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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)**

### **UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013**

- The revenue of the Group decreased by 7.9% to HK\$1,243.9 million during the six months ended 30 June 2013, as compared with HK\$1,350.3 million during the six months ended 30 June 2012. The revenue generated from the Group's OEM/ODM business decreased by 10.6%. The revenue generated from the Group's fashion retail business increased by 5.7%.
- The net profit of the Group increased by 18.4% to HK\$72.8 million during the six months ended 30 June 2013, as compared with HK\$61.5 million during the six months ended 30 June 2012.
- The earnings per share increased to 3.49 HK cents during the six months ended 30 June 2013, as compared with 2.97 HK cents during the six months ended 30 June 2012.
- The Board has decided not to declare and pay any cash interim dividend for the six months ended 30 June 2013.

## INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended 30 June 2013, together with the unaudited comparative figures for the corresponding period in 2012 as follows:

### CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2013

	Note	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue	3	1,243,935	1,350,347
Cost of sales		(864,053)	(969,736)
<b>Gross profit</b>		<b>379,882</b>	380,611
Other income	4	10,970	5,561
Other (losses)/gains, net	5	(13,073)	556
Selling, marketing and distribution costs		(139,670)	(145,808)
Administrative expenses		(153,282)	(141,688)
<b>Operating profit</b>	6	<b>84,827</b>	99,232
Finance income	7	27,930	11,207
Finance costs	7	(9,879)	(7,135)
Share of losses of associates		(2,918)	(836)
Share of profit of a joint venture		897	725
<b>Profit before income tax</b>		<b>100,857</b>	103,193
Income tax expense	8	(28,060)	(41,727)
<b>Profit for the period</b>		<b>72,797</b>	61,466
<b>Other comprehensive income/(loss) for the period, net of tax:</b>			
Items that may be reclassified to profit or loss			
— Currency translation differences		40,526	(30,067)
— Change in fair value of available-for-sale financial asset		—	2,792
— Deregistration of a subsidiary		—	(5,439)
Total items that may be reclassified subsequently to profit or loss		40,526	(32,714)
<b>Total comprehensive income for the period</b>		<b>113,323</b>	28,752

		<b>Six months ended 30 June</b>	
		<b>2013</b>	2012
		<b>(Unaudited)</b>	(Unaudited)
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of the Company		73,324	62,327
Non-controlling interests		<u>(527)</u>	<u>(861)</u>
		<u><b>72,797</b></u>	<u><b>61,466</b></u>
<b>Total comprehensive income/(loss) attributable to:</b>			
Equity holders of the Company		113,186	30,044
Non-controlling interests		<u>137</u>	<u>(1,292)</u>
		<u><b>113,323</b></u>	<u><b>28,752</b></u>
<b>Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)</b>			
— basic	9	<u><b>3.49 cents</b></u>	<u>2.97 cents</u>
— diluted	9	<u><b>3.49 cents</b></u>	<u>2.97 cents</u>
Dividends	10	<u>—</u>	<u>—</u>

**CONDENSED CONSOLIDATED BALANCE SHEET**  
*AS AT 30 JUNE 2013*

		As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
	<i>Note</i>		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		869,960	740,938
Investment properties		18,000	18,000
Land use rights		89,857	90,488
Intangible assets		131,640	135,954
Interests in associates		571,266	566,382
Loan to an associate		248,110	238,125
Deposit	11	—	12,713
Interest in a joint venture		2,900	2,003
Promissory notes	11	67,389	71,235
Entrusted loans	11	37,836	37,019
Deferred income tax assets		47,904	43,291
		<u>2,084,862</u>	<u>1,956,148</u>
<b>Current assets</b>			
Inventories		510,840	563,673
Trade and other receivables	11	624,723	625,968
Entrusted loans	11	163,955	—
Tax recoverable		—	2,508
Financial assets at fair value through profit or loss		15,347	18,736
Term deposits		87,251	68,399
Pledged bank deposits		29,426	39,927
Cash and cash equivalents		259,731	320,385
		<u>1,691,273</u>	<u>1,639,596</u>
<b>Total assets</b>		<u><u>3,776,135</u></u>	<u><u>3,595,744</u></u>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the Company</b>			
Share capital		209,982	209,857
Reserves		2,632,358	2,518,584
Proposed dividends		—	77,647
		<u>2,842,340</u>	<u>2,806,088</u>
Non-controlling interests		42,597	42,460
<b>Total equity</b>		<u><u>2,884,937</u></u>	<u><u>2,848,548</u></u>

		As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
	<i>Note</i>		
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		14,334	15,665
<b>Current liabilities</b>			
Trade and other payables	12	429,357	422,423
Bank borrowings		425,790	293,096
Current income tax liabilities		21,717	16,012
		<u>876,864</u>	<u>731,531</u>
<b>Total liabilities</b>		<u>891,198</u>	<u>747,196</u>
<b>Total equity and liabilities</b>		<u>3,776,135</u>	<u>3,595,744</u>
<b>Net current assets</b>		<u>814,409</u>	<u>908,065</u>
<b>Total assets less current liabilities</b>		<u>2,899,271</u>	<u>2,864,213</u>

# NOTES TO THE CONDENSED CONSOLIDATED ANNOUNCEMENT

## 1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2013 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 financial statements for the year ended 31 December 2012, which have been prepared in accordance with HKFRSs.

## 2 ACCOUNTING POLICIES

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements.

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

(a) The Group has adopted the following new, revised standards and amendments to standards that have been issued and are effective for the Group’s financial year commencing on 1 January 2013:

HKAS 19 (Revised 2011)	Employee benefits
HKAS 27 (Revised 2011)	Separate financial statements
HKAS 28 (Revised 2011)	Investments in associates and joint ventures
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKFRS 1 (Amendment)	First-time adoption of HKFRS — government loans
HKFRS 7 (Amendment)	Disclosures — offsetting financial assets and financial liabilities
Annual improvement projects	Improvements to HKASs and HKFRSs 2011
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance

(b) The following new standards, amendments/revisions to standards and interpretation have been issued, but are not effective for the financial year beginning 1 January 2013 and have not been early adopted.

		<b>Effective for annual periods beginning on or after</b>
HKAS 32 (Amendment)	Financial instruments: Presentation — Offsetting financial assets and financial liabilities	1 January 2014
HKFRS 9	Financial instruments	1 January 2015
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures	1 January 2015
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investments entities	1 January 2014

The Group has already commenced an assessment of the impact of adopting the above new standards, amendments/revision to standards and interpretation. The Group is not yet in a position to state whether substantial changes to the Group’s accounting policies and financial statements presentation will result.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on 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 consider the Group has three reportable segments: (1) manufacturing and sale of garments on an OEM basis ("OEM"); (2) manufacturing and retailing of branded fashion apparel ("Retail"); and (3) property development in the PRC ("Property development").

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.

Total segment assets exclude investment properties, deferred income tax assets, financial assets at fair value through profit or loss and entrusted loans, all of which are managed on a central basis. These are part of the reconciliation to total consolidated balance sheet assets.

Turnover comprises sale of goods. Sales between segments are carried out based on terms agreed. The revenue from external parties reported to the Board is measured in a manner consistent with that in the condensed consolidated statement of comprehensive income.

	(Unaudited)			
	OEM	Retail	Property development	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Six months ended 30 June 2013</b>				
Total revenue	1,010,871	235,408	—	1,246,279
Inter-segment revenue	(2,344)	—	—	(2,344)
<b>Revenue (from external customers)</b>	<b>1,008,527</b>	<b>235,408</b>	<b>—</b>	<b>1,243,935</b>
<b>Segment profit before income tax</b>	<b>77,701</b>	<b>11,194</b>	<b>(914)</b>	<b>87,981</b>
Depreciation of property, plant and equipment	(43,665)	(10,414)	—	(54,079)
Amortisation of land use rights	(1,087)	(33)	—	(1,120)
Amortisation of intangible assets	(2,286)	(2,394)	—	(4,680)
Finance income	7,045	267	—	7,312
Finance costs	(9,169)	(710)	—	(9,879)
Share of profits/(losses) of associates	8	(2,012)	(914)	(2,918)
Share of profit of a joint venture	897	—	—	897
Income tax expense	(19,309)	(3,597)	—	(22,906)

	(Unaudited)			
	OEM	Retail	Property development	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Six months ended 30 June 2012</b>				
Total revenue	1,129,209	222,630	—	1,351,839
Inter-segment revenue	(1,492)	—	—	(1,492)
<b>Revenue (from external customers)</b>	<b>1,127,717</b>	<b>222,630</b>	<b>—</b>	<b>1,350,347</b>
<b>Segment profit before income tax</b>	<b>85,073</b>	<b>21,533</b>	<b>(790)</b>	<b>105,816</b>
Depreciation of property, plant and equipment	(54,879)	(2,071)	—	(56,950)
Amortisation of land use rights	(1,387)	(33)	—	(1,420)
Amortisation of intangible assets	(2,286)	(2,394)	—	(4,680)
Loss on the conversion of trade receivables to promissory notes	(10,005)	—	—	(10,005)
Finance income	8,531	1,302	—	9,833
Finance costs	(7,035)	(100)	—	(7,135)
Share of profits/(losses) of associates	17	(63)	(790)	(836)
Share of profit of a joint venture	725	—	—	725
Income tax expense	(34,483)	(7,244)	—	(41,727)
<b>As at 30 June 2013</b>				
<b>Total segment assets</b>	<b>2,116,492</b>	<b>566,068</b>	<b>807,705</b>	<b>3,490,265</b>
Total assets include:				
Interests in associates	2,301	9,370	559,595	571,266
Interest in a joint venture	2,900	—	—	2,900
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<b>151,503</b>	<b>23,351</b>	<b>9,985</b>	<b>184,839</b>
	(Audited)			
	OEM	Retail	Property development	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>As at 31 December 2012</b>				
<b>Total segments assets</b>	<b>1,989,223</b>	<b>695,927</b>	<b>790,779</b>	<b>3,475,929</b>
Total segment assets include:				
Interests in associates	2,365	11,363	552,654	566,382
Interest in a joint venture	2,003	—	—	2,003
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<b>15,381</b>	<b>37,369</b>	<b>248,945</b>	<b>301,695</b>



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

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Total segment profit before income tax</b>	<b>87,981</b>	105,816
Net fair value (losses)/gains of financial assets at fair value through profit or loss	<b>(2,761)</b>	146
Corporate overhead	<b>(5,239)</b>	(4,401)
Rental income	<b>258</b>	258
Interest income from an associate	<b>6,586</b>	1,374
Interest income from entrusted loans	<b>14,032</b>	—
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<b>Profit before income tax per condensed consolidated statement of comprehensive income</b>	<b>100,857</b>	103,193
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A reconciliation of reportable segments' assets to total assets is provided as follows:

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Total segment assets</b>	<b>3,490,265</b>	3,475,929
Financial assets at fair value through profit or loss	<b>15,347</b>	18,736
Corporate assets	<b>2,828</b>	261
Investment properties	<b>18,000</b>	18,000
Deferred income tax assets	<b>47,904</b>	43,291
Tax recoverable	<b>—</b>	2,508
Entrusted loans	<b>201,791</b>	37,019
	<hr/>	<hr/>
<b>Total assets per condensed consolidated balance sheet</b>	<b>3,776,135</b>	3,595,744
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The Company is domiciled in the Cayman Islands. The results of its revenue from external customers located in the following geographical areas are as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
North America	<b>770,651</b>	888,181
European Union	<b>81,020</b>	91,176
Mainland China	<b>342,619</b>	290,671
Hong Kong	<b>41,358</b>	68,636
Other countries	<b>8,287</b>	11,683
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	<b>1,243,935</b>	1,350,347
	<hr/> <hr/>	<hr/> <hr/>

The total of non-current assets other than interests in associates, loan to an associate, interest in a joint venture, promissory notes, entrusted loans and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the following geographical areas are as follows:

	As at 30 June 2013 (Unaudited) <i>HK\$'000</i>	As at 31 December 2012 (Audited) <i>HK\$'000</i>
Mainland China	943,848	936,111
Hong Kong	165,269	61,659
North America	340	323
	<u>1,109,457</u>	<u>998,093</u>

For the six months ended 30 June 2013, revenue of approximately HK\$171,498,000 (2012: HK\$194,401,000) was derived from one external customer (2012: one) attributable to the OEM reportable segment and accounted for greater than 10% of the Group's revenue.

#### 4 OTHER INCOME

	Six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Commission income	3,139	1,594
Government grants	2,582	18
Rental income	1,930	258
Others	3,319	3,691
	<u>10,970</u>	<u>5,561</u>

#### 5 OTHER (LOSSES)/GAINS, NET

	Six months ended 30 June	
	2013 (Unaudited) <i>HK\$'000</i>	2012 (Unaudited) <i>HK\$'000</i>
Gain on disposal of property, plant and equipment	12	158
Net fair value (losses)/gains on financial assets at fair value through profit or loss	(2,761)	146
Net exchange (losses)/gains	(10,324)	5,065
Gain on deregistration of a subsidiary	—	5,192
Loss on conversion of trade receivables to promissory notes ( <i>Note 11(ii)</i> )	—	(10,005)
	<u>(13,073)</u>	<u>556</u>

## 6 OPERATING PROFIT

The following items have been charged to the operating profit during the interim period:

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	54,079	56,950
Amortisation of land use rights	1,120	1,420
Amortisation of intangible assets	4,680	4,680
Employee benefit expenses	369,657	350,295
Provision for inventories	10,354	1,252
Provision for impairment of trade receivables	3,151	950
Share-based payment to a related party	—	2,983
	<u>54,079</u>	<u>56,950</u>

## 7 FINANCE INCOME, NET

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Finance income — interest income on		
— bank deposits	3,492	5,083
— amounts due from associates	180	64
— loan to an associate	6,586	1,374
— promissory notes	3,640	4,686
— entrusted loans	14,032	—
	<u>27,930</u>	<u>11,207</u>
Finance costs — interest expense on		
— bank borrowings	(9,879)	(7,135)
	<u>(9,879)</u>	<u>(7,135)</u>
Finance income, net	<u>18,051</u>	<u>4,072</u>

## 8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2013	2012
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
— Hong Kong profits tax	11,467	8,192
— PRC enterprise income tax	22,537	29,697
— PRC corporate withholding income tax	—	4,236
Deferred income tax	(5,944)	(398)
	<u>28,060</u>	<u>41,727</u>

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profit for the period.

PRC enterprise income tax is provided on the basis of the profits of the PRC established and operating subsidiaries for statutory financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable enterprise income tax rate for these subsidiaries of the Group is 25% (2012: 25%).

Under the new Corporate Income Tax Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividend which arises from profit of foreign investment enterprises earned after 1 January 2008 at a tax rate of 5%.

As at 30 June 2013, deferred income tax liabilities of approximately HK\$52,735,000 (31 December 2012: HK\$43,810,000) have not been established for the withholding taxation that would be payable on the unremitted earnings of certain subsidiaries in the PRC totaling approximately HK\$1,054,702,000 (31 December 2012: HK\$876,202,000) as the directors considered that the timing of the reversal of the related temporary differences can be controlled and the related temporary difference will not be reversed or will not be taxable in the foreseeable future.

## **9 EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$73,324,000 (2012: HK\$62,327,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,224,000 (2012: 2,097,318,000).

Diluted earnings 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 2013 and 2012, there were no dilutive potential ordinary shares deemed to be issued at no consideration for all outstanding share options granted under the share option scheme.

## **10 DIVIDENDS**

At a meeting held on 27 August 2013, the directors do not recommend the payment of any dividend for the six months ended 30 June 2013 (2012: Nil).

## 11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
Trade and bill receivables	441,391	457,801
Less: Provision for impairment	(15,270)	(12,837)
Trade and bill receivables, net ( <i>Note (i)</i> )	426,121	444,964
Amounts due from associates	33,232	26,179
Amount due from a joint venture	1,803	325
Promissory notes ( <i>Note (ii)</i> )	85,989	86,693
Entrusted loans ( <i>Note (iii)</i> )	201,791	37,019
Other receivables, deposits and prepayments	144,967	151,755
	893,903	746,935
Less: Non-current portion of promissory notes, entrusted loans and deposit	(105,225)	(120,967)
Current portion	788,678	625,968

### Notes:

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

	As at 30 June 2013 (Unaudited) HK\$'000	As at 31 December 2012 (Audited) HK\$'000
0 to 30 days	151,821	222,499
31 to 60 days	133,109	114,094
61 to 90 days	61,346	56,927
Over 90 days	95,115	64,281
	441,391	457,801

For OEM garment sales, the Group's trade receivables from its customers are generally settled by way of letters of credit or telegraphic transfer with credit periods of not more than 90 days. The grant of open account terms without security coverage is generally restricted to large or long-established customers with good repayment history. Sales to these customers comprise a significant proportion of the Group's OEM garment sales. On the other hand, for new and existing customers with short trading history, letters of credit issued by these customers are normally demanded for settlement purposes.

For sales of branded fashion apparel to franchisees, the Group normally requests payments in advance or deposits from such customers, with the remaining balances settled immediately upon delivery of goods. The Group also grants open account terms of 30 credit days to long-established customers with good repayment history.

Retail sales are in cash or by credit cards or collected by department stores on behalf of the Group. The department stores are normally required to settle the proceeds to the Group within 2 months from the date of sale.

Bill receivables are with average maturity dates of within 2 months.

Movements on the provision for impairment of receivables are as follows:

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>(Unaudited)</b>	(Unaudited)
	<b>HK\$'000</b>	<b>HK\$'000</b>
At 1 January	<b>12,837</b>	10,958
Exchange differences	<b>153</b>	(80)
Charged to the profit or loss	<b>3,151</b>	950
Write-off	<b>(871)</b>	(401)
	<hr/>	<hr/>
At 30 June	<b>15,270</b>	11,427
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- (ii) The promissory notes represent two senior unsecured promissory notes with principal amounted to US\$12,000,000 (equivalent to approximately HK\$92,820,000) converted from trade receivables due from a major customer which will be payable in various installments until the end of 2016. The promissory notes are interest bearing at 5.25% per annum. As a result of conversion of trade receivables to promissory notes on 20 January 2012, loss of approximately HK\$10,005,000 (Note 5) was recognised in “other (losses)/gains, net” during the six months ended 30 June 2012.
- (iii) On 24 December 2012, the Group entered into three secured entrusted loans (“Entrusted Loan A”) with total principals amounting to RMB30,000,000 (equivalent to approximately HK\$37,836,000) due from a company established in the PRC (“Borrower A”) through a lending agent, a commercial bank in the PRC. Entrusted Loan A is interest bearing at 18% per annum payable on a quarterly basis and the principal will be payable on or before 25 December 2014. An affiliate of Borrower A pledged to the lending agent certain number of properties located at Yuhang District in Hangzhou as collaterals.

Further on 5 February 2013, the Group entered into another eight secured entrusted loans (“Entrusted Loan B”) with total principals amounting to RMB130,000,000 (equivalent to approximately HK\$163,955,000) due from a company established in the PRC, an affiliate of Borrower A (“Borrower B”), through a lending agent, a commercial bank in the PRC. Entrusted Loan B is interest bearing at 18% per annum payable on a monthly basis and the principal will be payable on or before 5 February 2014. An affiliate of Borrower B pledged to the lending agent a parcel of land located at Lin’an City in Hangzhou as a collateral.

Corporate and personal guarantees were provided by affiliates of Borrower A and B in favour of the lending agents to secure the obligations of Borrower A and B under the entrusted loan agreements.

## 12 TRADE AND OTHER PAYABLES

	As at 30 June 2013 (Unaudited) <i>HK\$'000</i>	As at 31 December 2012 (Audited) <i>HK\$'000</i>
Trade and bill payables	241,369	246,111
Other payables and accruals	187,149	172,507
Amount due to an associate	839	1,170
Amount due to a joint venture	—	2,635
	<u>429,357</u>	<u>422,423</u>

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

	As at 30 June 2013 (Unaudited) <i>HK\$'000</i>	As at 31 December 2012 (Audited) <i>HK\$'000</i>
0 to 30 days	142,885	170,847
31 to 60 days	55,061	34,514
61 to 90 days	14,527	12,339
Over 90 days	28,896	28,411
	<u>241,369</u>	<u>246,111</u>

## **INTERIM DIVIDEND**

Following review of the operating results of the Group, the Board has decided not to declare and pay any cash interim dividend for the six months ended 30 June 2013. The Board considers that the financial resources of the Group should be used for the future business development of the Group.

## **BUSINESS REVIEW**

Contrary to expectations, the US economic recovery was far weaker than initially expected. Although there has been sustained economic growth for 15 consecutive quarters, the percentage of growth, which is approximately 2%, is among the country's weakest recovery level during the past six decades.

The European Union (EU), meanwhile, is also faring badly as a whole, and analysts expect that the economic recession in Europe is to remain throughout the year at least. Despite EU leaders' unceasing efforts to reactivate the economy, very few concrete measures have been put into place and the euro-zone continues to struggle to find a balance between economic growth and austerity. Budget cuts, which have been the response to the debt crisis since 2009, have led to a continuing decline in government and consumer spending as well as corporate investment in face of the relatively bleak global economic prospects.

The same is also true with the emerging markets which, after a decade of surging growth driving a global boom that helped sustain world economy through the financial crisis, are now also slowing sharply and the immediate effect of this deceleration is already being felt.

Notwithstanding the overall sluggish economy and dismal outlook in general, the Group's OEM business has remained relatively stable with satisfactory performance and a growing customer portfolio for the six months ended 30 June 2013.

Similarly, the Group's retail business in China is still performing well. We have seen sustained double-digit growth in revenue for our major in-house brands of Finity and Riverstone for the six months ended 30 June 2013 despite a slow market growth and strong competition amongst various other brands for market share.

## **FINANCIAL REVIEW**

### **Review of operations**

During the six months ended 30 June 2013, the Group's revenue amounted to approximately HK\$1,243.9 million, representing a decrease of 7.9% as compared with approximately HK\$1,350.3 million for the same period in 2012. The gross profit for the six months ended 30 June 2013 was HK\$379.9 million, representing a decrease of approximately 0.2% as compared with approximately HK\$380.6 million for the same period in 2012. The net profit attributable to equity holders was approximately HK\$73.3 million. Earnings per Share were approximately HK cents 3.49 and net asset value per share was HK\$1.37.

### **OEM and ODM Business**

During the period under review, the turnover derived from our OEM/ODM business recorded a decrease from approximately HK\$1,127.7 million to approximately HK\$1,008.5 million for the same period in 2012. Apparel in silk, cotton and synthetic fabrics continued to be the major products of the Group, which contributed approximately HK\$755.6 million (2012: HK\$875.8 million), representing approximately 74.9% (2012: 77.7%) of the total turnover of our OEM/ODM business.



The United States continued to be the Group's principal market with sales amounted to approximately HK\$770.7 million (2012: HK\$888.2 million), representing approximately 76.4% (2012: 78.8%) of the total turnover of our OEM/ODM business. Sales to Europe and other markets were approximately HK\$81.0 million (2012: HK\$91.2 million) and HK\$156.8 million (2012: HK\$148.3 million), respectively.

### **Fashion Retail Business**

During the six months ended 30 June 2013, our retail sales increased to approximately HK\$235.4 million from approximately HK\$222.6 million for the same period in 2012. Finity, the major brand of the Group, contributed approximately HK\$129.4 million to our retail business, representing an increase of approximately 11.8% as compared with approximately HK\$115.7 million for the same period in 2012.

In terms of retail revenue analysis by sales channel, sales from concessionary counters amounted to approximately HK\$184.0 million (2012: HK\$159.0 million), accounting for approximately 78.2% of the total retail turnover. Sales from free-standing stores and franchisees amounted to HK\$16.9 million (2012: HK\$20.0 million) and HK\$34.5 million (2012: HK\$43.6 million), respectively.

### **Liquidity and Financial Resources**

During the six months ended 30 June 2013, the Group satisfied its working capital needs principally from its business operations. As of 30 June 2013, the Group had cash and cash equivalents of approximately HK\$259.7 million, representing a decrease of approximately HK\$60.7 million as compared with approximately HK\$320.4 million as of 31 December 2012. The Group's total bank borrowings were HK\$425.8 million (31 December 2012: HK\$293.1 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 14.8% (31 December 2012: 10.3%). The Directors are of the opinion that, after taking into account the existing available bank borrowing facilities and internal resources, the Group has adequate financial resources to support its working capital requirement and future expansion.

The sales of the Group are mainly denominated in United States ("US") dollars and Renminbi, and the purchase of raw materials is mainly made in Renminbi, US dollars and Hong Kong dollars. As of 30 June 2013, all cash and cash equivalents, and bank borrowings were mainly denominated in US dollars, Renminbi and Hong Kong dollars. Hence, the Group has no significant exposure to foreign exchange risk.

### **Human Resources**

As of 30 June 2013, the Group employed a total of approximately 9,900 employees in Mainland China, Hong Kong and the United States of America.

The Group recognises the importance of good relationships with its employees and has adopted an incentive bonus scheme for them, under which bonuses are determined every year based on the performance of individual employees and with reference to the Group's annual profits and performance. Our Directors believe that a competitive remuneration package, a safe and comfortable workplace, and career development opportunities are incentives for employees to excel in their areas of responsibilities.

### **Contingent Liabilities**

The Group had no material contingent liabilities as at 30 June 2013.

## **BUSINESS OUTLOOK**

China is in the midst of a delicate shift from investment-led growth to a more balanced consumption-based model. Despite the fact that the economy of China remains strong in general, the days of unsurpassed expansion seem to be over. Factors, including labor shortage, an overly strong currency and sustained growth-driven inflation are all cutting into China's competitiveness and an unexpected fall in recent exports has raised fresh concerns about the slowdown of the growth of China, the world's second-largest economy.

This scenario has seen a drastic change in dynamics in the textile industry's supply chain as more and more companies are moving their production bases outside of China. It has been a catalyst and important for China to diversify, and focus more on high end products, and places more importance on the quality instead of the quantity of products, which we believe is also where our competitive advantage and expertise lie.

The Group's OEM/ODM business continued to maintain a stable performance despite a sluggish global economy and weak consumer demand, which has led to contracted profit margins in the textile field generally. Strong support from existing business partners coupled with new customer portfolios ensure that the Group's comprehensive vertical production facilities, speed-to-market response, innovation and strong financial repute stand it in good stead to meet essential market demands.

Despite a slow market growth and strong competition amongst various other brands for market share, the Group's major in-house brands — Finity and Riverstone — still performed well and has seen a double-digit growth in revenue for the six months ended 30 June 2013.

The Group's new joint venture with G-III Apparel Group Limited in retailing "Calvin Klein Performance", a yoga-based trendy brand for young ladies, in China saw a very successful launch in the autumn of 2012 and is making great strides on the market this year. The brand has been well-received and sought after by our targeted consumers, and store openings in 2013 are expected to triple that of 2012.

## **PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES**

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company's shares during the six months ended 30 June 2013.

## **AUDIT COMMITTEE**

The audit committee of the Board has reviewed with the management and the independent auditor the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial information. In addition, the Group's independent auditor has carried out a review of the unaudited interim results in accordance with the 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 out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) during the period under review.

#### **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**”) set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the Model Code throughout the period under review.

#### **GENERAL INFORMATION**

An interim report containing all the relevant information required by Appendix 16 to the Listing Rules will be published on the Stock Exchange’s website and on the Company’s website in due course.

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

Hong Kong, 27 August 2013

As at 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  
Dr. CHENG Chi Pang