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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

	Year ended 31 December		% Change
	2022	2021	
	<i>HK\$ million</i>	<i>HK\$ million</i>	
FINANCIAL HIGHLIGHTS			
Revenue			
OEM Business	1,197.0	1,122.1	7%
Fashion Retail Business	501.0	443.9	13%
Property Investment Business	59.8	43.3	33%
	1,757.8	1,609.3	9%
Operating loss	(136.9)	(312.2)	
Loss attributable to the Company's equity holders	(151.7)	(333.3)	
Equity attributable to the Company's equity holders	2,334.1	2,680.8	
Equity per share (<i>HK\$</i>)	1.12	1.29	

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**” or “**China Ting**”) announces the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	1,757,823	1,609,266
Cost of sales		(1,458,028)	(1,475,386)
Gross profit		299,795	133,880
Other income, net	4	28,078	18,129
Other gains, net	5	30,076	25,557
Provision for impairment loss of financial assets, net		(21,407)	(13,980)
Selling, marketing and distribution costs		(234,761)	(212,003)
Administrative expenses		(238,309)	(267,125)
Operating loss		(136,528)	(315,542)
Finance income	7	12,835	9,973
Finance costs	7	(10,762)	(2,596)
Share of results of investments accounted for using the equity method		(2,401)	(4,031)
Loss before income tax		(136,856)	(312,196)
Income tax expense	8	(14,751)	(19,998)
Loss for the year		(151,607)	(332,194)
Other comprehensive (loss)/income			
<i>Items that may be reclassified to profit or loss:</i>			
— Currency translation differences		(202,385)	79,570
— 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 (losses)/gains on FVOCI		(5,267)	1,000
Other comprehensive (loss)/income, net of tax		(207,652)	171,637
Total comprehensive loss		(359,259)	(160,557)

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss attributable to:			
Equity holders of the Company		(151,678)	(333,295)
Non-controlling interests		<u>71</u>	<u>1,101</u>
		<u>(151,607)</u>	<u>(332,194)</u>
Total comprehensive loss attributable to:			
Equity holders of the Company		(346,703)	(162,501)
Non-controlling interests		<u>(12,556)</u>	<u>1,944</u>
		<u>(359,259)</u>	<u>(160,557)</u>
Loss per share for loss attributable to equity holders of the Company during the year (expressed in HK cents per share)			
— basic	9	<u>(7.22)</u>	<u>(15.87)</u>
— diluted	9	<u>(7.22)</u>	<u>(15.87)</u>

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		499,629	328,561
Right-of-use assets	10	226,340	174,374
Investment properties		817,765	863,436
Intangible assets		5,314	18,175
Investments accounted for using the equity method		10,348	12,041
Promissory note	11	—	16,117
Deferred income tax assets		104,385	105,940
		<u>1,663,781</u>	<u>1,518,644</u>
Current assets			
Inventories		864,995	998,371
Trade and other receivables	11	548,666	678,294
Financial assets at fair value through profit or loss ("FVPL")		42,100	7,111
Financial assets at fair value through other comprehensive income ("FVOCI")		4,212	9,752
Promissory note	11	14,700	11,991
Tax recoverable		11,305	8,744
Pledged bank deposits		1,111	737
Cash and cash equivalents		505,493	752,195
		<u>1,992,582</u>	<u>2,467,195</u>
Total assets		<u>3,656,363</u>	<u>3,985,839</u>

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,982	209,982
Reserves		2,124,160	2,470,863
		2,334,142	2,680,845
Non-controlling interests		20,557	33,113
Total equity		2,354,699	2,713,958
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		133,161	143,809
Bank borrowings		50,870	—
Lease liabilities	10	59,168	15,276
		243,199	159,085
Current liabilities			
Trade and other payables	12	580,831	664,668
Contract liabilities	3	46,521	54,456
Lease liabilities	10	31,185	9,898
Bank borrowings		271,943	250,976
Current income tax liabilities		127,985	132,798
		1,058,465	1,112,796
Total liabilities		1,301,664	1,271,881
Total equity and liabilities		3,656,363	3,985,839

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.

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 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3 Amendment to HKFRS 16	Reference to the Conceptual Framework COVID-19 Related Rent Concessions beyond 30 June 2021
Amendments to Annual Improvements Project	Annual Improvements to HKFRSs 2018–2020
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

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 standards, amendments to existing standards and interpretation not yet adopted:

		Effective for accounting periods beginning on or after
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	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
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 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
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 standards, amendments to existing standards and interpretation 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 2022, the balances of such individually assessed trade receivables and the loss allowance in respect of these receivables are HK\$86,405,000 (2021: HK\$104,882,000) and HK\$64,304,000 (2021: HK\$72,411,000), 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 2022 or 2021, 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 2022 was determined as follows for trade receivables:

	Up to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 120 days <i>HK\$'000</i>	Over 120 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2022						
Expected loss rate	2.1%	2.7%	4.0%	29.9%	57.0%	
Gross carrying amount	124,539	60,386	42,822	52,017	85,911	365,675
Loss allowance	<u>2,651</u>	<u>1,656</u>	<u>1,726</u>	<u>15,554</u>	<u>49,002</u>	<u>70,589</u>
	Up to 30 days <i>HK\$'000</i>	31 to 60 days <i>HK\$'000</i>	61 to 90 days <i>HK\$'000</i>	91 to 120 days <i>HK\$'000</i>	Over 120 days <i>HK\$'000</i>	Total <i>HK\$'000</i>
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	<u>1,922</u>	<u>1,480</u>	<u>1,061</u>	<u>8,899</u>	<u>29,907</u>	<u>43,269</u>

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.

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.

Deposit and other receivables of HK\$3,624,000 (2021:HK\$1,117,000) has been impaired as at 31 December 2022.

As at 31 December 2022, a reversal of impairment loss of HK\$2,424,000 (2021: a reversal of impairment loss of HK\$966,000) has been provided for the revised non-interest bearing promissory note.

During the year ended 31 December 2022, previously provided for the amount due from joint venture amounting to HK\$3,265,000 have been written off. The amount due from a joint venture of HK\$3,265,000 has been fully impaired as at 31 December 2021.

Other than mentioned above, as at 31 December 2022 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 (2021: Same). No impairment losses are provided for such financial assets as at 31 December 2022 as the impairment losses are considered immaterial (2021: 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. 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").

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 <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2022				
Total revenue	1,233,533	503,635	70,440	1,807,608
Inter-segment revenue	<u>(36,454)</u>	<u>(2,597)</u>	<u>(10,734)</u>	<u>(49,785)</u>
Revenue (from external customers)	<u>1,197,079</u>	<u>501,038</u>	<u>59,706</u>	<u>1,757,823</u>
Timing of revenue recognition				
At a point in time	1,197,079	501,038	—	1,698,117
Over time	<u>—</u>	<u>—</u>	<u>59,706</u>	<u>59,706</u>
	<u>1,197,079</u>	<u>501,038</u>	<u>59,706</u>	<u>1,757,823</u>
Segment (loss)/profit before income tax	<u>(90,921)</u>	<u>(90,668)</u>	<u>49,085</u>	<u>(132,504)</u>
Fair value gain on investment properties	—	—	20,713	20,713
Depreciation of property, plant and equipment	(46,710)	(28,728)	—	(75,438)
Depreciation of right-of-use assets	(14,933)	(20,706)	(68)	(35,707)
Amortisation of intangible assets	(930)	(416)	—	(1,346)
Finance income	11,858	212	765	12,835
Finance costs	(9,130)	(1,632)	—	(10,762)
Share of results of investments accounted for using the equity method	(2,401)	—	—	(2,401)
Income tax expense	<u>(16,098)</u>	<u>11,774</u>	<u>(10,427)</u>	<u>(14,751)</u>

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021				
Total revenue	1,132,278	451,740	47,415	1,631,433
Inter-segment revenue	<u>(10,212)</u>	<u>(7,836)</u>	<u>(4,119)</u>	<u>(22,167)</u>
Revenue (from external customers)	<u>1,122,066</u>	<u>443,904</u>	<u>43,296</u>	<u>1,609,266</u>
Timing of revenue recognition				
At a point in time	1,122,066	443,904	—	1,565,970
Over time	<u>—</u>	<u>—</u>	<u>43,296</u>	<u>43,296</u>
	<u>1,122,066</u>	<u>443,904</u>	<u>43,296</u>	<u>1,609,266</u>
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	<u>25,553</u>	<u>—</u>	<u>—</u>	<u>25,553</u>
Segment (loss)/profit before income tax	<u>(226,030)</u>	<u>(95,376)</u>	<u>13,403</u>	<u>(308,003)</u>
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	<u>(17,901)</u>	<u>1,254</u>	<u>(3,351)</u>	<u>(19,998)</u>

	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 2022				
Total segment assets	<u>1,651,376</u>	<u>1,081,970</u>	<u>845,670</u>	<u>3,579,016</u>
Total segment assets include:				
Investments accounted for using the equity method	10,348	—	—	10,348
Additions to non-current assets (other than financial instruments and deferred income tax assets)	244,598	124,648	6,664	375,910
Tax recoverable	10,318	987	—	11,305
Deferred income tax assets	<u>11,190</u>	<u>93,195</u>	—	<u>104,385</u>
	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>105,940</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total segment loss before income tax	(132,504)	(308,003)
Net fair value gains on FVPL	663	871
Corporate overhead	(5,653)	(5,730)
Rental income	<u>638</u>	<u>666</u>
Loss before income tax per consolidated statement of comprehensive income	<u>(136,856)</u>	<u>(312,196)</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Total segment assets	3,579,016	3,937,736
FVPL	42,100	7,111
FVOCI	4,212	9,752
Corporate assets	1,035	1,240
Investment properties	<u>30,000</u>	<u>30,000</u>
Total assets per consolidated balance sheet	<u>3,656,363</u>	<u>3,985,839</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC	1,029,599	1,102,077
North America	513,295	366,903
European Union	137,260	105,608
Hong Kong	46,699	17,799
Other countries	<u>30,970</u>	<u>16,879</u>
	<u>1,757,823</u>	<u>1,609,266</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The PRC	1,328,546	1,176,926
Hong Kong	173,825	194,594
North America	46,677	13,026
	<u>1,549,048</u>	<u>1,384,546</u>

For the years ended 31 December 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 31 December 2022, the Group has recognised the following liabilities related to contracts with customers:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current contract liabilities	<u>46,521</u>	<u>54,456</u>

The following table shows the amount of revenue recognised during the year ended 31 December 2022 relating to carried-forward contract liabilities:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	<u>54,456</u>	<u>37,794</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, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Government grants	7,879	3,348
Rental income	18,719	12,151
Gain on sales of equipment to a joint venture	—	184
Others	1,480	2,446
	<u>28,078</u>	<u>18,129</u>

5 OTHER GAINS, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Gain on expropriation of land and properties (<i>Note (i)</i>)	—	25,553
Gain on disposal of an associate	—	8,425
Net exchange gain	14,469	1,301
Net fair value gains on FVPL — realised	605	48
Net fair value gains on FVPL — unrealised	58	823
Fair value gains/(losses) on investment properties	20,713	(10,627)
Forfeited customer deposits	4,528	—
(Loss)/gains on disposal of property, plant and equipment	(9,133)	34
Loss on step acquisition	(1,168)	—
Modification of lease contract	4	—
	<u>30,076</u>	<u>25,557</u>

Note:

- (i) 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, consisting of property, plant and equipment of HK\$1,376,000 and right-of-use assets of HK\$109,000, were expropriated by local government. Relevant compensation amounted to HK\$27,038,000 were granted by local government in this regard, resulting in a net gain of HK\$25,553,000.

6 OPERATING PROFIT

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Amortisation of intangible assets	1,346	10,754
Depreciation of property, plant and equipment	75,438	81,457
Depreciation of right-of-use assets	35,707	16,822
Employee benefit expenses (including directors' emolument)	369,694	363,986
Provision for impairment for inventories	117,321	193,748
	<u>117,321</u>	<u>193,748</u>

7 FINANCE INCOME, NET

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	10,103	5,599
— promissory note	2,732	4,374
	<u>12,835</u>	<u>9,973</u>
Finance costs		
— interest expense on bank borrowings	(8,850)	(3,060)
— interest expense on lease liabilities	(2,802)	(801)
	<u>(11,652)</u>	<u>(3,861)</u>
— amount capitalised (<i>Note</i>)	890	1,265
	<u>(10,762)</u>	<u>(2,596)</u>
Finance income, net	<u>2,073</u>	<u>7,377</u>

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 4.65% (2021: 1.16%).

8 INCOME TAX EXPENSE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax (<i>Note (a)</i>)	698	188
— PRC enterprise income tax (<i>Note (b)</i>)	14,262	11,971
Withholding tax	6,071	15,107
Deferred income tax	<u>(6,280)</u>	<u>(7,268)</u>
	<u>14,751</u>	<u>19,998</u>

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 2022 (2021: 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 2022 and 2021.

Certain of the Group's subsidiaries enjoy the preferential income tax treatment for Small and Micro Enterprise with the income tax rate of 20% and are eligible to have their tax calculated based on 12.5% or 25% of their taxable income.

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\$151,678,000 (2021: loss of HK\$333,295,000) and weighted average number of ordinary shares in issue during the year of 2,099,818,000 (2021: 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 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 years ended 31 December 2022 and 2021.

10 LEASES

(i) Amounts recognised in the consolidated balance sheet

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Right-of-use assets		
— Leasehold land and land use rights	139,184	151,046
— Properties	86,712	23,236
— Office equipment	444	92
	<u>226,340</u>	<u>174,374</u>
Lease liabilities		
— Current portion	31,185	9,898
— Non-current portion	59,168	15,276
	<u>90,353</u>	<u>25,174</u>

Additions to the right-of-use assets during the year ended 31 December 2022 were approximately HK\$86,362,000 (2021: HK\$9,702,000).

As at 31 December 2022, leasehold land and land use rights with net book amount of approximately HK\$81,704,000 (2021: HK\$82,476,000) were pledged as securities for the Group's bank borrowings.

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

	2021 <i>HK\$'000</i>
On the date of transfer	
— Fair values of land use rights transferred	1,390
— Carrying amounts of land use rights transferred	<u>(940)</u>
Excess of fair values over carrying amounts	450
Less: Deferred taxation	<u>(113)</u>
Revaluation surplus recognised in other comprehensive income	<u>337</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Depreciation charge of right-of-use assets		
— Properties	30,969	11,788
— Leasehold land and land use rights	4,627	4,961
— Office equipment	111	73
	<u>35,707</u>	<u>16,822</u>
Interests on lease liabilities	2,802	801
Expenses relating to short-term leases	<u>2,371</u>	<u>10,101</u>

Depreciation expenses of approximately HK\$6,824,000 (2021: HK\$2,552,000), HK\$20,236,000 (2021: HK\$6,468,000) and HK\$8,647,000 (2021: HK\$7,802,000) have been charged to cost of sales, selling, marketing and distributing costs and administrative expenses, respectively.

The total cash outflow for leases during the year ended 31 December 2022 was approximately HK\$29,419,000 (2021: HK\$22,544,000).

(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 7 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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and bill receivables (<i>Note (i)</i>)	452,080	423,231
Less: Loss allowance	<u>(134,893)</u>	<u>(115,680)</u>
Trade and bill receivables, net	317,187	307,551
Amounts due from related parties	36,341	40,074
Compensation receivable from government	—	5,408
Prepayments	108,899	213,824
Deposits and other receivables	<u>86,239</u>	<u>111,437</u>
	<u>548,666</u>	<u>678,294</u>
Promissory note (<i>Note (ii)</i>)		
— Non-current portion	—	16,117
— Current portion	<u>14,700</u>	<u>11,991</u>
	<u>14,700</u>	<u>28,108</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	142,499	157,622
31 to 60 days	64,609	66,187
61 to 90 days	45,175	30,645
91 to 120 days	23,275	42,066
Over 120 days	<u>176,522</u>	<u>126,711</u>
	<u>452,080</u>	<u>423,231</u>

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

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 2022, the trade receivables from five customers accounted for 27.4% (2021: 27.1%) of the total trade receivables. The loss allowance increased by HK\$21,323,000 (2021: HK\$14,474,000) 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:

	2022	2021
	HK\$'000	HK\$'000
At 1 January	115,680	99,859
Charged to the consolidated profit or loss	21,323	14,474
Exchange differences	(2,110)	1,347
	<u> </u>	<u> </u>
At 31 December	<u>134,893</u>	<u>115,680</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 31 December 2022, the outstanding principal of the promissory note was US\$2,200,000 (approximately HK\$17,017,000) (2021: US\$4,600,000 (approximately HK\$35,581,000)).

12 TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade and bill payables	362,026	432,995
Accrued employee benefit expenses	31,045	26,575
Customer deposits	87,281	54,648
Value-added tax and other tax payables	5,749	21,476
Accrued operating expenses	46,372	51,692
Other payables	46,479	77,282
Amounts due to related parties	1,879	—
	<u>580,831</u>	<u>664,668</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 to 30 days	232,299	301,998
31 to 60 days	54,416	56,194
61 to 90 days	12,274	12,828
Over 90 days	63,037	61,975
	<u>362,026</u>	<u>432,995</u>

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.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

The statistics compiled by the China National Textile and Apparel Council (中國紡織工業聯合會) indicated that the industrial added value, corporate profits and retail sales of textiles by textile and garment enterprises of specified scale of operation in China all declined at different degrees, showing a significant deteriorating pressure in 2022. Affected by the Russia-Ukraine war, the consumer demand for textiles and garments in the overseas markets was extruded by the continuous increases in the energy and food prices, and the textile and garment market condition was not as optimistic as it was in 2021.

Facing the internal and external difficulties, the Group took active response against the negative trends, and exerted vigorous efforts on the planning in overseas markets for the OEM business. By the end of 2022, the Group has completed the development of three principal business initiatives: first, the production facilities in Hangzhou, China, which is the Group's operation center; second, the production base in the western China providing supportive function; and third, the production facilities in Vietnam and Cambodia in the Southeast Asia providing the production capacity to meet the different needs of customers in an all-round way. While arranging for the new production bases, the Group actively utilises advanced equipments to improve the intelligence, automation and standardisation of the production, thereby improving the product quality. Meanwhile, the Group has always been engaged in customer development and internal management optimisation. All the aforesaid measures have enabled the Group to achieve better-than-the expected performance for the OEM business amid the unfavorable external environment, with a year-on-year increase of 7%.

In 2022, the retail business was adversely affected because of the outbreak of COVID-19 in China. As a result of the lockdown measure of COVID-19, retail stores were unable to operate normally for nearly half of the time and in nearly half of the regions, which was worsened by the large-scale infection during the peak sales season every year, resulting in a heavy loss suffered by the retail business. The Group continued to use great efforts on the development of live broadcast and e-commerce and had made satisfactory progress, which offset the impact of the dramatic decline in retail store sales, resulting in a year-on-year increase of 13% in the performance for the year.

Under the unfavourable economic environment, a majority of business enterprises in China were facing a crisis of survival, which had directly intensified the pressure on the Group's industrial park business. Meanwhile, the upgrading and renovation project of the Group's industrial park on Beisha East Road has been commenced as scheduled, which upon completion is expected to double the size of industrial park under the Group's management. While exerting great efforts in stabilising existing customers, the industrial park operation team also looked for biopharmaceutical and other high-quality enterprises to move into the industrial park, with a high occupancy rate of 95% for the industrial park throughout the year.

(2) Financial Review

Review of operations

During the year ended 31 December 2022, the Group's revenue amounted to HK\$1,757.8 million, representing an increase of 9%, as compared to the total revenue of the Group of HK\$1,609.3 million in 2021. The gross profit for the year ended 31 December 2022 was HK\$299.8 million, representing an increase of 124%, as compared to HK\$133.9 million in 2021. The loss attributable to equity holders of the Company for the year ended 31 December 2022 was HK\$151.7 million and the net asset value per share as of 31 December 2022 was HK\$1.12.

OEM business

During the year ended 31 December 2022, the revenue derived from the OEM business recorded an increase of 7% from HK\$1,122.1 million in 2021 to HK\$1,199.0 million in 2022. Products made from silk, cotton and synthetic fabrics continue to be the major products which contributed HK\$974.1 million (2021: HK\$851.0 million), representing 81.2% (2021: 75.9%) of the total turnover of the OEM business for the year ended 31 December 2022.

In respect of market concentration, sales to the market in the North America amounted to HK\$504.5 million in 2022 (2021: HK\$366.9 million), which accounted for 42.1% (2021: 32.7%) of the revenue of the OEM business. Sales to European Union and other markets in 2022 were HK\$148.7 million (2021: HK\$105.6 million) and HK\$546.0 million (2021: HK\$649.6 million), respectively.

Retail business

During the year ended 31 December 2022, the revenue generated from the retail business amounted to HK\$501.0 million, representing an increase of 13%, as compared to the revenue of HK\$443.9 million in 2021. Finity, the major brand of the Group, contributed HK\$240.1 million to the retail business in 2022, representing an increase of 0.5%, as compared to HK\$238.8 million for the year 2021.

In terms of retail revenue analysis by sales channels, sales from concessionary counters amounted to HK\$126.8 million (2021: HK\$83.7 million), accounting for 25.3% of total retail turnover for the year ended 31 December 2022. Sales from e-commerce, freestanding stores and franchisees for the year ended 31 December 2022 amounted to HK\$267.0 million (2021: HK\$232.2 million), HK\$4.7 million (2021: HK\$7.7 million) and HK\$102.6 million (2021: HK\$120.3 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 during the year. The main purpose of the China Ting International Fashion Base is 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 2022, the revenue from the property investment business amounted to HK\$57.8 million, representing an increase of 33% as compared with HK\$43.3 million for the corresponding period in 2021.

Liquidity and financial resources

The Group continues to retain a solid financial position. During the year ended 31 December 2022, the Group’s working capital needs were principally supported by the financial resources generated from its ordinary course of business. As of 31 December 2022, the cash and cash equivalents were HK\$505.5 million, representing a decrease of 33% from HK\$752.2 million as of 31 December 2021. The Group had bank borrowings of HK\$322.8 million as of 31 December 2022 (2021: HK\$251.0 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 13.7% (2021: 9.2%). The Directors consider that the Group has adequate financial resources to support its working capital requirement and future expansion.

(3) Business Outlook

In 2023, just as commented by the Central Economic Work Conference on the current situation: the foundation for China's economic recovery is not solid and still under the pressure from three perspectives of "demand contraction, supply shock and low expectation", coupled with the turbulent external environment, such as regional geopolitical tensions and the Ukraine-Russia war, to continue to intensify. Moreover, the continued development of the competition will inevitably accelerate the uncertainty between China and the United States of America (the "US") to a great extent. The successive launch of trade restrictions will seriously undermine the trade between China and US. Against this background, the Group expects that the overall foreign trade of apparel items will continue to be sluggish in 2023, which expectation has been once again verified by the sharp decrease in China's apparel export as per the customs data in the first quarter of 2023.

The domestic retail market is also under heavy pressure for recovery. Although the relaxation of the quarantine requirement in China will promote the improvement in the domestic retail market, from the perspective of the deep-seated supply-demand relationship, after three years of trauma from the pandemic, it would take a long time for domestic consumption demand to pick up; the advantages of new retail models such as live broadcasting are not as dominant as they were during the pandemic, so the e-commerce market will not see any explosive growth. Therefore, China's retail market is expected to remain stable or enjoy a market growth in 2023.

Facing the difficult and complicated international and domestic economic environment, the Group will focus on the development of trade customers and the construction of overseas bases, so as to stabilise the Group's OEM business. For the retail business, the Group will focus on the full recovery of retail store sales and the further exploration of the e-commerce market, with great efforts to be exerted on both online and offline businesses, for the purpose of ushering in the first year of performance turnaround after three years of pandemic. The Group is also keen to reach a milestone for the property investment business which the Group's new industrial buildings with a total site area 300,000 square meters will be put into use before the end of 2023. As such, the great efforts on the planning and investment promotion of the industrial park will turn into further improvement in the Group's revenue.

(4) Human Resources

As of 31 December 2022, the Group had approximately 4,073 full-time employees. Staff costs for the year 2022 stand at HK\$369.7 million, representing an increase of 1.6% when compared with HK\$364.0 million for the year 2021.

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\$286.8 million for the year ended 31 December 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 of 31 December 2022 amounted to HK\$1,734.4 million, which were mainly related to the construction of the China Ting International Fashion Base.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES

The Group did not have any significant investment, material acquisition or disposal during the year ended 31 December 2022.

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 year.

The sales and purchase of raw materials of the Group are mainly denominated in USD and Renminbi (“**RMB**”). During the year, approximately 40.6% and 59.4% of revenue were denominated in USD and RMB respectively, and approximately 8.2% and 91.8% of purchase of raw materials were denominated in USD and RMB respectively.

As of 31 December 2022, approximately 21.7%, 77.3% and 0.7% of cash and bank balances were denominated in USD, RMB and HK\$, respectively, and approximately 38.5% and 61.5% 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

There was no material subsequent event undertaken by the Group after 31 December 2022 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 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 year ended 31 December 2022.

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.

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 the code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, all the Directors confirmed that they have complied with the required standard as set forth in the Model Code during the year ended 31 December 2022.

AUDIT COMMITTEE

The Company has established the audit committee (the “**Audit Committee**”) of the Board 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 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 2022 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 respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2022 as set out in this preliminary announcement have been agreed by the Group’s external auditor, PricewaterhouseCoopers Hong Kong (“**PwC**”), to the amounts set out in the Group’s audited 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 preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

PUBLICATION OF ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2022 containing all the information required by Appendix 16 to the Listing Rules and other applicable laws and regulations will be despatched to the shareholders (the “**Shareholders**”) of the Company and published on the websites of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) and the Company in due course.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 29 May 2023. A notice of the annual general meeting will be published on the websites of the Stock Exchange and the Company and 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 2022.

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
Ms. LI Yuet Mui Xera

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

Hong Kong, 31 March 2023