised cost

Other financial assets at amortised cost include promissory note and other receivables (except for prepayments). Management assesses the credit quality of the counterparties, taking into account the historical risk of default and capacity to meet its contractual cash flow obligations in the near term.

During the year ended 31 December 2020, the Group entered into a debt restructuring arrangement with the issuer of the promissory note to rearrange the settlement of such debtor's certain trade receivables and promissory note (See Note 11 for more details). An impairment loss of HK$29,656,000 has been provided for as a result of such debt restructuring.

Deposit and other receivables of HK$1,117,000 has been fully impaired as at 31 December 2021.

As at 31 December 2021, a reversal of impairment loss of HK$966,000 (2020: provision for impairment loss of HK$4,807,000) has been provided for the revised non-interest bearing promissory note.

Also, the amount due from a joint venture of HK$3,265,000 (2020: HK$3,910,000) has been fully impaired as at 31 December 2021.

Other than mentioned above, as at 31 December 2021 the Group's other financial assets at amortised cost are considered to be of low credit risk primarily because historically they had no history of default and the debtors had a strong capacity to meet its contractual cash flow obligations in the near term (2020: Same). No impairment losses are provided for such financial assets as at 31 December 2021 as the impairment losses are considered immaterial (2020: Same).

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. Starting from 1 January 2021, the executive directors consider the Group has three reportable segments: (1) manufacturing and sales 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"). Property development business in the PRC ("Property development") ceased to be one of the reportable segment starting from 1 January 2021 as the Group was no longer engaged in such business activities.

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

Turnover represent sales 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 consolidated statement of comprehensive income.

	OEM	**Retail**	**Property investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Year ended 31 December 2021				
Total revenue	**1,132,278**	**451,740**	**47,415**	**1,631,433**
Inter-segment revenue	**(10,212)**	**(7,836)**	**(4,119)**	**(22,167)**
Revenue (from external customers)	**1,122,066**	**443,904**	**43,296**	**1,609,266**
Timing of revenue recognition				
At a point in time	**1,122,066**	**443,904**	**—**	**1,565,970**
Over time	**—**	**—**	**43,296**	**43,296**
	1,122,066	**443,904**	**43,296**	**1,609,266**
Segment (loss)/profit before income tax and gain on expropriation of land and properties	**(251,583)**	**(95,376)**	**13,403**	**(333,556)**
Gain on expropriation of land and properties	**25,553**	**—**	**—**	**25,553**
Segment (loss)/profit before income tax	**(226,030)**	**(95,376)**	**13,403**	**(308,003)**
Fair value losses on investment properties	**—**	**—**	**(10,627)**	**(10,627)**
Depreciation of property, plant and equipment	**(56,122)**	**(25,335)**	**—**	**(81,457)**
Depreciation of right-of-use assets	**(9,847)**	**(6,975)**	**—**	**(16,822)**
Amortisation of intangible assets	**(9,979)**	**(775)**	**—**	**(10,754)**
Finance income	**9,792**	**181**	**—**	**9,973**
Finance costs	**(1,548)**	**(1,048)**	**—**	**(2,596)**
Share of results of investments accounted for using the equity method	**(4,031)**	**—**	**—**	**(4,031)**
Income tax expense	**(17,901)**	**1,254**	**(3,351)**	**(19,998)**

	OEM	Retail	Property development	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2020					
Total revenue	1,144,935	382,069	—	25,880	1,552,884
Inter-segment revenue	(6,610)	—	—	(3,849)	(10,459)
Revenue (from external customers)	1,138,325	382,069	—	22,031	1,542,425
Timing of revenue recognition					
At a point in time	1,138,325	382,069	—	—	1,520,394
Over time	—	—	—	22,031	22,031
	1,138,325	382,069	—	22,031	1,542,425
Segment (loss)/profit before income tax and gain on expropriation of land and properties	(301,391)	(24,326)	176,877	14,419	(134,421)
Gain on expropriation of land and properties	366,746	64,792	—	—	431,538
Segment profit before income tax	65,355	40,466	176,877	14,419	297,117
Fair value losses on investment properties	—	—	—	(1,013)	(1,013)
Gain on disposal of FVPL in Zhejiang Haoran	—	—	193,275	—	193,275
Depreciation of property, plant and equipment	(65,723)	(19,968)	—	—	(85,691)
Depreciation of right-of-use assets	(10,833)	(8,489)	—	—	(19,322)
Amortisation of intangible assets	(5,734)	(775)	—	—	(6,509)
Finance income	4,951	176	—	—	5,127
Finance costs	(6,768)	(2,836)	—	—	(9,604)
Share of results of investments accounted for using the equity method	166	—	—	—	166
Income tax expense	(118,827)	(9,918)	(7,922)	(3,605)	(140,272)

	OEM	Retail	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2021				
Total segment assets	**1,608,252**	**1,496,048**	**833,436**	**3,937,736**
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	**17,998**	**87,942**	**—**	**105,940**

	OEM	Retail	Property investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2020				
Total segment assets	2,159,002	1,362,716	446,556	3,968,274
Total segment assets include:				
Investments accounted for using the equity method	1,544	—	—	1,544
Additions to non-current assets (other than financial instruments and deferred income tax assets)	179,167	33,867	—	213,034
Tax recoverable	3,816	2,769	—	6,585
Deferred income tax assets	18,383	81,426	—	99,809

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

	2021	2020
	HK$'000	*HK$'000*
Total segment (loss)/profit before income tax	**(308,003)**	297,117
Net fair value gains on FVPL	**871**	1,275
Corporate overhead	**(5,730)**	(6,673)
Fair value gains on investment properties	**—**	1,200
Rental income	**666**	347
(Loss)/profit before income tax per consolidated statement of comprehensive income	**(312,196)**	293,266

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

	2021	2020
	HK$'000	*HK$'000*
Total segment assets	**3,937,736**	3,968,274
FVPL	**7,111**	6,248
FVOCI	**9,752**	8,640
Corporate assets	**1,240**	949
Investment properties	**30,000**	30,000
Total assets per consolidated balance sheet	**3,985,839**	4,014,111

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:

	2021	2020
	HK$'000	*HK$'000*
The PRC	**1,102,077**	842,020
North America	**366,903**	494,824
European Union	**105,608**	174,879
Hong Kong	**17,799**	26,710
Other countries	**16,879**	3,992
	1,609,266	1,542,425

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:

	2021	2020
	HK$'000	*HK$'000*
The PRC	**1,176,926**	1,005,205
Hong Kong	**194,594**	209,135
North America	**13,026**	14,894
	1,384,546	1,229,234

For the years ended 31 December 2021 and 2020, 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 31 December 2021, the Group has recognised the following liabilities related to contracts with customers:

	2021	2020
	HK$'000	*HK$'000*
Current contract liabilities	**54,456**	37,794

The following table shows the amount of revenue recognised during the year ended 31 December 2021 relating to carried-forward contract liabilities:

	2021	2020
	HK$'000	*HK$'000*
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**37,794**	20,096

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

4 OTHER INCOME, NET

	2021	2020
	HK$'000	*HK$'000*
Government grants	**3,348**	11,577
Rental income	**12,151**	7,217
Investment income	**1,846**	2,223
Building management income	**520**	1,150
Gain on sales of equipment to a joint venture	**184**	—
Others	**80**	443
	18,129	22,610

5 OTHER GAINS, NET

	2021	2020
	HK$'000	*HK$'000*
Gain on expropriation of land and properties *(Note)*	**25,553**	431,538
Gain on disposal of FVPL in Zhejiang Haoran *(Note 12)*	**—**	193,275
Gain on disposal of an associate	**8,425**	—
Net exchange losses	**1,301**	(16,426)
Net fair value gains on FVPL — realised	**48**	675
Net fair value gains on FVPL — unrealised *(Note 12)*	**823**	600
Fair value (losses)/gains on investment properties	**(10,627)**	187
Loss on disposal of property, plant and equipment	**34**	(2,017)
Reversal of provision for customer claims	**—**	439
	25,557	608,271

Note:

During the year ended 31 December 2021, the Group's land and properties located in Hangzhou with net book value of HK$1,485,000 (2020: HK$41,466,000), consisting of property, plant and equipment of HK$1,376,000 (2020: HK$36,494,000) and right-of-use assets of HK$109,000 (2020: HK$4,972,000), were expropriated by local government. Relevant compensation amounted to HK$27,038,000 (2020: HK$473,004,000) were granted by local government in this regard, resulting in a net gain of HK$25,553,000 (2020: HK$431,538,000).

Compensation proceed of HK$21,630,000 (2020: HK$189,202,000) has been received by the Group during the current year while the remaining balance of HK$5,408,000 (2020: HK$283,802,000) was recorded as part of the Group's other receivables as at 31 December 2021 and 2020. The amount of HK$283,802,000 for the year ended 31 December 2020 was subsequently received by the Group during the year ended 31 December 2021.

6 OPERATING PROFIT

	2021	2020
	HK$'000	*HK$'000*
Amortisation of intangible assets	**10,754**	6,509
Depreciation of property, plant and equipment	**81,457**	85,691
Depreciation of right-of-use assets	**16,822**	19,322
Employee benefit expenses (including directors' emolument)	**363,986**	343,934
Provision for impairment for inventories	**193,748**	105,704

7 FINANCE INCOME/(COSTS), NET

	2021	2020
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**5,599**	3,334
— promissory note	**4,374**	1,793
	9,973	5,127
Finance costs		
— interest expense on bank borrowings	**(3,060)**	(11,457)
— interest expense on lease liabilities	**(801)**	(895)
	(3,861)	(12,352)
— amount capitalised *(Note)*	**1,265**	2,748
	(2,596)	(9,604)
Finance income/(costs), net	**7,377**	(4,477)

Note: The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's general borrowings during the year, in this case 1.16% (2020: 3.05%).

8 INCOME TAX EXPENSE

	2021	2020
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax *(Note (a))*	**188**	3,357
— PRC enterprise income tax *(Note (b))*	**11,971**	113,693
— Over-provision in prior years	**—**	(59)
Withholding tax	**15,107**	25,028
Deferred income tax	**(7,268)**	(1,747)
	19,998	140,272

Notes:

(a) 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 for the year ended 31 December 2021 (2020: Same).

(b) 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% during the years ended 31 December 2021 and 2020.

During the years ended 31 December 2021 and 2020, one subsidiary of the Group, Hangzhou Fuxi Fashion Co. Ltd., is qualified for a preferential income tax rate of 20% 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)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to equity holders of the Company of approximately HK$333,295,000 (2020: profit of HK$146,044,000) and weighted average number of ordinary shares in issue during the year of 2,099,818,000 (2020: 2,099,818,000).

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

During the years ended 31 December 2021 and 2020, there were no dilutive potential ordinary shares deemed to be issued under the share option scheme as there are no outstanding options during the years ended 31 December 2021 and 2020.

10 LEASES

(i) Amounts recognised in the consolidated balance sheet

	2021	2020
	HK$'000	*HK$'000*
Right-of-use assets		
Leasehold land and land use rights	**151,046**	151,325
Properties	**23,236**	24,967
Office equipment	**92**	165
	174,374	176,457
Lease liabilities		
— Current portion	**9,898**	9,721
— Non-current portion	**15,276**	17,026
	25,174	26,747

Additions to the right-of-use assets during the year ended 31 December 2021 were approximately HK$9,702,000 (2020: HK$9,844,000).

As at 31 December 2021, leasehold land and land use rights with net book amount of approximately HK$82,476,000 (2020: HK$104,597,000) were pledged as securities for the Group's bank borrowings.

During the years ended 31 December 2021 and 2020, the Group transferred certain portion of owner-occupied land use rights located in Hangzhou to investment properties and rented them out:

	2021	2020
	HK$'000	*HK$'000*
On the date of transfer		
— Fair values of land use rights transferred	**1,390**	19,566
— Carrying amounts of land use rights transferred	**(940)**	(3,040)
Excess of fair values over carrying amounts	**450**	16,526
Less: Deferred taxation	**(113)**	(4,132)
Revaluation surplus recognised in other comprehensive income	**337**	12,394

(ii) Amounts recognised in the consolidated statements of comprehensive income

	2021	2020
	HK$'000	*HK$'000*
Depreciation charge of right-of-use assets		
Properties	**11,788**	13,578
Leasehold land and land use rights	**4,961**	5,671
Office equipment	**73**	73
	16,822	19,322
Interests on lease liabilities	**801**	895
Expenses relating to short-term leases	**10,101**	6,322

Depreciation expenses of approximately HK$2,552,000 (2020: HK$2,707,000), HK$6,468,000 (2020: HK$7,986,000) and HK$7,802,000 (2020: HK$8,629,000) have been charged to cost of sales, selling, marking and distributing costs and administrative expenses, respectively.

The total cash outflow for leases during the year ended 31 December 2021 was approximately HK$22,544,000 (2020: HK$20,355,000).

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

The Group leases various properties and office equipment. Rental contracts are typically made for fixed term of 1 to 3 years, but may have extension options as described in (v) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease arrangements do not impose any covenants.

(iv) Variable lease payments

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

(v) Extension and termination options

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

11 TRADE AND OTHER RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
Trade and bill receivables *(Note (i))*	**423,231**	425,172
Less: Loss allowance	**(115,680)**	(99,859)
Trade and bill receivables, net	**307,551**	325,313
Amounts due from related parties	**40,074**	36,386
Compensation receivable from government *(Note 5)*	**5,408**	283,802
Disposal proceed receivable of FVPL in Zhejiang Haoran *(Note 12)*	**—**	118,765
Prepayments	**213,824**	192,382
Deposits and other receivables	**111,437**	123,410
	678,294	1,080,058
Promissory note *(Note (ii))*		
— Non-current portion	**16,117**	31,949
— Current portion	**11,991**	9,382
	28,108	41,331

The amounts due from related parties are unsecured, interest-free and repayable on demand.

Notes:

(i) Trade and bill receivables

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

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**157,622**	157,004
31 to 60 days	**66,187**	50,284
61 to 90 days	**30,645**	51,521
91 to 120 days	**42,066**	66,172
Over 120 days	**126,711**	100,191
	423,231	425,172

For OEM garment sales, the Group's trade receivables from its customers are generally settled by way of letters of credit or telegraphic transfer with credit periods of not more than 90 days.

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

Retail sales are settled in cash, by credit cards, through internet payment service providers or collected by department stores/online retailers on behalf of the Group. The agreed credit terms with credit card companies are usually within 14 days. Department stores and online retailers are normally required to settle the proceeds to the Group within 2 months from the date of sale.

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

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

As at 31 December 2021, the trade receivables from five customers accounted for 27.1% (2020: 24.0%) of the total trade receivables. The loss allowance increased by HK$14,474,000 (2020: HK$71,294,000) for trade receivables during the current year. Information about the Group's exposure to credit risk and the impairment of trade receivables can be found in Note 2.

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

	2021	2020
	HK$'000	*HK$'000*
At 1 January	**99,859**	72,304
Charged to the consolidated profit or loss	**14,474**	71,294
Write-off	**—**	(44,037)
Exchange differences	**1,347**	298
At 31 December	**115,680**	99,859

(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 31 December 2021, the outstanding principal of the promissory note was US$4,600,000 (approximately HK$35,581,000) (2020: US$7,000,000 (approximately HK$54,145,000)).

12 FVPL

	2021	2020
	HK$'000	*HK$'000*
Listed equity securities *(Note (i))*	**7,111**	6,248

Movement of the Group's FVPL for the years ended 31 December 2021 and 2020 is as follows:

	Listed equity securities ***(Note (i))*** ***HK$'000***	**FVPL in Zhejiang Haoran** ***(Note (ii))*** ***HK$'000***	**Total** ***HK$'000***
At 1 January 2021	**6,248**	**—**	**6,248**
Additions	**285**	**—**	**285**
Disposals	**(465)**	**—**	**(465)**
Net fair value gains — unrealised	**823**	**—**	**823**
Exchange differences	**220**	**—**	**220**
At 31 December 2021	**7,111**	**—**	**7,111**
At 1 January 2020	5,647	304,858	310,505
Additions	478	—	478
Disposals	(839)	(306,779)	(307,618)
Net fair value gains — unrealised	600	—	600
Exchange differences	362	1,921	2,283
At 31 December 2020	6,248	—	6,248

Notes:

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

(ii) FVPL in Zhejiang Haoran

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

As at 1 January 2020, FVPL in Zhejiang Haoran represented the Group's 29% equity interest in, shareholder's loans and advances granted to Zhejiang Haoran totalled RMB272,511,000 (approximately HK$304,858,000). The Group had been seeking for recovery of a portion of shareholder's loans and advance to Zhejiang Haoran and to enforce its right as a shareholder of Zhejiang Haoran through legal proceedings since 2016.

The Group was unable to obtain sufficient financial information of Zhejiang Haoran as at 1 January 2020 because management of Zhejiang Haoran did not provide such required financial information to the Group. As a result, the fair value of FVPL in Zhejiang Haoran as at 1 January 2020 was estimated by management using the adjusted net asset value approach based on Zhejiang Haoran's financial information as at 31 December 2016 which was the latest financial information available to the Group. The fair value of the Property and construction costs incurred for the Property subsequent to 31 December 2016 was adjusted to take into account certain more up to date financial information and other information made available in the process of legal proceedings in late 2019. No interest expense has been accrued subsequent to 31 December 2016. A minority interest discount rate of 40% was applied in the valuation as at 1 January 2020. The directors considered that the above-mentioned assumptions and basis applied in the fair value assessment of FVPL in Zhejiang Haoran were appropriate and represented their best estimates as at 1 January 2020.

Management assumed there was no change in the fair value of FVPL in Zhejiang Haoran during the year ended 31 December 2020 and the fair value of such FVPL at the date of disposal was HK$298,971,000. On 30 June 2020, the FVPL in Zhejiang Haoran was disposed of by the Group to a company designated by the major shareholder of Zhejiang Haoran (the "buyer") at a consideration of HK$491,482,000 and a disposal gain of HK$193,275,000 was recognised accordingly in the Group's consolidated statement of comprehensive income for the year ended 31 December 2020.

Disposal proceed of HK$376,723,000 was received by the Group during the year ended 31 December 2020 while the remaining balance of HK$118,765,000 was received by the Group during the year ended 31 December 2021.

13 ASSETS HELD FOR SALE

As at 31 December 2020, properties and land use right of approximately HK$8,880,000 have been presented as held for sale following the decision of the Group's management to sell such assets in the near term.

During the year ended 31 December 2021, these assets ceased to be classified as assets held for sale, due to the change of the Group's disposal plan for such assets. Accordingly, properties and land use rights with carrying value of HK$5,286,000 and HK$3,594,000 have been reclassified to property, plant and equipment and right-of-use assets, respectively, and adjusted for depreciation amounting to HK$284,000 and HK$377,000 respectively that would have been recognised had these assets not been classified as held for sale.

14 TRADE AND OTHER PAYABLES

	2021	2020
	HK$'000	*HK$'000*
Trade and bill payables	**432,995**	340,233
Accrued employee benefit expenses	**26,575**	35,212
Customer deposits	**54,648**	50,587
Value-added tax and other tax payables	**21,476**	38,510
Accrued operating expenses	**51,692**	49,361
Other payables	**77,282**	55,387
Amounts due to related parties	**—**	487
	664,668	569,777

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

	2021	2020
	HK$'000	*HK$'000*
0 to 30 days	**301,998**	239,971
31 to 60 days	**56,194**	35,011
61 to 90 days	**12,828**	10,826
Over 90 days	**61,975**	54,425
	432,995	340,233

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

The amounts due to related parties are unsecured, interest-free and repayable on demand.

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

At the meeting of the Audit Committee of the Board held on 30 March 2022, the independent non-executive Directors, being all members of the Audit Committee, reviewed the Independent Auditor's Report on Audit of the consolidated financial statements to the Board of Directors of China Ting Group Holdings Limited covering the year ended 31 December 2021. The Audit Committee noted that the auditor is giving a qualified audit opinion because of the possible effects on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020 in the consolidated statement of comprehensive income and the consolidated statement of changes in equity and the related note disclosures. Please refer to "Extract of Independent Auditor's Report to be issued on the Group's Consolidated Financial Statements for the Year Ended 31 December 2021" on page 26 of this announcement for more details. The Audit Committee understood that except for the basis of the qualification as mentioned above, nothing has come to the auditor's attention that causes the auditor to believe that the consolidated financial statements of the Group for the year ended 31 December 2021 is not prepared, in all material respects, in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and in compliance with the disclosure requirements of the Hong Kong Companies Ordinance. On this basis, the Audit Committee has accepted the Report.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT TO BE ISSUED ON THE GROUP'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

Our qualified opinion

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

As discussed in note 15 to the consolidated financial statements, the Group held financial asset at fair value through profit or loss ("**FVPL**") in Zhejiang Haoran Property Company Limited ("**Zhejiang Haoran**") up to 30 June 2020 (the "**date of disposal**"), which represented the Group's equity interests in, shareholder's loans and advances granted to Zhejiang Haoran. The Group disposed of this FVPL in Zhejiang Haoran to the major shareholder of Zhejiang Haoran at a consideration of approximately HK$491 million on 30 June 2020 and recognised a disposal gain of HK$193 million in the Group's consolidated statement of comprehensive income for the year ended 31 December 2020.

We have previously qualified our audit opinion in respect of the Group's consolidated financial statements for the year ended 31 December 2020 due to limitation of scope as we were unable to obtain sufficient appropriate audit evidence we considered necessary to assess management's valuation of the FVPL in Zhejiang Haoran to determine whether any adjustments were necessary to the balance of the FVPL in Zhejiang Haoran as at 1 January 2020 of HK$305 million and at the date of disposal of 30 June 2020 of HK$299 million, respectively. Any adjustments to the carrying value of FVPL in Zhejiang Haoran as at 1 January 2020 and at the date of disposal could have a significant consequential effect on the fair value gain of nil, disposal gain of HK$193 million and exchange loss of HK$6 million recognised in the consolidated statement of comprehensive income for the year ended 31 December 2020.

Because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020 in the consolidated statement of comprehensive income and the consolidated statement of changes in equity and the related note disclosures, our audit opinion on the consolidated financial statements for the year ended 31 December 2021 is therefore qualified.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

In 2021, the production volume of the apparel industry has experienced a stable growth due to the positive factors from recovery of COVID 19 during the year and the increasing demand from the local and the overseas and more important, the increase in the overseas bulk purchase orders. The production volume of the apparel industry increased generally to the levels before the outbreak of the COVID-19 pandemic. In terms of the production volume by main categories, according to China National Garment Association, the production volume of knitted apparels, driven by the increase in exports, continued the growing momentum at the growth rate of 10.86%, while the production volume of woven apparels increased only by 4.85% on a year-on-year basis, according to the same report. Such modest increase still represented a substantial decrease as compared to the production volume before the COVID-19 pandemic.

The amount of revenue generated from the Group's OEM/ODM business slightly declined by 1.4% in 2021, as compared to the same amount in 2020, which was mainly due to the constraining factors that the main products of the Group are in the category of woven apparels, and that most of the Group's customers are mid-to-high-end apparel brand companies, which were remarkably affected by COVID-19. However, a notable trend in 2021 was that the proportions of the Group's OEM business to the domestic brand customers in the PRC and non-US customers had significantly increased, which resulted in a more balanced and diversified allocation of customer base. In addition, the Group accelerated the establishment of overseas production base in 2021 in Vietnam, which would facilitate the Group to continue to expand its OEM business in the future.

Although the retail business of the Group in the PRC was also affected by the COVID-19 pandemic and more importantly, the precautionary and social distancing measures implemented at different PRC cities in 2021 and failed to expand the number of shops as scheduled, the Group managed to achieve a significant growth in such business by focusing on the live streaming e-commerce business and the use of franchise business model for expansion. As a result, the retail business of the Group had recorded a year-on-year growth at the rate of 16%. Such impressive growth has boosted the confidence of the Group in its overall transformation into a retail business with established brands well recognised amongst the target customers in the PRC. The Group will continue to focus on the development of businesses under China Ting's own brands and other brands of which the Group has been granted the rights to use and develop, with extra efforts to be devoted on the development of the retail business models key components, such as live streaming e-commerce.

The property investment business also achieved a growth of 96.8% in 2021, which was attributable to, on the one hand, the increased leasable area following completion of certain new buildings in the industrial park and, on the other hand, the successful attraction of high-quality tenants for the industrial park because of its outstanding facilities and property conditions. The great performance of the industrial park operation business makes it as one of business segments of the Group that would contribute the development of the Group in the future.

(2) Financial Review

Review of operations

During the year ended 31 December 2021, the Group's revenue amounted to HK$1,609.3 million, representing an increase of 4.3% when compared with the total revenue of the Group of HK$1,542.4 million in 2020. The gross profit for the year ended 31 December 2021 was HK$133.9 million, representing a decrease of 40.2% as compared with HK$223.7 million in 2020. The net loss attributable to equity holders of the Company for the year ended 31 December 2021 was HK$333.3 million and the net asset value per share as at 31 December 2021 was HK$1.29.

OEM and ODM business

During the year ended 31 December 2021, the revenue derived from our OEM/ODM business recorded a decrease of 1.4% from HK$1,138.3 million in 2020 to HK$1,122.1 million in 2021. Products made from silk, cotton and synthetic fabrics continue to be the major products which contributed HK$283.7 million (2020: HK$881.6 million), representing 25.3% (2020: 77.4%) of the total turnover of our OEM/ODM business for the year ended 31 December 2021.

In respect of market concentration, sales to the market in the United States of America ("**US**") amounted to HK$366.9 million in 2021 (2020: HK$494.8 million), which accounted for 32.7% (2020: 43.5%) of the OEM/ODM revenue. Sales to European Union and other markets in 2021 were HK$105.6 million (2020: HK$174.9 million) and HK$649.6 million (2020: HK$468.6 million), respectively.

Fashion retail business

During the year ended 31 December 2021, the retail sales of the Group amounted to HK$443.9 million, representing an increase of 16.2% when compared with the revenue of HK$382.1 million in 2020. Finity, the major brand of the Group, contributed HK$238.8 million to the retail business in 2021, representing an increase of 8.1% as compared with HK$220.9 million for the year 2020.

In terms of retail revenue analysis by sales channels, sales from concessionary counters amounted to HK$83.7 million (2020: HK$111.4 million), accounting for 18.9% of total retail turnover for the year ended 31 December 2021. Sales from e-commerce, freestanding stores and franchisees for the year ended 31 December 2021 amounted to HK$232.2 million (2020: HK$179.8 million), HK$7.7 million (2020: HK$7.9 million) and HK$120.3 million (2020: HK$83.0 million), respectively.

Property Investment Business

In 2019, 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 order to facilitate the regional development, fashion expert localisation and 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 year ended 31 December 2021, the revenue from our property investment business amounted to HK$43.3 million (2020: HK$22.0 million).

Liquidity and financial resources

The Group continues to retain a solid financial position. During the year, the Group's working capital needs were principally supported by the financial resources generated from its ordinary course of business. As of 31 December 2021, the cash and cash equivalents were HK$752.2 million, representing an increase of 30.3% from HK$577.2 million as of 31 December 2020. The Group had bank borrowings of HK$251.0 million as of 31 December 2021 (2020: HK$270.1 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 9.2% (2020: 9.4%). The Directors consider that the Group has adequate financial resources to support its working capital requirement and future expansion.

(3) Business Outlook

In 2022, the recovery process and of the global economy and the pace of recovery of the international demand are expected to slow down. Together with the unstable international geopolitical circumstances, such as the military conflicts in Russia-Ukraine, the PRC's economy is expected to encounter significant downward pressure. This is particularly the case that different variants of the COVID-19, including the Omicron, continue to spread and affect the daily lives of a significant part of the world's population. All of these will continue to lead to uncertainties in the supply chain for production materials, freight charges for international transportation and the demand markets. Against this background the Directors expect the apparel industry in 2022 will continue to be sluggish in general.

From the perspective of the domestic brand development, the growth of the online is expected to slow down following the boost as a result of the stringent precautionary measures against the COVID-19 pandemic. The most recent tax recovery steps launched by the PRC government, particularly in the live streaming industry, has resulted in slow down the growth to a certain extent. Meanwhile, the continuous implementation of dynamic-zero measures for COVID-19 prevention and control and the frequent outbreak at various places have resulted in unforeseeable and negative impact on the operations of stores at different locations. Hence, the Directors believe that the year of 2022 will continue to be a stressful year for the domestic brand retail market in the PRC.

In light of the unfavorable factors in the PRC domestic market and abroad, the Group will take the bull by the horns and continue to seek suitable business partners around the world, especially in the countries with fast-growing emerging markets. The Group will expand its production capacity overseas to strengthen the Group's continuous competitiveness in production capacity and production cost. In terms of the domestic operation, the Group will improve the quality and the trendiness of the Group's products through continuous equipment update and new product research and development, enhance the close cooperation with colleges and universities, and strengthen the pool of professional and technical personnel. In terms of the domestic retail business in the PRC, given the increasing uncertainties in the operation of stores, the Group plans to aggressively develop the proportion of online sales through the cooperation with first-class platform providers such as Douyin, Vipshop and Tmall to ensure the continuous growth of retail business.

Last but not least, the Group has achieved a stable profit from the property leasing business in 2021. In 2022, the Group will, on the basis of exerting great efforts on the operation of existing properties, construct new industrial and commercial buildings of approximately 300,000 square meters. These new buildings are expected to be completed and put into use within two years, and will accelerate the growth in the operating revenue to the Group.

(4) Human Resources

As of 31 December 2021, the Group had approximately 3,660 full-time employees. Staff costs for 2021 stand at HK$364.0 million, representing an increase of 5.8% when compared with HK$343.9 million for the year 2020.

The Group recognises the importance of good relationships with its employees and has adopted an incentive bonus scheme for them, under which bonuses are determined every year based on the performance of individual employees and with reference to the Group's annual profits and performance. Our Directors believe that a competitive remuneration package, a safe and comfortable workplace, and career development opportunities are incentives for employees to excel in their areas of responsibilities.

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

CAPITAL EXPENDITURE AND COMMITMENTS

The Group exercised careful control over capital expenditure. The Group incurred capital expenditures of HK$138.5 million for the year ended 31 December 2021 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 of 31 December 2021 amounted to HK$1,074.0 million, which were mainly related to the construction of the China Ting International Fashion Base.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The industrial park with a total site area of 456,031 sq.m. located at Linping Economic Development Zone, Hangzhou City, Zhejiang Province, the PRC ("**China Ting Industrial Park**") has been established by the Group since 2003 as its principal place of business and manufacturing base in the PRC, and it currently includes low-rise production buildings and warehouses and a seven-storey commercial building. Certain land parcels on which the China Ting Industrial Park is situated are under-utilised, particularly in light of the rapid urban development in the surrounding areas and the connection of highway/railway networks with other PRC cities. For the purpose of the redevelopment proposal (the "**Redevelopment Proposal**") of certain land parcels at the China Ting Industrial Park with a total site area of 154,584.7 sq.m. for the construction of 12 new buildings with a total gross floor area of 587,246.71 sq.m. for the Group's headquarters and offices, factories, warehouses and staff quarters as well as for leasing purpose, the industrial park construction contracts (the "**Industrial Park Construction Contracts**") have been entered into solely for the land foundation and the concrete structure construction on 24 November 2021. The Industrial Park Construction Contracts comprise (a) 2 individual contracts entered into between Zhejiang Huzhou Construction Engineering Group Co., Ltd. (浙江湖州市建工集團有限公司) and the members of the Group with an aggregate contract sum of RMB375.0 million (equivalent to HK$457.3 million) (the "**Huzhou Construction Contracts**"); (b) 5 individual contracts entered into between Hangzhou Dongsheng Construction Engineering Co., Ltd. (杭州東升建設工程有限公司) and the members of the Group with an aggregate contract sum of RMB265.8 million (equivalent to HK$324.1 million) (the "**Dongsheng Construction Contracts**"); (c) 2 individual contracts entered into between Zhejiang Yangfan Construction Co., Ltd. (浙江揚帆建設有限公司) (the "**Yangfan Construction Contracts**") and the members of the Group with an aggregate contract sum of RMB155.2 million (equivalent to HK$189.3 million); and (d) 3 individual contracts entered into between Zhejiang Ziqiang Construction Engineering Co., Ltd. (浙江自強建築工程有限公司) and the members of the Group with an aggregate contract sum of RMB87.2 million (equivalent to HK$106.3 million) (the "**Ziqiang Construction Contracts**"). In addition, the Group has formulated detailed plans and schedules on other related works for the Redevelopment Proposal, such as installation of curtain walls, facade, lifts and elevators, fire prevention facilities, electrical and water works and facilities and gardening, and will implement as and when the concrete structure construction is about to complete. The total investment for the Redevelopment Proposal would be approximately RMB1.6 billion (equivalent to HK$2.0 billion).

Since one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the Huzhou Construction Contracts, Dongsheng Construction Contracts and Yangfan Construction Contracts exceed 25% but all such percentage ratios are less than 100%, the transactions contemplated under each of the Huzhou Construction Contracts, Dongsheng Construction Contracts and Yangfan Construction Contracts constitute a major transaction for the Company and are therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) are more than 5% but less than 25%, the transactions contemplated under the Ziqiang Construction Contracts constitute a discloseable transaction for the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Details of the Industrial Park Construction Contracts were set forth in the announcement dated 24 November 2021 and the circular dated 17 January 2022 issued by the Company.

Saved as disclosed above, there was no significant investment, material acquisition and disposal of subsidiaries during the year ended 31 December 2021.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN EXCHANGE RATE

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

The sales and purchase of raw materials of the Group are mainly denominated in USD and Renminbi ("**RMB**"). During the period, approximately 31.2% and 68.8% of revenue were denominated in USD and RMB respectively, and approximately 5.7% and 93.8% of purchase of raw materials were denominated in USD and RMB respectively.

As of 31 December 2021, approximately 30.1%, 69.2% and 0.7% of cash and bank balances were denominated in USD, RMB and HK$, respectively, and approximately 10.3% and 89.7% of bank borrowings were denominated in RMB and HK$, 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.

SUBSEQUENT EVENT AFTER BALANCE SHEET DATE

There were no material subsequent events undertaken by the Group after 31 December 2021 and up to date of this announcement.

CORPORATE GOVERNANCE

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

The Company has complied with the code provisions of the Corporate Governance Code 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 "**Stock Exchange**") (the "**Listing Rules**") for the year ended 31 December 2021.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set forth in the Model Code for the year ended 31 December 2021.

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

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, the Board has established the Audit Committee to review the financial reporting procedures and risk management and internal control matters with management and our Group's auditors and provide guidance thereto. The members of the Audit Committee comprise all the three independent non-executive Directors namely, Mr. CHENG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit. Mr. WONG Chi Keung is the chairman of the Audit Committee. The Audit Committee has considered and reviewed the annual results of the Group for the financial year ended 31 December 2021 and the accounting principles and practices adopted by the Group and discussed matters in relation to risk management and internal control and financial reporting with the management and the independent auditor.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS HONG KONG

The financial figures in this announcement of the Group's results for the year ended 31 December 2021 have been agreed by the Group's external auditor, PricewaterhouseCoopers Hong Kong ("**PwC**"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA, and consequently no assurance has been expressed by PwC on this announcement.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year ended 31 December 2021.

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

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2021 containing all the information required by the Listing Rules will be despatched to shareholders of the Company (the "**Shareholders**") and available on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 27 May 2022. A notice convening the annual general meeting will be published on the websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due course.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021.

APPRECIATION

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

GENERAL INFORMATION

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

Executive Directors

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

Independent non-executive Directors

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

By Order of the Board
CHINA TING GROUP HOLDINGS LIMITED
TING Hung Yi
Executive Director and Chief Executive Officer

Hong Kong, 31 March 2022