



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)

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Mr. TING Man Yi (Chairman)

Mr. TING Hung Yi (Chief Executive Officer)

Mr. DING Jianer

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17 January 2022

To the Shareholders

Dear Sir/Madam,

INDUSTRIAL PARK CONSTRUCTION CONTRACTS

MAJOR TRANSACTIONS

AND

DISCLOSEABLE TRANSACTION

INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Industrial Park Construction Contracts and the transactions contemplated thereunder.

The China Ting Industrial Park has been established by the Group since 2003 as its principal place of business and manufacturing base in the PRC, and it currently includes low-rise production buildings and warehouses and a seven-storey commercial building. Certain land parcels on which the China Ting Industrial Park is situated are under-utilised, particularly in light of the rapid urban development in the surrounding areas and the connection of highway/railway networks with other PRC cities. For the purpose of the Redevelopment Proposal, the Industrial Park Construction Contracts have been entered into solely for the land foundation and the concrete structure construction. Upon completion of the tender process, on 24 November 2021:

- (a) the Huzhou Construction Contracts have been entered into for an aggregate consideration of RMB375.0 million (equivalent to HK\$457.3 million);
- (b) the Dongsheng Construction Contracts have been entered into for an aggregate consideration of RMB265.8 million (equivalent to HK\$324.1 million);
- (c) the Yangfan Construction Contracts have been entered into for an aggregate consideration of RMB155.2 million (equivalent to HK\$189.3 million); and
- (d) the Ziqiang Construction Contracts have been entered into for an aggregate consideration of RMB87.2 million (equivalent to HK\$106.3 million).

INFORMATION ON THE INDUSTRIAL PARK CONSTRUCTION CONTRACTS

The contract sum under each of the Industrial Park Construction Contracts has been determined with reference to the bidding price submitted by the relevant contractor. Each of the Industrial Park Construction Contracts is awarded to the relevant contractor following an evaluation of the technical qualifications, experience and competency of such contractor, the expected scope and complexity of the construction works to be carried out, the costs of materials and labour costs estimated to be incurred and the prevailing market prices for carrying out the construction works of comparable scale and complexity.

1. Huzhou Construction Contracts

The Huzhou Construction Contracts have been entered into on 24 November 2021. The Huzhou Construction Contracts comprise two (2) individual contracts of identical terms and conditions (other than the contract sum, the scope of works and the expected date of commencement and completion thereunder) entered into with Huzhou Construction for the purpose of the Redevelopment Proposal. The following sets forth the principal terms of each of those individual contracts:

1.1 Huzhou Construction Contract I

Parties:	Huzhou Construction, as the contractor Zhejiang Concept Creator, as the principal
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Subject matter:	Huzhou Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–1 Beisha Road East, China Ting Industrial Park with a total gross floor area of 81,271.36 sq.m.
Contract sum:	RMB142.2 million (equivalent to HK\$173.4 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	730 calendar days
Expected commencement date:	3 January 2022
Expected completion date:	2 January 2024
Performance guarantee deposit:	Huzhou Construction has given an irrevocable guarantee in favour of Zhejiang Concept Creator in respect of the performance of its obligations under the Huzhou Construction Contract I in the amount of RMB5.4 million (equivalent to HK\$6.6 million). As at the Latest Practicable Date, RMB1.1 million (equivalent to HK\$1.3 million) as part of the performance guarantee deposit had been paid by Huzhou Construction to the designated account of Zhejiang Concept Creator. The remaining RMB4.3 million (equivalent to HK\$5.2 million) shall be deposited one week before the commencement of construction work.

The performance guarantee deposit shall be refunded to Huzhou Construction without interests after completion and acceptance of the construction works.

1.2 Huzhou Construction Contract II

Parties:	Huzhou Construction, as the contractor Hangzhou Tailored Fashion, as the principal
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Subject matter:	Huzhou Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–6 Beisha Road East, China Ting Industrial Park with a total gross floor area of 133,141.52 sq.m.
Contract sum:	RMB232.8 million (equivalent to HK\$283.9 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	730 calendar days
Expected commencement date:	3 January 2022
Expected completion date:	2 January 2024
Performance guarantee deposit:	Huzhou Construction has given an irrevocable guarantee in favour of Hangzhou Tailored Fashion in respect of the performance of the obligations under the Huzhou Construction Contract II in the amount of RMB8.8 million (equivalent to HK\$10.7 million). As at the Latest Practicable Date, RMB1.8 million (equivalent to HK\$2.2 million) as part of the performance guarantee deposit had been paid by Huzhou Construction to the designated account of Hangzhou Tailored Fashion. The remaining RMB7.0 million (equivalent to HK\$8.5 million) shall be deposited one week before the commencement of construction work.

The performance guarantee deposit shall be refunded to Huzhou Construction without interests after completion and acceptance of the construction works.

2. Dongsheng Construction Contracts

The Dongsheng Construction Contracts have been entered into on 24 November 2021. The Dongsheng Construction Contracts comprise five (5) individual contracts of identical terms and conditions (other than the contract sum, the scope of works and the expected date of commencement and completion thereunder) entered into with Dongsheng Construction for the purpose of the Redevelopment Proposal. The following sets forth the principal terms of each of those individual contracts:

2.1 Dongsheng Construction Contract 1

Parties:	Dongsheng Construction, as the contractor Finity International Fashion, as the principal
Subject matter:	Dongsheng Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–2 Beisha Road East, China Ting Industrial Park with a total gross floor area of 33,975.25 sq.m.
Contract sum:	RMB42.1 million (equivalent to HK\$51.3 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	540 calendar days
Expected commencement date:	3 January 2022
Expected completion date:	2 July 2023

Performance guarantee deposit: Dongsheng Construction has given an irrevocable guarantee in favour of Finity International Fashion in respect of the performance of the obligations under the Dongsheng Construction Contract I in the amount of RMB2.1 million (equivalent to HK\$2.6 million). As at the Latest Practicable Date, RMB420,000 (equivalent to HK\$512,000) as part of the performance guarantee deposit had been paid by Dongsheng Construction to the designated account of Finity International Fashion. The remaining RMB1.68 million (equivalent to HK\$2.0 million) shall be deposited one week before the commencement of construction work.

The performance guarantee deposit shall be refunded to Dongsheng Construction without interests after completion and acceptance of the construction works.

2.2 Dongsheng Construction Contract II

Parties: Dongsheng Construction, as the contractor
Zhejiang Fucheng Fashion, as the principal

Subject matter: Dongsheng Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.

Subject land parcel and estimated construction area: The land located at No. 56-3 Beisha Road East, China Ting Industrial Park with a total gross floor area of 22,010.53 sq.m.

Contract sum: RMB27.5 million (equivalent to HK\$33.5 million), subject to adjustment in accordance with relevant provisions in the contract.

Contract period: 540 calendar days

Expected commencement date: 3 January 2022

Expected completion date:	2 July 2023
Performance guarantee deposit:	Dongsheng Construction has given an irrevocable guarantee in favour of Zhejiang Fucheng Fashion in respect of the performance of the obligations under the Dongsheng Construction Contract II in the amount of RMB1.4 million (equivalent to HK\$1.7 million). As at the Latest Practicable Date, RMB270,000 (equivalent to HK\$329,000) as part of the performance guarantee deposit had been paid by Dongsheng Construction to the designated account of Zhejiang Fucheng Fashion. The remaining RMB1.1 million (equivalent to HK\$1.3 million) shall be deposited one week before the commencement of construction work.
	The performance guarantee deposit shall be refunded to Dongsheng Construction without interests after completion and acceptance of the construction works.

2.3 Dongsheng Construction Contract III

Parties:	Dongsheng Construction, as the contractor Zhejiang Knitwear, as the principal
Subject matter:	Dongsheng Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–10 Beisha Road East, China Ting Industrial Park with a total gross floor area of 52,894.94 sq.m.
Contract sum:	RMB79.3 million (equivalent to HK\$96.7 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	730 calendar days
Expected commencement date:	3 January 2022

Expected completion date:	2 January 2024
Performance guarantee deposit:	<p>Dongsheng Construction has given an irrevocable guarantee in favour of Zhejiang Knitwear in respect of the performance of the obligations under the Dongsheng Construction Contract III in the amount of RMB3.5 million (equivalent to HK\$4.3 million). As at the Latest Practicable Date, RMB700,000 (equivalent to HK\$854,000) as part of the performance guarantee deposit had been paid by Dongsheng Construction to the designated account of Zhejiang Knitwear. The remaining RMB2.8 million (equivalent to HK\$3.4 million) shall be deposited one week before the commencement of construction work.</p> <p>The performance guarantee deposit shall be refunded to Dongsheng Construction without interests after completion and acceptance of the construction works.</p>

2.4 Dongsheng Construction Contract IV

Parties:	Dongsheng Construction, as the contractor Zhejiang China Ting Group, as the principal
Subject matter:	Dongsheng Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–9 Beisha Road East, China Ting Industrial Park with a total gross floor area of 54,177.8 sq.m.
Contract sum:	RMB94.8 million (equivalent to HK\$115.6 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	730 calendar days
Expected commencement date:	3 January 2022

Expected completion date:	2 January 2024
Performance guarantee deposit:	Dongsheng Construction has given an irrevocable guarantee in favour of Zhejiang China Ting Group in respect of the performance of the obligations under the Dongsheng Construction Contract IV in the amount of RMB2.1 million (equivalent to HK\$2.6 million). As at the Latest Practicable Date, RMB420,000 (equivalent to HK\$512,000) as part of the performance guarantee deposit had been paid by Dongsheng Construction to the designated account of Zhejiang China Ting Group. The remaining RMB1.7 million (equivalent to HK\$2.1 million) shall be deposited one week before the commencement of construction work.
	The performance guarantee deposit shall be refunded to Dongsheng Construction without interests after completion and acceptance of the construction works.

2.5 Dongsheng Construction Contract V

Parties:	Dongsheng Construction, as the contractor Zhejiang Fuhowe Fashion, as the principal
Subject matter:	Dongsheng Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–7 Beisha Road East, China Ting Industrial Park with a total gross floor area of 17,652.41 sq.m.
Contract sum:	RMB22.1 million (equivalent to HK\$27.0 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	540 calendar days
Expected commencement date:	3 January 2022

Expected completion date:	2 July 2023
Performance guarantee deposit:	Dongsheng Construction has given an irrevocable guarantee in favour of Zhejiang Fuhowe Fashion in respect of the performance of the obligations under the Dongsheng Construction Contract V in the amount of RMB1.1 million (equivalent to HK\$1.3 million). As at the Latest Practicable Date, RMB220,000 (equivalent to HK\$268,000) as part of the performance guarantee deposit had been paid by Dongsheng Construction to the designated account of Zhejiang Fuhowe Fashion. The remaining RMB880,000 (equivalent to HK\$1.1 million) shall be deposited one week before the commencement of construction work.
	The performance guarantee deposit shall be refunded to Dongsheng Construction without interests after completion and acceptance of the construction works.

3. Yangfan Construction Contracts

The Yangfan Construction Contracts have been entered into on 24 November 2021. The Yangfan Construction Contracts comprise two (2) individual contracts of identical terms and conditions (other than the contract sum, the scope of works and the expected date of commencement and completion thereunder) entered into with Yangfan Construction for the purpose of the Redevelopment Proposal. The following sets forth the principal terms of each of those individual contracts:

3.1 Yangfan Construction Contract I

Parties:	Yangfan Construction, as the contractor Hangzhou Huaxing, as the principal
Subject matter:	Yangfan Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–12 Beisha Road East, China Ting Industrial Park with a total gross floor area of 71,362.8 sq.m.

Contract sum:	RMB89.2 million (equivalent to HK\$108.8 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	540 calendar days
Expected commencement date:	3 January 2022
Expected completion date:	2 July 2023
Performance guarantee deposit:	Yangfan Construction has given an irrevocable guarantee in favour of Hangzhou Huaxing in respect of the performance of the obligations under the Yangfan Construction Contract I in the amount of RMB4.5 million (equivalent to HK\$5.5 million). As at the Latest Practicable Date, RMB892,000 (equivalent to HK\$1.1 million) as part of the performance guarantee deposit had been paid by Yangfan Construction to the designated account of Hangzhou Huaxing. The remaining RMB3.6 million (equivalent to HK\$4.4 million) shall be deposited one week before the commencement of construction work.

The performance guarantee deposit shall be refunded to Yangfan Construction without interests after completion and acceptance of the construction works.

3.2 Yangfan Construction Contract II

Parties:	Yangfan Construction, as the contractor Zhejiang Jincheng, as the principal
Subject matter:	Yangfan Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–11 Beisha Road East, China Ting Industrial Park with a total gross floor area of 52,820.7 sq.m.

Contract sum:	RMB66.0 million (equivalent to HK\$80.5 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	540 calendar days
Expected commencement date:	3 January 2022
Expected completion date:	2 July 2023
Performance guarantee deposit:	Yangfan Construction has given an irrevocable guarantee in favour of Zhejiang Jincheng in respect of the performance of the obligations under the Yangfan Construction Contract II in the amount of RMB3.3 million (equivalent to HK\$4.0 million) which shall be deposited one week before the commencement of construction work.

The performance guarantee deposit shall be refunded to Yangfan Construction without interests after completion and acceptance of the construction works.

4. Ziqiang Construction Contracts

The Ziqiang Construction Contracts have been entered into on 24 November 2021. The Ziqiang Construction Contracts comprise three (3) individual contracts of identical terms and conditions (other than the contract sum, the scope of works and the expected date of commencement and completion thereunder) entered into with Ziqiang Construction for the purpose of the Redevelopment Proposal. The following sets forth the principal terms of each of those individual contracts:

4.1 Ziqiang Construction Contract I

Parties:	Ziqiang Construction, as the contractor Zhejiang Textile Technology, as the principal
Subject matter:	Ziqiang Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–5 Beisha Road East, China Ting Industrial Park with a total gross floor area of 9,351.36 sq.m.

Contract sum:	RMB14.0 million (equivalent to HK\$17.1 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	540 calendar days
Expected commencement date:	3 January 2022
Expected completion date:	2 July 2023
Performance guarantee deposit:	Ziqiang Construction has given an irrevocable guarantee in favour of Zhejiang Textile Technology in respect of the performance of the obligations under the Ziqiang Construction Contract I in the amount of RMB700,000 (equivalent to HK\$854,000). As at the Latest Practicable Date, RMB140,000 (equivalent to HK\$171,000) as part of the performance guarantee deposit had been paid by Ziqiang Construction to the designated account of Zhejiang Textile Technology. The remaining RMB560,000 (equivalent to HK\$683,000) shall be deposited one week before the commencement of construction work.

The performance guarantee deposit shall be refunded to Ziqiang Construction without interests after completion and acceptance of the construction works.

4.2 Ziqiang Construction Contract II

Parties:	Ziqiang Construction, as the contractor Zhejiang Xinan Fashion, as the principal
Subject matter:	Ziqiang Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56-4 Beisha Road East, China Ting Industrial Park with a total gross floor area of 25,492.41 sq.m.

Contract sum:	RMB31.8 million (equivalent to HK\$38.8 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	540 calendar days
Expected commencement date:	3 January 2022
Expected completion date:	2 July 2023
Performance guarantee deposit:	Ziqiang Construction has given an irrevocable guarantee in favour of Zhejiang Xinan Fashion in respect of the performance of the obligations under the Ziqiang Construction Contract II in the amount of RMB1.6 million (equivalent to HK\$2.0 million). As at the Latest Practicable Date, RMB320,000 (equivalent to HK\$390,000) as part of the performance guarantee deposit had been paid by Ziqiang Construction to the designated account of Zhejiang Xinan Fashion. The remaining RMB1.3 million (equivalent to HK\$1.6 million) shall be deposited one week before the commencement of construction work.

The performance guarantee deposit shall be refunded to Ziqiang Construction without interests after completion and acceptance of the construction works.

4.3 *Ziqiang Construction Contract III*

Parties:	Ziqiang Construction, as the contractor Zhejiang China Ting Group, as the principal
Subject matter:	Ziqiang Construction will be responsible for the structural construction and installation works (including the provision of materials and labour) of the Redevelopment Proposal in accordance with the construction drawings and technical specifications as set forth in the relevant tender documents.
Subject land parcel and estimated construction area:	The land located at No. 56–13 Beisha Road East, China Ting Industrial Park with a total gross floor area of 33,095.63 sq.m.

Contract sum:	RMB41.4 million (equivalent to HK\$50.4 million), subject to adjustment in accordance with relevant provisions in the contract.
Contract period:	540 calendar days
Expected commencement date:	3 January 2022
Expected completion date:	2 July 2023
Performance guarantee deposit:	Ziqiang Construction has given an irrevocable guarantee in favour of Zhejiang China Ting Group in respect of the performance of the obligations under the Ziqiang Construction Contract III in the amount of RMB2.1 million (equivalent to HK\$2.6 million). As at the Latest Practicable Date, RMB410,000 (equivalent to HK\$500,000) as part of the performance guarantee deposit had been paid by Ziqiang Construction to the designated account of Zhejiang China Ting Group. The remaining RMB1.7 million (equivalent to HK\$2.1 million) shall be deposited one week before the commencement of construction work.

The performance guarantee deposit shall be refunded to Ziqiang Construction without interests after completion and acceptance of the construction works.

5. Payment terms and basis of determining the contract sums

The payment terms (other than the contract sum) of each of the Industrial Park Construction Contracts are identical and are set forth below:

- (a) monthly progress payment, equal to 75% of the value of work completed during that month, shall be made to the relevant contractor by the relevant principal;
- (b) an amount representing 85% of the contract sum less the aggregate amount already paid in (a) above shall be paid to the relevant contractor by the relevant principal within one month after the completion and the acceptance of the construction works;
- (c) an amount representing 90% of the audited contract sum less the aggregate amount already paid in (a) and (b) above shall be paid to the relevant contractor by the relevant principal within one month after the completion of the settlement audit of the construction works;

- (d) an amount representing 95% of the audited contract sum less the aggregate amount already paid in (a), (b) and (c) above shall be paid to the relevant contractor by the relevant principal after issuance of the property ownership certificate by relevant PRC government authorities with respect to the ownership rights of buildings; and
- (e) the remaining 5% of the audited contract sum shall be withheld as warranty payment, of which three annual instalments of 2%, 1% and 2%, respectively, shall be released to the relevant contractor by the relevant principal within three years after payment of the amount in (d) above.

All the contract sums under the Industrial Park Construction Contracts will be funded by the internal financial resources of the Group and bank borrowings.

6. Adjustment to the contract sum

The contract sum under each of the Industrial Park Construction Contracts will be adjusted downward from a range of 13.0% to 18.0% as discounts by the relevant contractor, as a result of arms' length negotiations between the parties upon normal commercial terms. The contract sum under each of the Industrial Park Construction Contracts may be adjusted when there are changes in the indicative market price of certain materials published by the Zhejiang Provincial Price Bureau on a monthly basis including, commercial concrete, steel bars, masonry, commercial mortar, cement, yellow sand, gravel, gasoline, diesel, petroleum asphalt, water, electricity, formwork and the relevant labour costs involved over the construction period, and changes in the published prices of other materials and labour in Hangzhou City, Zhejiang Province exceeding five percent provided that any such adjustments shall be submitted by the relevant contractor to the relevant principal for approval. The relevant contract sum were concluded by the Company and the relevant contractor after due evaluation of the prevailing raw material prices, labor costs, and potential future market changes, therefore, the Company does not expect any adjustment exceeding five percent under normal circumstances. In any event, the Company will monitor the amount of any such adjustment and comply with the requirements under Chapter 14 of the Listing Rules as and when appropriate.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE INDUSTRIAL PARK CONSTRUCTION CONTRACTS

The China Ting Industrial Park has been established by the Group since 2003 as its principal place of business and manufacturing base in the PRC, and it currently includes low-rise production buildings and warehouses and a seven-storey commercial building. Certain land parcels on which the China Ting Industrial Park is situated are under-utilised, particularly in light of the rapid urban development in the surrounding areas and the connection of highway/railway networks with other PRC cities. On 24 December 2020, due to the construction of a highway project in Hangzhou, certain land parcels within the China Ting Industrial Park were expropriated and certain production activities have been relocated. Further information on the land expropriation is set forth in the announcement of the Company dated 15 January 2021. After due consideration of the long operating history of the China Ting Industrial Park and the latest business developments and

production requirements of the Group, as well as the Group's capability to diversify and outsource the production process to different production plants of the Group, the Directors consider that it is the appropriate time to undertake the Redevelopment Proposal. The Redevelopment Proposal will comprise the development of 12 new buildings for the Group's headquarters and offices, factories, warehouses and staff quarters as well as for leasing purpose with a total gross floor area of 587,246.71 sq.m. upon completion in 2027.

The Industrial Park Construction Contracts have been entered into solely for the land foundation and the concrete structure construction for the purpose of the Redevelopment Proposal. The Group has formulated detailed plans and schedules on other related works for the Redevelopment Proposal, such as installation of curtain walls, facade, lifts and elevators, fire prevention facilities, electrical and water works and facilities and gardening, and will implement as and when the concrete structure construction is about to complete. The Directors expect that the total investment for the Redevelopment Proposal would be approximately RMB1.6 billion (equivalent to HK\$2.0 billion) which would be financed by a combination of bank borrowings and internal financial resources. The Group will closely monitor the progress of the Redevelopment Proposal and comply with the applicable requirements under Chapter 14 of the Listing Rules in relation to subsequent transactions as and when appropriate.

INFORMATION OF THE INDUSTRIAL PARK CONSTRUCTION CONTRACTORS

As of the Latest Practicable Date, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries:

- (a) Huzhou Construction is principally engaged in the business of building construction including building construction works, municipal public engineering works and foundation construction works and is owned as to 33.8% by Huzhou Construction Real Estate Development Company Limited* (湖州建設房地產開發有限公司), 16.1% by Mr. Wang Zhongyuan (王仲元), 15.1% by Huangshan Jianshe United Real Estate Company Limited* (黃山市建歙聯合置業有限公司), 12.7% by Mr. Mao Jiankun (茅建坤), 7.6% by Zhejiang Huzhou Construction Engineering Group Company Limited Employee Stock Ownership Association* (浙江湖州市建工集團有限公司職工持股協會), 3.6% by Mr. Guo Jianhua (郭建華) and 30 other individual equity holders, each of whom owns less than 1.0%.
- (b) Dongsheng Construction is principally engaged in the business of building construction including building construction works, municipal engineering works, steel structure construction works and interior and exterior decoration works and is owned as to 99.7% by Mr. Zhang Peng (張鵬) and 0.3% by Ms. Zhong Huijuan (鐘慧娟).
- (c) Yangfan Construction is principally engaged in the business of building construction including building construction works, foundation construction works, steel structure construction works and construction renovation and decoration works and is owned as to 90.0% by Mr. Yang Guoliang (楊國良) and 10.0% by Mr. Yang Xudong (楊旭棟).

- (d) Ziqiang Construction is principally engaged in the business of building construction including building construction works, municipal engineering works and interior and exterior renovation and decoration works and is owned as to 71.1% by Mr. Ma Xuetao (馬雪濤) and 28.9% by Ms. Shen Maomao (沈毛毛).

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Industrial Park Construction Contractors and their respective ultimate beneficial owners is an Independent Third Party and independent from each other.

INFORMATION OF THE GROUP

The Group is principally engaged in garment manufacturing for export, retailing branded fashion apparel and property investment in the PRC.

Each of Zhejiang Concept Creator, Hangzhou Tailored Fashion, Zhejiang Fucheng Fashion, Zhejiang Fuhowe Fashion and Zhejiang Xinan Fashion is principally engaged in garment manufacturing in the PRC. Finity International Fashion is principally engaged in garment manufacturing and retailing and trademark holding in the PRC. Zhejiang Knitwear is principally engaged in knitwear manufacturing in the PRC. Zhejiang China Ting Group is principally engaged in property holding and garment trading. Zhejiang Textile Technology is principally engaged in home textile weaving in the PRC. Hangzhou Huaxing is principally engaged in printing and dyeing of silk and other high-quality fabrics in the PRC. Zhejiang Jincheng is principally engaged in silk fabric weaving in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

The Directors confirm that each of the Industrial Park Construction Contracts is awarded to the relevant contractors through tendering process conducted in the PRC. Hence, the Directors (including the independent non-executive Directors) are of the view that all terms of each of the Industrial Park Construction Contracts (including the amount of consideration thereunder) are negotiated on an arm's length basis upon normal commercial terms and are fair and reasonable and in the interests of the Company and Shareholders as a whole.

Each of the Industrial Park Construction Contracts constitutes a notifiable transaction (as defined under the Listing Rules) for the Company. The individual contracts comprising each of the Huzhou Construction Contracts, Dongsheng Construction Contracts, Yangfan Construction Contracts and Ziqiang Construction Contracts should be aggregated pursuant to Rule 14.23(1) of the Listing Rules because all such individual contracts are entered into with the same counter-party. Pursuant to Rule 14.23A of the Listing Rules, the Industrial Park Construction Contracts are not aggregated as they are entered into with different counter-parties for different construction works in respect of the Redevelopment Proposal for the Group's own use in its ordinary and usual course of business.

Major transactions for the Company — Huzhou Construction Contracts, Dongsheng Construction Contracts and Yangfan Construction Contracts

The total contract sums under the Huzhou Construction Contracts amount to RMB375.0 million (equivalent to HK\$457.3 million). The total contract sums under the Dongsheng Construction Contracts amount to RMB265.8 million (equivalent to HK\$324.1 million). The total contract sums under the Yangfan Construction Contracts amount to RMB155.2 million (equivalent to HK\$189.3 million).

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

Discloseable transaction for the Company — Ziqiang Construction Contracts

The total contract sums under the Ziqiang Construction Contracts amount to RMB87.2 million (equivalent to HK\$106.3 million). As the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) are more than 5% but less than 25%, the transactions contemplated under the Ziqiang Construction Contracts constitute a discloseable transaction for the Company and are therefore subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

Written shareholders' approval and no extraordinary general meeting to be held

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as (a) no Shareholder is required to abstain from voting if the Company were to convene an extraordinary general meeting for the respective approvals of the Huzhou Construction Contracts, Dongsheng Construction Contracts and Yangfan Construction Contracts and (b) Longerview which holds 71% of the total number of Shares in issue has given its written approval to each of the Huzhou Construction Contracts, Dongsheng Construction Contracts and Yangfan Construction Contracts, an extraordinary general meeting of the Company for the approval of each of the Huzhou Construction Contracts, Dongsheng Construction Contracts and Yangfan Construction Contracts could be dispensed with pursuant to Rule 14.44 of the Listing Rules.

FINANCIAL EFFECTS OF ENTERING INTO THE INDUSTRIAL PARK CONSTRUCTION CONTRACTS

The consideration of the Huzhou Construction Contracts, the Dongsheng Construction Contracts, the Yangfan Construction Contracts and the Ziqiang Construction Contracts are RMB375.0 million (equivalent to approximately HK\$457.3 million), RMB265.8 million (equivalent to approximately HK\$324.1 million), RMB155.2 million (equivalent to approximately HK\$189.3 million) and RMB87.2 million (equivalent to approximately HK\$106.3 million), respectively. The settlement terms of the consideration is set out under the section headed “5. Payment terms and basis of determining the contract sums” in this letter from the Board.

When the construction costs under each of the Industrial Park Construction Contracts are incurred, the relevant portion of consideration will be capitalised to “construction in progress” under the consolidated balance sheet of the Group, with the corresponding increase in the balance of “trade payables”. The assets and the liabilities of the Group will be increased accordingly. The payment of consideration, and the payments and expenses incurred and to be incurred in connection with the construction would result in the decrease in “trade payables”, decrease in “cash and cash equivalents” and/or “bank borrowings”. It is expected that completion of the Redevelopment Proposal will have no impact on the net asset value of the Group because the consideration will be settled by internal financial resources of the Group and/or bank borrowings.

The Company considers that there will not be any material effect on the earnings of the Group immediately due to the execution of the Industrial Park Construction Contracts. Since the consideration is expected to be funded by internal financial resources of the Group and/or bank borrowings, after the payment of the consideration, the cash and cash equivalents of the Group will decrease by approximately the same amount of RMB883.2 million (equivalent to approximately HK\$1,077.0 million) as the aggregate amount of consideration under the Industrial Park Construction Contracts and as a result, the bank interest income of the Group will be reduced and the finance costs from interest-bearing loans will increase.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms and conditions of each of the Industrial Park Construction Contracts are on normal commercial terms and are fair and reasonable and are in the interests of the Company and Shareholders as a whole. Accordingly, the Directors would recommend the Shareholders to vote in favour of the resolution(s) approving the Huzhou Construction Contracts, Dongsheng Construction Contracts and Yangfan Construction Contracts if a general meeting of the Company were to be convened.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board

A handwritten signature in black ink, appearing to be 'TING Man Yi', written in a cursive style.

TING Man Yi
Chairman