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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)

CONTINUING CONNECTED TRANSACTION NEW SUPPLY AGREEMENT

Reference is made to the announcement of the Company dated 20 December 2016 in respect of the Existing Supply Agreement entered into between the Group and Huasheng Accessories.

On 20 December 2019, the Designated Group Members, each of which a subsidiary of the Company, entered into the New Supply Agreement with Huasheng Accessories, pursuant to which the Designated Group Members agree to purchase, and Huasheng Accessories agrees to supply, garment ancillaries manufactured by Huasheng Accessories including but not limited to plastic bags and hangers. The term of the Existing Supply Agreement will end on 31 December 2019, and the term of the New Supply Agreement will commence on 1 January 2020.

Huasheng Accessories is a company established in the PRC with limited liability. Huasheng Accessories is owned as to 75% by Mr. Mo Jiangtao, who is the brother-in-law of Ms. Zhou Shi Min. Ms. Zhou Shi Min is the spouse of Mr. Ding Jianer, an executive Director. Huasheng Associate is thus a deemed connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Supply Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the New Supply Agreement exceeds 0.1% but is less than five per cent., the New Supply Agreement and the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

THE NEW SUPPLY AGREEMENT

On 20 December 2019, the Designated Group Members, each of which a subsidiary of the Company, entered into the New Supply Agreement with Huasheng Accessories, pursuant to which the Designated Group Members agree to purchase, and Huasheng Accessories agrees to supply, garment ancillaries manufactured by Huasheng Accessories including but not limited to plastic bags and hangers. The term of the Existing Supply Agreement will end on 31 December 2019, and the Term of the New Supply Agreement will commence on 1 January 2020.

Principal terms of the New Supply Agreement are summarised below:

Date: 20 December 2019

Parties: (a) Huasheng Accessories, as the supplier; and
(b) the Designated Group Members, as the buyers

Subject Matter: The Designated Group Members agree to purchase, and Huasheng Accessories agrees to supply, garment ancillaries manufactured by Huasheng Accessories including but not limited to plastic bags and hangers subject to the terms of the New Supply Agreement and the subsequent detailed sales and purchase agreements to be entered into between the contracting parties (the “**Subsequent Purchase Agreements**”). Such Subsequent Purchase Agreements will include the terms including but not limited to the quantity, type, price and specification of ancillary materials to be supplied and purchased and the respective rights and obligations of the contracting parties.

Pricing Terms: (a) Huasheng Accessories undertakes, among others, that all transactional terms with the Designated Group Members will not be inferior than the terms given to independent third party;

- (b) Huasheng Accessories agrees that, among others:
 - i. the price of the ancillary materials provided under the New Supply Agreement will not be higher than the market price of the similar products in the market;
 - ii. price of the ancillary materials provided under the New Supply Agreement will be determined on the basis of fair market price and will not be higher than the price of the same products offering to independent third parties at the same time;
- (c) the Subsequent Purchase Agreements can only be amended or terminated by the contracting parties by serving a 15 days' written prior notice to the counter party and by the counter party confirming such amendments or termination.

Other terms:

- (a) the delivery time and the logical arrangement of the ancillary materials will be in accordance with the Subsequent Purchase Agreements;
- (b) the ancillary materials supplied by Huasheng Accessories will be timely inspected by the relevant Designated Group Members after they are delivered to the location designated under the Subsequent Purchase Agreements. Any quality issue arising from such inspection must be notified to Huasheng Accessories within 15 days from the date of delivery, failing which Huasheng Accessories will not be responsible for such issue; and
- (c) Huasheng Accessories agrees that the Designated Group Members will have priority over other purchasers in respect of the ancillary materials supplied by Huasheng Accessories.

Payment Terms:

Upon satisfactory inspection of the ancillary materials, the relevant Designated Group Members will make payments by cheque.

Duration:

The New Supply Agreement is for a term of three years commencing from 1 January 2020 to 31 December 2022.

HISTORICAL AMOUNTS AND ANNUAL CAPS

	For the years ended 31 December		
	2016	2017	2018
	(HK\$ million)	(HK\$ million)	(HK\$ million)
Approved annual caps under the Existing Supply Agreement	24.6	25	25.5
Historical aggregate transaction amount under the Existing Supply Agreement	6.8	6.7	7.1

The Annual Caps in respect of the transactions contemplated under the New Supply Agreement is expected to be HK\$10.0 million, HK\$11.0 million and HK\$12.0 million for the period 1 January 2020 to 31 December 2022, respectively. The Annual Caps were determined with reference to (a) the historical transaction amounts under the Existing Supply Agreement and (b) the estimated demand of garment ancillaries manufactured by Huasheng Accessories with reference to the internal projections in the Group's reduced business needs.

INTERNAL CONTROL PROCEDURES

The Company has adopted the following procedures to ensure the pricing basis of prices of garment ancillaries provided by Huasheng Accessories under the New Supply Agreement are no less favourable to the Company than those prevailing in the market:

- (a) The finance department of the Company shall obtain and monitor all the quotations and/or pricing records as reference prices of the Continuing Connected Transactions to ensure that the prices of garment ancillaries offered by Huasheng Accessories to the Group are not higher than the prices offered by other independent third parties to the Group for supplying the same or comparable types of garment ancillaries;
- (b) the finance department of the Company shall monitor and ensure that the Continuing Connected Transactions are conducted in accordance with the terms of the New Supply Agreement and the Annual Caps are not exceeded;
- (c) the Board will continue to periodically review the Company's internal control systems and their effectiveness; and
- (d) the independent non-executive Directors shall, and the Company shall engage its external auditors to, conduct annual review of the Continuing Connected Transactions and the Annual Caps in accordance with the requirements of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW SUPPLY AGREEMENT

The Directors confirm that similar supply arrangement has been in place since the date on which dealings in the Company's Shares on the Stock Exchange had first commenced. The Group is engaged in the business of garment manufacturing. The principal business of Huasheng Accessories are the production of plastic bags, hangers, and other garment packaging materials, and the production facilities of Huasheng Accessories are adjacent to the production facilities of the Group. In this regards, the Group has long-term and stable business relationship with Huasheng Accessories arising out of business needs.

INFORMATION OF THE COMPANY AND THE DESIGNATED GROUP MEMBERS

The Company is an investment holding company with all of its Shares listed on the Stock Exchange. The Group is engaged in the business of garment manufacturing for export and retailing branded fashion and apparel items in China. The garment export business represents the principal source of income for the Group. The Group's garment is exported to almost all leading markets in the world, including the United States and major European countries. The fashion retail business of the Group had more than 400 retail stores in China as of the date of this announcement. Each of the Designated Group Members is a subsidiary of the Company.

INFORMATION OF HUASHENG ACCESSORIES

The principal business of Huasheng Accessories is the production of plastic bags, hangers, and other garment packaging materials. The production facilities of Huasheng Accessories are adjacent to the production facilities of the Group. The Directors confirm that similar supply arrangement has been in place since the date on which dealings in the Company's Shares on the Stock Exchange had first commenced.

IMPLICATIONS UNDER THE LISTING RULES

Huasheng Accessories is a company established in the PRC with limited liability. Huasheng Accessories is owned as to 75% by Mr. Mo Jiangtao, who is the brother-in-law of Ms. Zhou Shi Min. Ms. Zhou Shi Min is the spouse of Mr. Ding Jianer, an executive Director. Huasheng Associate is thus a deemed connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the New Supply Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) in respect of the transactions contemplated under the New Supply Agreement exceeds 0.1% but is less than five per cent., the New Supply Agreement and the transactions contemplated thereunder are subject to reporting, annual review and announcement requirements but exempt from the independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Continuing Connected Transactions have been approved by the Board, and Mr. Ding Jianer was abstained from voting on the Board resolutions in respect of the Continuing Connected Transactions. Save as disclosed, no other Directors have any material interest in the Continuing Connected Transactions. The Directors (including the independent non-executive Directors) consider that the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and the terms of the New Supply Agreement (including the Annual Caps) have been negotiated on an arm's length basis, and are on normal commercial terms and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

DEFINITIONS USED IN THIS ANNOUNCEMENT

Unless the context requires otherwise, the capitalised terms used herein shall have the following meanings:

“Annual Caps”	the annual caps for the Continuing Connected Transactions for the period from 1 January 2020 to 31 December 2022;
“Board”	the board of Directors;
“Company”	China Ting Group Holdings Limited (華鼎集團控股有限公司), a company incorporated in the Cayman Islands with its Shares listed on the Stock Exchange (stock code: 03398);
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the New Supply Agreement;
“Designated Group Members”	the following companies established in PRC, each of which is a subsidiary of the Company: <ol style="list-style-type: none">(1) Hangzhou Fuding Fashion Company Limited (杭州富鼎時裝有限公司);(2) Zhejiang China Ting Textile Technology Company Limited (浙江華鼎紡織科技有限公司);

- (3) Zhejiang China Ting Knitwear Company Limited (浙江華鼎針織品有限公司);
- (4) Hangzhou China Ting Fashion Company Limited (杭州華鼎時裝有限公司);
- (5) China Ting (Hangzhou) Textile Technology Company Limited (華鼎(杭州)紡織科技有限公司);
- (6) Zhejiang Huali Fashion Company Limited (浙江華勵時裝有限公司);
- (7) Zhejiang Concept Creator Fashion Company Limited (浙江創越時裝有限公司);
- (8) Zhejiang Fucheng Fashion Company Limited (浙江富成時裝有限公司);
- (9) Zhejiang China Ting Brand Management Company Limited (浙江華鼎品牌管理有限公司);
- (10) Zhejiang Fuhowe Fashion Company Limited (浙江富豪時裝有限公司);
- (11) Finity International Fashion Company Limited (菲妮迪國際時裝有限公司);
- (12) Zhejiang Xinan Fashion Company Limited (浙江信安時裝有限公司);
- (13) Diny (Hangzhou) Fashion Company Limited (迪妮(杭州)時裝有限公司);
- (14) Hangzhou China Ting Tailored Fashion Company Limited (杭州華鼎西服時裝有限公司);
- (15) Chain Ting Pietraluna (Hangzhou) Wool Textile Dyeing & Finishing Company Limited (華貝納(杭州)毛紡染整有限公司);
- (16) Finity Fashion (Shenzhen) Company Limited (菲妮迪時裝(深圳)有限公司);
- (17) Shenzhen Fuhowe Fashion Company Limited (深圳富豪時裝有限公司);

- (18) Zhejiang China Ting Jincheng Silk Company Limited (浙江華鼎金誠絲綢有限公司);
- (19) Hangzhou Huaxing Silk Printing Company Limited (杭州華星絲綢印染有限公司);
- (20) Guizhou Tianzhu Ching Ting Garment (Mfg) Company Limited (貴州省天柱縣華鼎制衣有限公司); and
- (21) Yudu Chuangyue Huali Intelligent Garment Company Limited (于都創越華勵智能服裝有限公司);

“Directors”	the directors of the Company;
“Existing Supply Agreement”	the supply agreement dated 20 December 2016 entered into between members of the Group and Huasheng Accessories for the purchase of garment ancillaries manufactured by Huasheng Accessories including but not limited to plastic bags and hangers;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of The People’s Republic of China;
“Huasheng Accessories”	Hangzhou Huasheng Accessories Company Limited (杭州華盛輔料有限公司), a company established in the PRC with limited liability and a deemed connected person of the Company pursuant to Chapter 14A of the Listing Rules;
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“New Supply Agreement”	the supply agreement dated 20 December 2019 entered into between the Designated Group Members and Huasheng Accessories for the purchase of garment ancillaries manufactured by Huasheng Accessories including but not limited to plastic bags and hangers;
“PRC”	The People’s Republic of China which for the purpose of this announcement and for geographical reference only, does not include Hong Kong, The Macau Special Administrative Region of the PRC and Taiwan;
“RMB”	Renminbi yuan, the lawful currency of the PRC;

“Share(s)”	the share(s) in issue of the Company with the nominal value of HK\$0.1 each;
“Shareholder(s)”	the shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%” or “per cent.”	percentage.

By order of the Board
TING HUNG YI
Executive Director and Chief Executive Officer

Hong Kong, 20 December 2019

As of the date of this announcement, the Board comprises seven Directors, of which Mr. TING Man Yi (Chairman of the Board), Mr. TING Hung Yi (Chief Executive Officer), Mr. DING Jianer and Mr. CHEUNG Ting Yin, Peter are executive Directors, and Mr. WONG Chi Keung, Mr. CHENG Chi Pang, and Mr. LEUNG Man Kit are independent non-executive Directors.