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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)**

### **CONNECTED AND DISCLOSEABLE TRANSACTION Acquisition of the Equity Interest**

#### **OVERVIEW**

The Board would like to announce that the Conditional Sale and Purchase Agreement was entered into on 5 September 2006 pursuant to which Concept Creator Fashion has agreed, subject to the Conditions, to acquire the Equity Interest from the Vendors at a total consideration of RMB174,292,768 (equivalent to approximately HK\$169.2 million). The total consideration is based on the Net Asset Value and the Appraised Property Value and certain adjustments (as described below) and was arrived at after arm's length negotiation between the Vendors and Concept Creator Fashion.

Following Completion, Zhejiang Huading Group will become a 92 per cent. owned subsidiary of the Company and hence, the existing lease agreements entered into between Zhejiang Huading Group and members of the Group, as disclosed in the Prospectus, will cease to be non-exempt continuing connected transactions (as such term is defined under the Listing Rules) for the Company.

As (i) the total consideration of the Acquisition is based on the Net Asset Value and the Appraised Property Value and certain adjustments (as described below), and (ii) all of the Properties will be used by the Group for nil consideration following Completion, the executive Directors are of the view that the Acquisition is entered into upon normal commercial terms and fair and reasonable to the Group and the Shareholders as a whole. The independent non-executive Directors, who are members of the Independent Board Committee, will provide their views in the Shareholders' circular to be despatched following the review of the advice from the Independent Financial Advisers.

#### **NO CHANGE IN THE PROPOSED USE OF THE NET PROCEEDS FROM THE SHARE OFFER**

The cash consideration for the Acquisition will be funded by the internally generated financial resources of the Group and as such, the Directors confirm that the Acquisition will not change the proposed use of net proceeds from the Share Offer.

#### **CONNECTED AND DISCLOSEABLE TRANSACTION**

Mr. DING Xinger, who currently holds 82 per cent. of the total equity interest in Zhejiang Huading Group, is an elder brother of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, the executive Directors, and is a connected person (as such term is defined under the Listing Rules) of the Company. As such, the Acquisition constitutes a connected transaction (as such term is defined under the Listing Rules) for the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As the applicable ratios set forth in Chapter 14 of the Listing Rules are more than five per cent. but less than 25 per cent., the Acquisition also constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company.

As a result, Completion is subject to the approval of the Independent Shareholders by poll at the EGM at which Longerview and its associates (as such term is defined under the Listing Rules) will abstain from voting.

## **EGM AND THE SHAREHOLDERS' CIRCULAR**

In view of the foregoing, the Company will seek the approval of the Independent Shareholders on the Conditional Sale and Purchase Agreement. Ordinary resolutions will be proposed at the EGM for the Independent Shareholders to consider and if appropriate, approve by way of poll the Conditional Sale and Purchase Agreement.

A circular containing, among other things, (1) further information on the Conditional Sale and Purchase Agreement; (2) the recommendation of the Independent Board Committee to the Independent Shareholders; (3) the advice from the Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

## **CONDITIONAL SALE AND PURCHASE AGREEMENT**

- Signing date: 5 September 2006
- Parties: *The Vendors* as the vendors; and  
*Concept Creator Fashion* as the purchaser.
- Equity Interest to be acquired: 92 per cent. of the registered capital of RMB50 million of Zhejiang Huading Group.
- Consideration: RMB174,292,768 (equivalent to approximately HK\$169.2 million) which is based on 92 per cent. of the aggregate of (1) the Net Asset Value of RMB19,611,694 (equivalent to approximately HK\$19.0 million); (2) the Appraised Property Value of RMB168,200,000 (equivalent to approximately HK\$163.3 million); and (3) certain adjustments on tax refund and deferred tax and unrecorded expenses of a net balance of RMB1,636,967 (equivalent to approximately HK\$1.59 million).
- Completion Date: Not later than 31 October 2006 or such later date as may be agreed between the Vendors and Concept Creator Fashion.
- Conditions: Completion is conditional upon the following conditions:
- (a) all the approvals and consents under the applicable PRC laws and regulations having been obtained as confirmed by the PRC legal advisers to the Company; and
  - (b) the Independent Shareholders approving the Acquisition; and

(c) such other conditions as the Vendors and Concept Creator Fashion may agree from time to time subject to full compliance with the applicable requirements under the Listing Rules.

All of the above Conditions (except (c)) cannot be waived by the Vendors and Concept Creator Fashion.

**Payment method:** Full amount of the total consideration of RMB174,292,768 (equivalent to approximately HK\$169.2 million) will be payable by Concept Creator Fashion in cash to the Vendors (in proportion to their respective holdings of the Equity Interest) upon Completion.

**Representations and undertakings from the Vendors:** The Vendors have jointly and severally given customary representations and undertakings to Concept Creator Fashion as to the ownership of the Equity Interest and no third-parties' claims and demands against any of the assets of Zhejiang Huading Group and the Properties.

Since completion of the Reorganisation, Zhejiang Huading Group has not engaged in any business activities other than receiving rental from members of the Group and holding certain long-term investments. As such, the Vendors have further jointly and severally undertaken that Zhejiang Huading Group will not be involved in any business activities from the date of the Conditional Sale and Purchase Agreement to the date of Completion and that all the books and records of Zhejiang Huading Group have been handed over to Concept Creator Fashion from the date of the Conditional Sale and Purchase Agreement.

The Vendors have also jointly and severally given in favour of Concept Creator Fashion tax indemnity and indemnity on accounts receivable if the amount of which cannot be received by Zhejiang Huading Group within 60 days from the date of Completion.

Concept Creator Fashion has given customary representations to the Vendors on due authority of signing the Conditional Sale and Purchase Agreement.

**Governing law:** The Conditional Sale and Purchase Agreement is governed by the laws of the PRC.

## CESSATION OF CONTINUING CONNECTED TRANSACTIONS

The holdings of the equity interests in Zhejiang Huading Group immediately before and after Completion are set forth in the following table:

Name of holder of equity interest in Zhejiang Huading Group	Percentage of equity interest held immediately before the date of Completion	Percentage of equity interest held immediately after the date of Completion
DING Xinger	82%	2%
FU Xiao Bo ( <i>Note</i> )	6%	3%
YE Ai Min ( <i>Note</i> )	6%	3%
JIN Xiao Ying ( <i>Note</i> )	6%	—
Concept Creator Fashion	—	92%
Total:	<u>100%</u>	<u>100%</u>

*Note:* Mr. FU Xiao Bo, Mr. YE Ai Min and Ms. JIN Xiao Ying are not connected persons (as such term is defined under the Listing Rules) of the Company. All of them are senior management of the weaving and apparel production business of the Group, as disclosed in the Prospectus.

Mr. DING Xinger currently holds 82 per cent. of the total equity interest in Zhejiang Huading Group and is an elder brother of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, the executive Directors. Hence Mr. DING Xinger and Zhejiang Huading Group are connected persons (as such term is defined under the Listing Rules) of the Company. Following Completion, Zhejiang Huading Group will become a 92 per cent. owned subsidiary of the Company. As none of the connected persons (as such term is defined under the Listing Rules) of the Company and their respective associates will be a substantial shareholder (as such term is defined under the Listing Rules) of Zhejiang Huading Group, Zhejiang Huading Group will cease to be a connected person (as such term is defined under the Listing Rules) of the Company. Hence, all the existing lease agreements between Zhejiang Huading Group and members of the Group in respect of lease of part of the Properties will cease to be continuing connected transactions (as such term is defined under the Listing Rules) for the Company and are expected to be terminated. All the Properties will be used by the Group for nil consideration. As disclosed in the Prospectus, the annual cap for the amount payable under the lease agreements with Zhejiang Huading Group was RMB13.94 million (equivalent to approximately HK\$13.41 million). During the six-month period ended 30 June 2006, the amount paid by members of the Group was HK\$6.7 million.

## REASONS FOR, AND BENEFITS OF, THE ACQUISITION

The Properties are currently used by the members of the Group as office premises, factory plant and staff quarters and guest house pursuant to the lease agreements entered into between Zhejiang Huading Group and members of the Group as disclosed in the Prospectus. All of these lease agreements constitute non-exempt continuing connected transactions (as such term is defined under the Listing Rules) for the Company. For the financial year ended 31 December 2005, the Group had paid RMB3,452,045 (equivalent to approximately HK\$3.35 million) as the rental for the use of the Properties. According to the relevant lease agreements, the Group will be obliged to pay an annual rental of RMB13.94 million (equivalent to approximately HK\$13.41 million) to Zhejiang Huading Group for each of the two financial years ending 31 December 2007.

With the increasing demand for industrial land in Zhejiang Province, the PRC, the Directors expect that the price of land in Zhejiang Province, the PRC will continue to increase in the future. This will also increase the amount of rental payment in respect of the Properties upon expiry of the terms of the existing related lease agreements. The Directors therefore consider that the Group will not be required to continue to pay substantial amount of rental each year as a result of the Acquisition. The Properties are primarily used by the Group as office premises, factory plant and staff quarters and guest house.

The Directors confirm that the cash consideration payable under the Conditional Sale and Purchase Agreement is to be funded by the internally generated financial resources derived from the trading activities of the Group. As such, the Directors further confirm that the Acquisition will not affect the future plans and the proposed use of net proceeds from the Share Offer set forth in the Prospectus.

Following Closing, all members of the board of directors of Zhejiang Huading Group will be appointed by Concept Creator Fashion.

The Group will not acquire all the equity interest in Zhejiang Huading Group pursuant to the Conditional Sale and Purchase Agreement because certain existing holders of equity interests in Zhejiang Huading Group would like to retain a small portion of their respective equity interests therein.

The Directors also consider that the Acquisition will achieve the effective control of the Properties without going through the procedure of revising the building ownership certificates of the Properties. The PRC legal advisers to the Group has confirmed that the entering into the Sale and Purchase Agreement is in full compliance with the applicable laws and regulations in the PRC and that Zhejiang Huading Group has good title to the Properties.

In light of the foregoing, the executive Directors are of the view that the Acquisition is entered into upon normal commercial terms and fair and reasonable to the Group and the Shareholders as a whole. The independent non-executive Directors, who are members of the Independent Board Committee, will provide their views in the Shareholders' circular to be despatched following the review of the advice from the Independent Financial Advisers.

## **CONNECTED AND DISCLOSEABLE TRANSACTION**

Mr. DING Xinger, who currently holds 82 per cent. of the total equity interest in Zhejiang Huading Group, is an elder brother of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer, the executive Directors, and is a connected person (as such term is defined under the Listing Rules) of the Company. As such, the Acquisition constitutes a connected transaction (as such term is defined under the Listing Rules) for the Company and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As the applicable ratios set forth in Chapter 14 of the Listing Rules are more than five per cent. but less than 25 per cent., the Acquisition constitutes a discloseable transaction (as such term is defined under the Listing Rules) for the Company.

As a result, Completion is subject to the approval of the Independent Shareholders by poll at the EGM at which Longerview and its associates (as such term is defined under the Listing Rules) will abstain from voting.

## **EGM AND SHAREHOLDERS' CIRCULAR**

In view of the foregoing, the Company will seek the approval of the Independent Shareholders on the Conditional Sale and Purchase Agreement. Ordinary resolutions will be proposed at the EGM for the Independent Shareholders to consider and if appropriate, approve by way of poll the Conditional Sale and Purchase Agreement.

A circular containing, among other things, (1) further information on the Conditional Sale and Purchase Agreement; (2) the recommendation of the Independent Board Committee to the Independent Shareholders; (3) the advice from the Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders; and (4) a notice of the EGM will be despatched to the Shareholders as soon as practicable.

## **GENERAL INFORMATION ON ZHEJIANG HUADING GROUP**

Zhejiang Huading Group was previously one of the operating entities in the PRC forming part of the business of the Group and commonly controlled by the Controlling Shareholders. As disclosed in the Prospectus, following completion of the Reorganisation, the business, together with the assets and liabilities of Zhejiang Huading Group, were assumed by the Company except for the Properties and certain receivables and payables. Afterwards, Zhejiang Huading Group has conducted no business activities other than holding the Properties and certain assets, such as long-term investments and cash balance.

The Appraised Property Value is RMB168,200,000 (equivalent to approximately HK\$163.3 million) and the Net Asset Value is RMB19,611,694 (equivalent to approximately HK\$19.0 million). As at 31 August 2006, the total assets and total net assets of Zhejiang Huading Group (including the Properties based on their respective net book values) were approximately RMB138,861,691 and RMB129,170,369 (equivalent to approximately HK\$134.8 million and HK\$125.4 million, respectively) under the generally accepted accounting principles in the PRC.

## **GENERAL INFORMATION ON THE GROUP**

The Group is a vertically integrated and large scale garment manufacturer, exporter and retailer based in the PRC with the business activities comprising two distinctive, but related parts: (i) the provision of vertically integrated garment manufacturing solutions for middle to high-end fashion apparel, primarily for women, using predominately silk or silk-blended fabric, on an OEM basis for international fashion brands chain retailers and department stores and (ii) manufacturing and retailing of branded apparel, primarily for women, in the PRC. The Shares have been listed on the Main Board since 15 December 2005.

## **DEFINITIONS USED IN THIS ANNOUNCEMENT**

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

“Acquisition”	the acquisition contemplated under the Conditional Sale and Purchase Agreement;
“Appraised Property Value”	the market value of the Properties as at 31 August 2006 of RMB168,200,000 (equivalent to approximately HK\$163.3 million) confirmed by Savills Valuation and Professional Services Limited, an independent valuer appointed by the Company, with the full-text of the valuation report to be included in the Shareholders’ circular;
“Board”	the board of Directors;
“Completion”	completion of the Acquisition;
“Company”	China Ting Group Holdings Limited (華鼎集團控股有限公司), a company incorporated in the Cayman Islands with limited liability with the Shares listed on the Main Board;

“Concept Creator Fashion”	Concept Creator Fashion Limited (創越時裝有限公司), a company incorporated in Hong Kong with limited liability on 12 May 1994 and a wholly-owned subsidiary of the Company;
“Conditional Sale and Purchase Agreement”	the conditional sale and purchase agreement dated 5 September 2006 and entered into between the Vendors and Concept Creator Fashion in relation to the Acquisition;
“Conditions”	the conditions to Completion;
“Controlling Shareholders”	the controlling shareholders (as such term is defined under the Listing Rules) of the Company, namely Mr. TING Man Yi, Mr. DING Jianer, Mr. TING Hung Yi, Firmsuccess Limited, In Holdings Limited, Willport Investments Limited and Longerview;
“Directors”	the executive and the independent non-executive directors of the Company;
“EGM”	the extraordinary general meeting proposed to held by the Company for the purpose of approving the Conditional Sale and Purchase Agreement, a notice of which will be dispatched by the Company with the Shareholders’ circular;
“Equity Interest”	the 92 per cent. of the registered capital in Zhejiang Huading Group which is currently owned by the Vendors being the subject matter of the Acquisition;
“Group”	the Company and its subsidiaries;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Board Committee”	the committee of the Board established on 4 September 2006 for the purpose of advising the Independent Shareholders on the Acquisition, the members of which include all the independent non-executive Directors, namely Dr. CHENG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit;
“Independent Financial Advisers”	Access Capital Limited, the independent financial advisers appointed by the Board and approved by the Independent Board Committee;
“Independent Shareholders”	the Shareholders other than Longerview and its associates (as such term is defined under the Listing Rules);
“Listing Rules”	The Rules Governing the Listing of Securities on The stock Exchange of Hong Kong Limited;
“Longerview”	Longerview Investments Limited, one of the Controlling Shareholders holding approximately 72.15 per cent. of the issued Shares;
“Main Board”	the stock market operated by the Stock Exchange which is in parallel with, and distinct from, the Growth Enterprise Market of the Stock Exchange;
“Net Asset Value”	the audited net asset value of Zhejiang Huading Group (excluding the Properties) as of 31 August 2006 based on the generally accepted accounting principles in the PRC of RMB19,611,694 (equivalent to approximately HK\$19.0 million) which excludes the aggregate value of the Properties as at the same date;

“PRC”	The People’s Republic of China which, for the purpose of this announcement, does not include Hong Kong, The Macau Special Administrative Region and Taiwan;
“Properties”	the headquarters building and the industrial complex No. 3 situated within the China Ting Industrial Complex at No. 56 Beisha Road East, Yuhang District, Hangzhou City, Zhejiang Province, the PRC, the staff dormitory blocks, a senior staff dormitory block, a guest house and various ancillary buildings and facilities situated next to the China Ting Industrial Complex, together with the land they are situated and the land of approximately 8,451 sq. m., and an office unit situated at rooms A and D, 19th Floor, Catic Tower, 212 Jiangning Road, Shanghai, the PRC;
“Prospectus”	the prospectus issued by the Company dated 30 November 2005 for the purpose of the Share Offer;
“Reorganisation”	the corporate reorganisation undergone by members of the Group in preparation for the listing of the Shares on the Main Board;
“Share Offer”	the share offer made by the Company in December 2005 as part of the listing of the Shares on the Main Board;
“Share(s)”	the ordinary shares of the Company of HK\$0.10 each;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vendors”	Mr. DING Xinger, Mr. YE Ai Min, Mr. JIN Xiao Ying and Mr. FU Xiao Bo, the holders of the equity interests in Zhejiang Huading Group;
“Zhejiang Huading Group”	浙江華鼎集團有限責任公司 (Zhejiang Huading Group Company Limited), a limited liability company established under the laws of the PRC on 16 August 2001 and owned by the Vendors;
“RMB”	Renminbi, the lawful currency of the PRC; and
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong.

*Unless otherwise specified, the Renminbi amounts shown in this announcement have been translated into Hong Kong dollars at an exchange rate of HK\$1.00 = RMB1.03. Such translation should not be construed as a representation that the RMB amounts have been, could have been or could be converted into, HK\$, as the case may be, at this or any other rates or at all.*

*As at the date of this announcement, the executive Directors are Mr. TING Man Yi (Chairman), Mr. TING Hung Yi (Chief Executive Officer), Mr. DING Jianer, Mr. CHEUNG Ting Yin, Peter, Mr. WONG Sin Yung and the independent non-executive Directors are Dr. CHEUNG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit.*

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

Hong Kong, 6 September 2005

*Please also refer to the published version of this announcement in **South China Morning Post**.*