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CHINA TING GROUP HOLDINGS LIMITED

華鼎集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3398)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June		% Change
	2024 (Unaudited) <i>HK\$ million</i>	2023 (Unaudited) <i>HK\$ million</i>	
Revenue			
OEM Business	474.5	495.3	(4.2)
Fashion Retail Business	288.7	291.3	(0.9)
Property Investment Business	26.7	33.3	(19.8)
	<u>789.9</u>	<u>819.9</u>	(3.7)
Operating loss	(180.3)	(88.4)	
Loss for the period	(142.5)	(92.5)	
Significant items:			
Fair value losses on investment properties	<u>56.3</u>	<u>16.0</u>	
Loss for the period before significant item	<u>(86.2)</u>	<u>(76.5)</u>	
Equity attributable to the Company's equity holders	1,824.6	2,212.4	
Equity per share (<i>HK\$</i>)	0.87	1.05	

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**” or “**China Ting**”) hereby announces the condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**1H2024**”), together with the comparative figures for the six months ended 30 June 2023 (the “**1H2023**”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Revenue	3	789,940	819,910
Cost of sales		(645,914)	(657,865)
Gross profit		144,026	162,045
Other income		9,289	12,456
Other gains, net		1,364	2,584
Reversal of/(provision for) impairment loss for financial assets, net		2,504	(2,564)
Fair value losses on investment properties		(56,322)	(16,041)
Selling, marketing and distribution costs		(159,692)	(115,529)
Administrative expenses		(121,510)	(131,335)
Operating loss		(180,341)	(88,384)
Finance income	4	975	2,949
Finance costs	4	(10,087)	(4,181)
Share of results of investments accounted for using the equity method	8	(91)	(171)
Loss before income tax		(189,544)	(89,787)
Income tax credit/(expense)	5	47,064	(2,684)
Loss for the period		(142,480)	(92,471)

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
<i>Note</i>	HK\$'000	HK\$'000
Other comprehensive (loss)/income for the period:		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
— Currency translation differences	(20,620)	(99,933)
— Fair value gains on transfers of owner-occupied properties to investment properties, net of tax	—	62,673
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
— Fair value (losses)/gains on financial asset at fair value through other comprehensive income	<u>(4,257)</u>	<u>6,401</u>
Other comprehensive loss for the period, net of tax	<u>(24,877)</u>	<u>(30,859)</u>
Total comprehensive loss for the period	<u>(167,357)</u>	<u>(123,330)</u>
Loss attributable to:		
Equity holders of the Company	(141,189)	(91,723)
Non-controlling interests	<u>(1,291)</u>	<u>(748)</u>
	<u>(142,480)</u>	<u>(92,471)</u>
Total comprehensive loss attributable to:		
Equity holders of the Company	(165,569)	(121,703)
Non-controlling interests	<u>(1,788)</u>	<u>(1,627)</u>
	<u>(167,357)</u>	<u>(123,330)</u>
Loss per share for loss attributable to equity holders of the Company (expressed in HK cents per share)		
— basic and diluted	<u>(6.72)</u>	<u>(4.37)</u>
6	<u>(6.72)</u>	<u>(4.37)</u>

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2024

		As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	31 December 2023 (Audited) <i>HK\$'000</i>
	<i>Note</i>		
ASSETS			
Non-current assets			
Property, plant and equipment		978,208	841,019
Right-of-use assets		172,704	185,662
Investment properties		792,878	854,848
Intangible assets		3,315	4,005
Investments accounted for using the equity method	<i>8</i>	8,899	9,053
Deferred income tax assets		19,225	54,500
		1,975,229	1,949,087
Current assets			
Inventories		632,099	696,489
Trade and other receivables	<i>9</i>	368,131	411,201
Financial assets at fair value through profit or loss ("FVPL")		9,645	7,883
Financial assets at fair value through other comprehensive income ("FVOCI")		3,584	7,836
Tax recoverable		23,708	24,976
Pledged bank deposits		118	1,396
Cash and cash equivalents		321,921	308,282
Assets classified as held for sale		6,893	—
		1,366,099	1,458,063
Total assets		3,341,328	3,407,150

	<i>Note</i>	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,982	209,982
Reserves		<u>1,614,597</u>	<u>1,780,166</u>
		1,824,579	1,990,148
Non-controlling interests		<u>12,294</u>	<u>14,082</u>
Total equity		<u>1,836,873</u>	<u>2,004,230</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		146,179	158,771
Bank borrowings		175,952	73,864
Lease liabilities		<u>35,407</u>	<u>42,250</u>
		<u>357,538</u>	<u>274,885</u>
Current liabilities			
Trade and other payables	<i>10</i>	701,397	629,463
Contract liabilities		30,005	45,476
Lease liabilities		20,615	22,978
Bank borrowings		374,412	309,393
Current income tax liabilities		<u>20,488</u>	<u>120,725</u>
		<u>1,146,917</u>	<u>1,128,035</u>
Total liabilities		<u>1,504,455</u>	<u>1,402,920</u>
Total equity and liabilities		<u>3,341,328</u>	<u>3,407,150</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The condensed consolidated interim financial information should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual consolidated financial statements for the year ended 31 December 2023 as described in those annual consolidated financial statements, except for the adoption of amended standards as set out below.

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

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

The following amendments to existing standards and annual improvements have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

- (b) The following new standard and amendments to existing standards have been issued, but are not effective for the financial year beginning on 1 January 2024 and have not been early adopted:

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

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

3 SEGMENT INFORMATION

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

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

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

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

	(Unaudited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2024				
Total revenue	511,901	288,766	28,488	829,155
Inter-segment revenue	(37,401)	—	(1,814)	(39,215)
Revenue (from external customers)	474,500	288,766	26,674	789,940
Timing of revenue recognition				
At a point in time	474,500	288,766	—	763,266
Over time	—	—	26,674	26,674
	474,500	288,766	26,674	789,940
Segment loss before income tax	(83,261)	(74,681)	(26,989)	(184,931)
Fair value losses on investment properties				
	(7,500)	—	(48,822)	(56,322)
Amortisation and depreciation	(21,683)	(17,251)	(10,059)	(48,993)
Finance income (<i>Note 4</i>)	897	44	34	975
Finance costs (<i>Note 4</i>)	(4,600)	(5,487)	—	(10,087)
Share of results of investments accounted for using the equity method (<i>Note 8</i>)				
	(91)	—	—	(91)
Income tax credit (<i>Note 5</i>)	34,899	975	11,190	47,064

	(Unaudited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30 June 2023				
Total revenue	560,302	291,315	36,219	887,836
Inter-segment revenue	(65,024)	(23)	(2,879)	(67,926)
Revenue (from external customers)	495,278	291,292	33,340	819,910
Timing of revenue recognition				
At a point in time	495,278	291,292	—	786,570
Over time	—	—	33,340	33,340
	495,278	291,292	33,340	819,910
Segment (loss)/profit before income tax	(66,760)	(43,695)	23,905	(86,550)
Fair value losses on investment properties	(1,500)	—	(14,541)	(16,041)
Amortisation and depreciation	(41,325)	(21,165)	(57)	(62,547)
Finance income (<i>Note 4</i>)	2,778	74	97	2,949
Finance costs (<i>Note 4</i>)	(2,674)	(1,507)	—	(4,181)
Share of results of investments accounted for using the equity method (<i>Note 8</i>)	(171)	—	—	(171)
Income tax credit/(expense) (<i>Note 5</i>)	4,537	(3,268)	(3,953)	(2,684)

	(Unaudited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2024				
Total segment assets	1,787,830	716,511	800,777	3,305,118
Total segment assets include:				
Investments accounted for using the equity method	8,899	—	—	8,899
Additions to non-current assets (other than financial instruments and deferred income tax assets)	150,505	42,400	—	192,905
Tax recoverable	22,923	785	—	23,708
Deferred income tax assets	953	18,272	—	19,225
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(Audited)			
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2023				
Total segment assets	1,726,632	774,027	859,500	3,360,159
Total segment assets include:				
Investments accounted for using the equity method	9,053	—	—	9,053
Additions to non-current assets (other than financial instruments and deferred income tax assets)	337,534	74,749	—	412,283
Tax recoverable	23,331	1,645	—	24,976
Deferred income tax assets	26,932	27,568	—	54,500
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Total segment loss before income tax	(184,931)	(86,550)
Net fair value gains/(losses) of financial assets at FVPL	1,339	(101)
Corporate overhead	(5,952)	(3,136)
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Loss before income tax per condensed consolidated statement of comprehensive income	(189,544)	(89,787)
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A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at	As at
	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Total segment assets	3,305,118	3,360,159
Financial assets at FVPL	9,645	7,883
Financial assets at FVOCI	3,584	7,836
Corporate assets	22,981	31,272
	<hr/>	<hr/>
Total assets per condensed consolidated balance sheet	3,341,328	3,407,150
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The Company is domiciled in the Cayman Islands. The results of the Group's revenue from external customers located in the following geographical areas are as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Mainland China	574,861	550,751
North America	135,724	186,781
European Union	50,161	49,079
Hong Kong	22,326	29,063
Other countries	6,868	4,236
	<hr/>	<hr/>
	789,940	819,910
	<hr/> <hr/>	<hr/> <hr/>

For the six months ended 30 June 2024 and 2023, there is no customer individually accounted for more than 10% of the Group's total revenue.

4 FINANCE COSTS, NET

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Finance income — interest income on		
— bank deposits	975	2,257
— promissory note	—	692
	<u>975</u>	<u>2,949</u>
Finance costs		
— interest expense on bank borrowings	(11,433)	(8,002)
— interest expense on lease liabilities	(1,212)	(1,876)
	<u>(12,645)</u>	<u>(9,878)</u>
— amount capitalised	2,558	5,697
	<u>(10,087)</u>	<u>(4,181)</u>
Finance costs, net	<u>(9,112)</u>	<u>(1,232)</u>

5 INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
Current income tax		
— Hong Kong profits tax	3,121	222
— PRC enterprise income tax	(73,705)	7,185
Withholding tax	(673)	(2,621)
Deferred income tax	24,193	(2,102)
	<u>(47,064)</u>	<u>2,684</u>

6 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\$141,189,000 (2023: HK\$91,723,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,818,000 (2023: 2,099,818,000).

Diluted loss per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential shares. During the six months ended 30 June 2024 and 2023, there were no dilutive potential ordinary shares under the share option scheme as there are no outstanding options during the six months ended 30 June 2024 and 2023.

7 DIVIDEND

The Directors did not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 2023.

8 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

	As at 30 June (Unaudited) 2024 HK\$'000	As at 31 December (Audited) 2023 HK\$'000
At 1 January	9,053	10,348
Deemed disposal	—	(679)
Share of loss, net	(91)	(384)
Exchange differences	(63)	(232)
	<u>8,899</u>	<u>9,053</u>

9 TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
Trade and bill receivables	371,476	429,647
Less: Loss allowance	<u>(145,482)</u>	<u>(187,810)</u>
Trade and bill receivables, net	225,994	241,837
Prepayments	65,587	79,553
VAT recoverable	1,056	940
Deposits and other receivables, net	<u>75,494</u>	<u>88,871</u>
	<u>142,137</u>	<u>169,364</u>
	<u><u>368,131</u></u>	<u><u>411,201</u></u>

Trade and bill receivables

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

	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
0 to 60 days	145,145	193,890
61 to 120 days	61,672	46,698
121 to 180 days	19,901	10,589
Over 180 days	<u>144,758</u>	<u>178,470</u>
	<u><u>371,476</u></u>	<u><u>429,647</u></u>

10 TRADE AND OTHER PAYABLES

	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
Trade and bill payables	288,114	322,453
Accrued employee benefit expenses	31,399	33,984
Customer deposits	58,383	67,372
VAT and other tax payables	9,877	1,531
Accrued operating expenses	57,114	31,002
Other payables	215,393	173,121
Payment received on assets held for sale	41,117	—
	<u>701,397</u>	<u>629,463</u>

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

	As at 30 June 2024 (Unaudited) <i>HK\$'000</i>	As at 31 December 2023 (Audited) <i>HK\$'000</i>
0 to 30 days	211,005	252,344
31 to 60 days	26,100	24,650
61 to 90 days	17,245	13,592
Over 90 days	33,764	31,867
	<u>288,114</u>	<u>322,453</u>

BUSINESS REVIEW

During the 1H2024, there were various complicated and diverse factors affecting the international trade of garment and apparel items. The growth of the global trade continued to slow down, the geopolitical risks and the high inflation and interest rates continued to exist, and the major economies used different approaches and strategies in promoting the economic recovery. All of these factors generated significant pressure on the continuous development of the international trade. According to the World Economic Situation and Prospects 2024 issued by the United Nations, the global economic growth was generally lower than the pre-pandemic levels.

Against the backdrop of the downward trend in the international and domestic economic development, the Group used solid efforts in three aspects. First, the Group consolidated its resources and improved the efficiency in the domestic production activities for the OEM business. With the China Ting Industrial Park completed and commenced for commercial operation, the Group will focus on the use of the resources in the domestic production activities to reduce the operating costs, improve the efficiency of the centralised management, and enhance the Group's capability in new product research and development, supply chain security and the provision of customer services. Second, as trade protectionism becomes a trend and in the wave of de-Chinaization by the principal trading partners including the United States, the Group has expanded the production capacity in other countries. Expanding and consolidating the global supply chain was the focus of the Group in the 1H2024, and will also be the focus of the Group in the near future. Third, the Group continued the exploration of new customers in different markets. With the significant decrease in the garment export to key markets, such as the United States, the European Union, the United Kingdom, and Japan, the Association of Southeast Asian Nations would provide ample business opportunities to the Group as China's largest export market for textiles and garments. Meanwhile, China's exports to the participant countries of the "Belt and Road Initiative" increased significantly and has become the latest growth driver. The global economic landscape has been undergoing changes, and the Group will continue to adjust the ways in exploring new customers and new markets.

During the 1H2024, for the retail business, the Group participated in the Shanghai Fashion Week despite the weak domestic consumption for the purpose of strengthening the Group's brands. The Group also actively adjusted and optimised the offline sales and distribution channels and accelerated the smooth and efficient integration of these channels and the improvement in the business models. With high consumers' expectation on the shopping experience and the service quality, retail businesses continued to increase their investments in technology and enhanced their online and offline capabilities to provide consumers with convenient and personalised shopping experience. In addition, retail businesses have also been actively introducing new brands in response to the increasingly diversified and personalised needs of the consumers.

The construction of the first phase of the China Ting Industrial Park (which is named as China Ting International Fashion Base (華鼎國際時尚產業基地)) has been completed. With the settlement of China Ting's own industrial segments and its customers within the industrial park, the income generated from this development is expected to increase. It is also expected that approximately 30%–50% of the lettable area of the industrial park will soon be leased by the selected customers. The advancement of the investment promotion work and the increase in the number of high-quality customers settled in the industrial park will not only enable close interaction and mutual promotion across industries, but also generate additional income to the Group. The local government has also shown support for China Ting's project and plan to include the China Ting Industrial Park into a benchmark in the industry and the region.

FINANCIAL REVIEW

Review of operations

During the 1H2024, the Group's revenue amounted to HK\$789.9 million, representing a decrease of 3.7%, as compared to HK\$819.9 million during the 1H2023. The gross profit for the 1H2024 was HK\$144.0 million, representing a decrease of 11.1%, as compared to HK\$162.0 million for the 1H2023, including a fair value losses on investment properties amounting to HK\$56.3 million. The adjusted loss attributable to equity holders of the Company was HK\$84.9 million. The loss attributable to equity holders of the Company was HK\$141.2 million. Loss per share was 6.72 HK cents and net asset value per share was HK\$0.87.

OEM Business

During the 1H2024, the turnover derived from the OEM business recorded a decrease to HK\$474.5 million from HK\$495.3 million during the 1H2023. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed HK\$299.9 million (1H2023: HK\$383.5 million), representing 63.2% (1H2023: 77.4%) of the total turnover of the OEM business.

Customers from China and the United States continued to be the Group's principal market with sales amounted to HK\$425.2 million (1H2023: HK\$429.7 million), representing 89.6% (1H2023: 86.8%) of the total turnover of the OEM business. Sales to Europe and other countries were HK\$31.1 million (1H2023: HK\$42.4 million) and HK\$18.2 million (1H2023: HK\$23.2 million), respectively.

Fashion Retail Business

During the 1H2024, the retail sales decreased to HK\$288.8 million from HK\$291.3 million during the 1H2023. FINITY and Sprayground are the major brands of the Group, contributed HK\$193.4 million to the retail business, representing a slightly increase of 0.6%, as compared to HK\$192.2 million during the 1H2023.

In terms of retail revenue analysis by sales channels, sales from concessions amounted to HK\$102.8 million (1H2023: HK\$116.3 million), accounting for 35.6% of total retail turnover. Sales from free-standing stores, franchisees and e-commerce amounted to HK\$8.0 million (1H2023: HK\$2.4 million), HK\$52.4 million (1H2023: HK\$54.5 million) and HK\$125.6 million (1H2023: HK\$118.1 million), respectively.

Property Investment Business

The Group has started the development of part of the Group's industrial complex into the China Ting International Fashion Base (華鼎國際時尚產業基地) in 2019. In the first half of 2024, with the completion of the construction work for the first phase of China Ting Industrial Park, part of the space will be utilized for the group's operations. The remaining portion will be available for lease starting in the second half of 2024. 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 contributions to the fashion industry in Yu Hang District, Hangzhou, while facilitating the development of the Group's diversified business models.

During the 1H2024, the revenue from the property investment business amounted to HK\$26.7 million, representing a decrease of 19.8%, as compared to HK\$33.3 million during the 1H2023.

Liquidity and Financial Resources

During the 1H2024, the Group satisfied its working capital needs primarily from its business operations and external financial resources, including long-term and short-term bank borrowings, if the projected operating cash flow may not be sufficient to meet the requirements of the Group. As of 30 June 2024, the Group had cash and cash equivalents of HK\$321.9 million, representing an increase of HK\$13.6 million, as compared to HK\$308.3 million as of 31 December 2023. The Group's total bank borrowings were HK\$550.4 million (31 December 2023: HK\$383.3 million). The debt-to-equity ratio (total borrowings as a percentage of total equity) was 30.0% (31 December 2023: 19.1%). The increase in the debt-to-equity ratio was primarily due to the amount incurred for the China Ting Industrial Park, which has been completed for leasing/occupation. The Directors consider that, after taking into consideration the external banking facilities currently available and expected to be renewed and available and the internal financial resources of the Group, the Group has adequate financial resources to support its working capital requirement for its business activities and commitments.

Contingent Liabilities

The Group had no material contingent liabilities as of 30 June 2024.

BUSINESS OUTLOOK

For the year ending 31 December 2024, the international economic environment is expected to continue to be affected by different favourable and unfavourable factors. Some of these events are not able to be predicted with any degree of certainty, but could have profound impact on the global economic development. Although the world economy has developed into an integral whole with close connections, the geopolitical risks and the trade protectionism have also generated significant challenges. Against this background, the Group would explore new opportunities for all business segments. In response to the increasing production cost and decreasing profit margins, production activities of the Group would need to be reallocated and rationalised and may be transferred to other low cost jurisdictions. The Group will also promote its global production capacity for the OEM business segment, while exerting greater efforts on the customer exploration and new product development of domestic business departments.

The domestic retail market in the PRC is expected to continue to be weak in 2024, and the sales of garment and apparel items have been under great pressure because these are non-essential consumer products. In such an adversity, the retail teams of the Group will further enhance the internal capabilities, strengthen the online and offline integration, and improve the multi-channel sales capabilities, while strengthening the brand culture to stand out from the fierce competition with outstanding and distinctive brand power.

The first phase of the China Ting Industrial Park will be officially open in the second half of the year, which will increase not only the cash flows of the Group, but also the opportunities to the Group for upstream and downstream cooperation along the industry chain. Besides, the Group will plan to attract enterprises from emerging industries to settle in the industrial park, which may also present opportunities for the diversified development of the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the 1H2024.

HUMAN RESOURCES

As of 30 June 2024, the Group employed a total of 4,069 employees in the Mainland China, Hong Kong, Cambodia, and the United States.

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

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

INTERNAL CONTROL IMPROVEMENT

The Directors refer to announcements of the Company dated 2 and 30 April 2024 on the delay in the publication of the annual results of the Group for the year ended 31 December 2023 (the "FY2023"). The Company issued the results announcement for the FY2023 on 31 May 2024 and the annual report for the FY2023 was published by the Company on 18 June 2024. As set forth in the annual report for the FY2023, the Company, in response to the delay in the announcement of the annual results for the FY2023, has implemented a number of measures in order to improve the corporate governance standards of the Group. The following sets forth updated information on such measures:

- (i) Regular financial monitoring and reporting systems have been established amongst all business activities or functions of the Group. Key persons-in-charge of each business activity and business functions has been formally designated and assigned with clear responsibilities, including well defined scope of approvals required for each major corporate act or event.
- (ii) Various schedules have been assigned to the senior management of the Group to attend additional training sessions with the primary focus on the financial control and regulatory requirements in Hong Kong and the PRC.
- (iii) The finance department of the Group has been delegated with additional authority to perform regular checks and internal reconciliations. The financial department has been instructed to report any significant findings directly to the Board.
- (iv) A review of the internal control systems and related procedures was conducted. Updated standards, guidelines and manuals have been developed to ensure consistency across the Group.
- (v) The management of the Group is currently reviewing the information systems and the enterprise resource systems of the Group for the purpose of achieving real-time monitoring and control.

- (vi) Areas of improvement have been identified in internal audit reports, and follow-up checks have been conducted to ensure that appropriate measures have been implemented, no major issues reported during the latest follow-up checks.
- (vii) Clear timelines have been established for the preparation of financial statements. All Group members are now required to report their financial information within two weeks from the month-end.
- (viii) The appraisal systems for senior management have been updated to include metrics related to their knowledge and compliance with internal controls and corporate governance policies.
- (ix) Regular reviews of the performance of various departments have been instituted, which include well designed operating procedures and ongoing monitoring and improvements of these procedures.

CAPITAL EXPENDITURE AND COMMITMENTS

The Group exercised careful control over capital expenditure. The Group incurred capital expenditures of HK\$189.1 million for the 1H2024 which was primarily used in the expansion of the first phase of China Ting Industrial Park and the leasehold improvement of the Group's retail outlets and factories. Capital commitments contracted for but not incurred by the Group as of 30 June 2024 amounted to HK\$15.4 million, which were mainly related to the construction of the first phase of China Ting Industrial Park.

SUBSEQUENT EVENTS

There were no material subsequent events undertaken by the Group after 30 June 2024 and up to date of this announcement.

CAPITAL STRUCTURE

During the 1H2024, there has been no change in the capital structure of the Company. The capital of the Company comprises only ordinary shares.

TREASURY POLICIES AND EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE RATES

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 1H2024.

The sales and purchase of raw materials of the Group are mainly denominated in USD and Renminbi (“RMB”). During the 1H2024, approximately 26.4% and 73.6% of revenue were denominated in USD and RMB, respectively, and approximately 7.6% and 92.4% of purchase of raw materials were denominated in USD and RMB, respectively.

As of 30 June 2024, approximately 22.9%, 76.1% and 0.8% of cash and cash equivalents and pledged bank deposits were denominated in USD, RMB and HK\$, respectively, and approximately 30.0% and 70.0% of bank borrowings were denominated in HK\$ and RMB, respectively.

Regarding the trade disputes between China and the United States, it is expected that on-going currency fluctuation of RMB against USD is unavoidable. To minimise the impact, the Group will monitor the foreign currency risk closely to ensure the net exposure is at an acceptable level. The Directors may consider using financial instruments to reduce the currency risk exposure when necessary. During the 1H2024, the Group did not use any financial instrument for hedging purpose.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company during the 1H2024.

REVIEW OF INTERIM RESULTS

The audit committee (the “**Audit Committee**”) of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters with the management including the review of the unaudited interim financial information. The Audit Committee has reviewed the unaudited interim financial information for the 1H2024.

PricewaterhouseCoopers, the external auditors of the Company, have reviewed the unaudited interim financial information for the 1H2024 in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE CODE

The Board is committed to enhancing the corporate governance of the Group, and the Group reviews and updates all such necessary measures in order to promote good corporate governance. The Company has complied with the applicable code provisions of the Corporate Governance Code as set forth in Part 2 of Appendix C1 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the 1H2024.

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 C3 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard of dealings as set forth in the Model Code during the 1H2024.

PUBLICATION OF THE INTERIM REPORT

An interim report of the Company for the 1H2024 containing all the relevant information required by Appendix D2 to the Listing Rules and other applicable laws and requirements will be published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.chinating.com.hk) in due course.

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

Hong Kong, 29 August 2024

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

Executive Directors:

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

Independent non-executive Directors:

Mr. WONG Chi Keung
Mr. LEUNG Man Kit
Ms. LI Yuet Mui Xera