

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



CHINA TING GROUP HOLDINGS LIMITED

華鼎集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3398)

CONTINUING CONNECTED TRANSACTIONS

The Board would like to announce that the continuing connected transactions under the Original Contracts, which are conducted in the ordinary course of business of the Group and as disclosed in the Prospectus, have continued or are expected to continue following the expiration of the Original Contracts on 31 December 2007. As such, the Renewed Contracts have been entered into upon the same terms and conditions as those in the Original Contracts with the same Connected Persons.

In addition, the Subcontracting Agreement has been entered into whereby members of the Group have subcontracted certain garment manufacturing process to Zhejiang Huaxide. As Zhejiang Huaxide is a connected person of the Company, the transactions contemplated under the Subcontracting Agreement will constitute non-exempt continuing connected transactions for the Company.

The annual consideration under each of the Renewed Contracts and the Subcontracting Agreement is expected not exceeding 2.5% of the applicable ratio (other than the equity ratio which is not applicable because there are no Shares to be issued) set forth in Chapter 14 of the Listing Rules. Hence, each of the Renewed Continuing Connected Transactions and the Subcontracting Agreement is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules and is only subject to the reporting and announcement requirements set forth in rules 14A.45 to 14A.47 of the Listing Rules.

The Directors, including the independent non-executive Directors, confirm that the Renewed Contracts and the Subcontracting Agreement are entered into in the interests of the Group and the Shareholders as a whole and that the proposed annual caps for the Renewed Contracts and the Subcontracting Agreement are fair and reasonable.

BACKGROUND INFORMATION

The Board would like to announce that the continuing connected transactions under the Original Contracts, which are conducted in the ordinary course of business of the Group and as disclosed in the Prospectus, have continued or are expected to continue following the expiration of the Original Contracts on 31 December 2007. As such, the Renewed Contracts have been entered into upon the same terms and conditions as those in the Original Contracts with the same Connected Persons.

In addition, the Subcontracting Agreement has been entered into whereby members of the Group have subcontracted certain garment manufacturing process to Zhejiang Huaxide. As Zhejiang Huaxide is a connected person of the Company, the transactions contemplated under the Subcontracting Agreement will constitute non-exempt continuing connected transactions for the Company.

Renewed Continuing Connected Transactions

As disclosed in the Prospectus, members of the Group entered into the Original Contracts with the Connected Persons whereby members of the Group purchase various materials, such as silk fabric, velour and plastic bags and hangers, from the Connected Persons and lease part of the factory building and staff quarters from Yuhang Huaming, being one of the Connected Persons. All of the Original Contracts were expired on 31 December 2007. Members of the Group continued leasing the factory building and staff quarters from Yuhang Huaming and purchase of various materials from Huasheng Accessories during the six months ended 30 June 2008 in the amount of HK\$0.9 million and HK\$5.7 million, respectively. Members of the Group did not purchase any materials from Hangzhou Fuze and Hangzhou Huaze during the six months ended 30 June 2008, but the Directors expect that such purchase will be made during the second half of 2008. The Renewed Contracts were therefore entered into on 24 July 2008 with the same Connected Persons upon the same terms and conditions as those in the Original Contracts, except that the annual cap of each of the Renewed Continuing Connected Transactions for each of three years ending 31 December 2010 is revised as follows:—

Renewed Continuing Connected Transactions	Annual cap for the year ended 31 December 2007	Actual amount for the year ended 31 December 2007	Actual amount for the six months ended 30 June 2008	Annual caps for the year ended 31 December		
	(HK\$ million)	(HK\$ million)	(HK\$ million)	2008 (HK\$ million)	2009 (HK\$ million)	2010 (HK\$ million)
Lease of factory building and staff quarters from Yuhang Huaming	1.4 (Note 1)	1.5 (Note 2)	0.9	2.0	2.0	2.0
Purchase of silk fabric from Hangzhou Fuze (Note 3)	6.6 (Note 1)	0.1	—	2.3	2.8	3.4
Purchase of velour from Hangzhou Huaze (Note 3)	8.5 (Note 1)	2.3	—	6.8	8.0	9.1
Purchase of plastic bags and hangers from Huasheng Accessories	12.1 (Note 1)	10.8	5.7	15.9	17.6	19.3

Notes:–

- (1) These annual caps were disclosed in the Prospectus and are set forth herein for reference only. The Directors confirm that the annual caps for the Original Contracts for the three years ended 31 December 2007 were not exceeded.
- (2) This amount is based on the exchange rate of HK\$1.0=RMB0.879 as at the date of this announcement. Based on the average exchange rate, the actual amount did not exceed the annual cap.
- (3) These purchase transactions will occur during the second half of 2008.

The annual cap of the amount payable to Yuhang Huaming is based on the stipulated amount of rent in the relevant lease agreement. The anticipated amounts of purchase from Hangzhou Fuze and Hangzhou Huaze of silk fabric and velour, which are materials for specific kinds for garment for autumn/winter season, are based on the anticipated demand from customers in light of the latest fashion trends and the historical level of purchase in the previous years. Because of the business growth of the Group, the usage of accessories will increase. Hence, the amount of purchase of plastic bags and hangers from Huasheng Accessories is expected to increase gradually over the years ending 31 December 2010.

Pursuant to the Renewed Contracts, payments will be settled by members of the Group by way of cheque/bank transfer on a monthly basis upon satisfaction of the materials delivered or for the rental payable to Yuhang Huaming, at the end of each month.

Subcontracting Agreement

Zhejiang Huaxide was established on 11 July 2007 and commenced its business on 1 December 2007. The principal business of Zhejiang Huaxide is production and sales of garment products principally for independent third parties. Nevertheless, because of peak seasons of the Group, members of the Group have engaged Zhejiang Huaxide occasionally to provide subcontracting service upon the same terms and conditions as those provided to independent third parties. Such sub-contracting service has been provided since February 2008 and in this connection, the Subcontracting Agreement was entered into on 24 July 2008. Because of the reasons set forth under “General information on the Connected Persons and Zhejiang Huaxide” below, Zhejiang Huaxide is a connected person of the Company and as such, transactions between other members of the Group and Zhejiang Huaxide constitute continuing connected transactions for the Company. The amount of subcontracting fee paid for the six months ended 30 June 2008 was HK\$0.8 million. Based the business growth of the Group and the seasonality factor, the Directors anticipate that the annual subcontracting fee payable by the Group to Zhejiang Huaxide under the Subcontracting Agreement until the year ending 31 December 2010 is expected to be not more than HK\$5.7 million, HK\$12.0 million and HK\$14.0 million, respectively.

REASONS FOR, AND BENEFITS OF, THE RENEWED CONTINUING CONNECTED TRANSACTIONS AND THE SUBCONTRACTING AGREEMENT

Renewed Continuing Connected Transactions

The Renewed Continuing Connected Transactions are not new, but represent continuation of the transactions in existence on the date of the Prospectus. As disclosed in the Prospectus, the Stock Exchange has granted a waiver from strict compliance with the announcement requirement under rule 14A.35(3) of the Listing Rules, and the Company has duly complied with the reporting requirement under rules 14A.45 and 14A.46 of the Listing Rules in respect of those continuing connected transactions under the Original Contracts. In light of this background and the facts that members of the Group have long-term business relationship with the Connected Persons and that the terms and conditions of the Renewed Contracts are identical to those in the Original Contracts, the Directors, including the independent non-executive Directors, consider that the Renewed Continuing Connected Transactions are entered into in the interests of the Group and the Shareholders as a whole and the proposed annual caps for the Renewed Continuing Connected Transactions for the three years ending 31 December 2010 are fair and reasonable.

Subcontracting Agreement

Zhejiang Huaxide is a non wholly-owned subsidiary of the Company. Hence, the Directors consider that entering into the Subcontracting Agreement will provide additional production flexibility to members of the Group during peak seasons without making substantial amount of investment on plant and machinery dedicated exclusively for the production requirements of the Group. The results of operations of Zhejiang Huaxide will be consolidated into the accounts of the Group. On this basis, the Directors, including the independent non-executive Directors, consider that the transactions set forth in the Subcontracting Agreement are entered into in the ordinary course of business of the Group upon normal commercial terms and are fair and reasonable.

Implications under the Listing Rules

As set forth under “General information on the Connected Persons and Zhejiang Huaxide” below, Yuhang Huaming, Huangzhou Fuze, Hangzhou Huaze, Huasheng Accessories and Zhejiang Huaxide are connected persons of the Company. Hence, any transaction between other members of the Group and any of these entities constitutes a connected transaction for the Company.

The amount of rental paid to Yuhang Huaming and the subcontracting fee paid to Zhejiang Huaxide during the six months ended 30 June 2008 were within the *de minimis* threshold set forth in rule 14A.33(3) of the Listing Rules. The lease agreement with Yuhang Huaming is not subject to any announcement requirement under rule 14A.33(3) of the Listing Rules, and the inclusion of which in this announcement is for reference only.

As at the date of this announcement, the amount of sub-contracting fee paid to Zhejiang Huaxide has not exceeded the *de minimis* threshold set forth in rule 14A.33(3) of the Listing Rules.

There was no purchase transaction between members of the Group and each of Hangzhou Fuze and Hangzhou Huaze during the first six months ended 30 June 2008 and as at the date of this announcement.

During the six months ended 30 June 2008, the purchase transactions between members of the Group and Huasheng Accessories in the amount of HK\$5.6 million fall within the scope of rule 14A.34 of the Listing Rules, but the relevant Renewed Contract was only signed on 24 July 2008. On this basis, the Directors accept that the Company has not fully complied with the requirements under rule 14A.47 of the Listing Rules since the end of April 2008 when the amount of purchase exceeded the *de minimis* threshold set forth in rule 14A.33(3) of the Listing Rules. The Company is therefore in breach of the requirements under rule 14A.35(1) of the Listing Rules.

The annual consideration under each of the Renewed Contracts and the Subcontracting Agreement is expected not exceeding 2.5% of the applicable ratio (other than the equity ratio which is not applicable because there are no Shares to be issued) set forth in Chapter 14 of the Listing Rules. Hence, each of the Renewed Continuing Connected Transactions and the Subcontracting Agreement is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules and is only subject to the reporting and announcement requirements set forth in rules 14A.45 to 14A.47 of the Listing Rules.

Aggregation of transactions

With regard to the aggregation of the transactions contemplated under the Renewed Contracts and the Subcontracting Agreement, the Directors confirm that the counterparties under each of the Renewed Contracts and the Subcontracting Agreement are independent from each other with different products/services required by the Group. On this basis, and consistent with the disclosure in the Prospectus, the transactions under the Renewed Contracts and the Subcontracting Agreement should not be aggregated for the purpose of Chapter 14A of the Listing Rules. The Renewed Contracts represent continuation of the transactions under the Original Contracts with particulars disclosed in the Prospectus and the previous annual reports of the Company.

GENERAL INFORMATION ON THE CONNECTED PERSONS AND ZHEJIANG HUAXIDE

Yuhang Huaming

Yuhang Huaming is owned by Mr. DING Minger as to 58%. Mr. DING Minger is the eldest brother of Mr. TING Man Yi, Mr. DING Jianer and Mr. TING Hung Yi, all being executive Directors. Mr. DING Minger is also a director of one of the subsidiaries of the Company. As such, Mr. DING Minger is a connected person of the Company as defined under the Listing Rules. Yuhang Huaming is therefore an associate of a connected person of the Company as defined under rule 1.01 of the Listing Rules. The principal business activities of Yuhang Huaming are production of garment on OEM basis.

Hangzhou Fuze and Hangzhou Huaze

Jiangsu Fuze is owned as to 52% by Hong Kong Fuhowe, 26.2% by Hangzhou Fuze and as to the remaining 21.8% by Hangzhou Huaze. As each of Hangzhou Fuze and Hangzhou Huaze is a substantial shareholder of Jiangsu Fuze which is a subsidiary of the Company, each of Hangzhou Fuze and Hangzhou Huaze is a connected person of the Company as defined under rule 14A.11(1) of the Listing Rules. The principal business activities of Hangzhou Fuze and Hangzhou Huaze are production of silk fabric and velour, respectively.

Huasheng Accessories

Huasheng Accessories is a company established in the PRC with limited liability. Huasheng Accessories is owned as to 25% by Hong Kong Fuhowe and as to 75% by Ms. ZHOU Shi Min, who is the spouse of Mr. DING Jianer, an executive Director, and thus, a connected person as defined under rule 14A.11(4) of the Listing Rules. Therefore, Huasheng Accessories is an associate of a connected person of the Company pursuant to rule 1.01 of the Listing Rules. The principal business activities of Huasheng Accessories are production of a series of plastic bags and hangers for third parties.

Zhejiang Huaxide

Zhejiang Huaxide is owned by China Ting Garment and Haiyan Feilong as to 51% and 49%, respectively. As Haiyan Feilong is a substantial shareholder of Zhejiang Huaxide which is a non wholly-owned subsidiary of the Company, Haiyan Feilong is a connected person of the Company. Haiyan Feilong is owned by two individuals, namely Mr. CHEN Suiming and Mr. LIU Qianfa as to 81.1% and 18.9%, respectively. Mr. CHEN Suiming is a director of Zhejiang Huaxide and therefore a connected person of the Company. In such capacity and because of the equity interest held by Mr. CHEN Suiming in Haiyan Feilong, Zhejiang Huaxide is an associate of Mr. CHEN Suiming and hence, a connected person of the Company pursuant to rule 14A.11(4) of the Listing Rules.

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 and ODM 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:

- “Board”** the board of Directors;
- “China Ting Garment”** China Ting Garment Mfg (Group) Limited (華鼎製衣(集團)有限公司), a company incorporated in Hong Kong with limited liability on 16 January 2002, and a wholly-owned subsidiary of the Company;
- “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 its Shares listed on the Main Board;
- “Connected Persons”** Yuhang Huaming, Hangzhou Fuze, Hangzhou Huaze and Huasheng Accessories;
- “Directors”** the executive directors and the independent non- executive directors of the Company;
- “Group”** the Company and its subsidiaries;
- “Haiyang Feilong”** 海鹽飛龍絲綢製品有限公司 (Haiyan Feilong Silk Product Company Limited*), a company established in the PRC with limited liability on 2 July 1996;
- “Hangzhou Fuding”** 杭州富鼎時裝有限公司 (Hangzhou Fuding Fashion Company Limited*), a wholly foreign-owned enterprise established in the PRC with limited liability on 30 June 2005, and a wholly-owned subsidiary of the Company;
- “Hangzhou Fuze”** 杭州富澤紡織科技有限公司 (Hangzhou Fuze Textile Technology Company Limited*), a company established in the PRC with limited liability on 8 January 2003;
- “Hangzhou Huaze”** 杭州華澤絲綢織造有限公司 (Hangzhou Huaze Textile Technology Company Limited*), a company established in the PRC with limited liability on 27 December 2002;
- “Hong Kong”** The Hong Kong Special Administrative Region of the PRC;
- “Hong Kong Fuhowe”** Hong Kong Fuhowe Fashion Company Limited (香港富豪時裝有限公司), a company incorporated in Hong Kong with limited liability on 24 October 1996, and a wholly-owned subsidiary of the Company;
- “Huasheng Accessories”** 杭州華盛輔料有限公司 (Hangzhou Huasheng Accessories Company Limited*), a company established in the PRC on 23 July 2003;

“Jiangsu Fuze”	江蘇富澤紡織有限公司 (Jiangsu Fuze Textile Company Limited*), a sino-foreign joint venture established in the PRC with limited liability on 5 December 2003;
“Listing Rules”	The Rules Governing the Listing of Securities on The stock Exchange of Hong Kong Limited;
“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;
“Original Contracts”	(i) three supply contracts dated 1 November 2005 entered into between members of the Group and each of Hangzhou Fuze, Hangzhou Huaze and Huasheng Accessories and (ii) two lease agreements dated 9 November 2005 entered into between Yuhang Huaming, Hangzhou Fuding and Zhejiang Huali;
“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;
“Prospectus”	the prospectus issued by the Company dated 30 November 2005;
“Renewed Continuing Connected Transactions”	the non-exempt continuing connected transactions for the Company under the Renewed Contracts;
“Renewed Contracts”	(i) three supply contracts dated 24 July 2008 entered into between members of the Group and each of Hangzhou Fuze, Hangzhou Huaze and Huasheng Accessories and (ii) two lease agreements dated 22 July 2008 entered into between Yuhang Huaming, Hangzhou Fuding and Zhejiang Huali;
“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;
“Subcontracting Agreement”	the subcontracting agreement dated 24 July 2008 entered into between members of the Group and Zhejiang Huaxide;
“Yuhang Huaming”	杭州余杭華明製衣有限公司 (Hangzhou Yuhang Huaming Garment Manufacturing Company Limited*), a company established under the laws of the PRC with limited liability on 13 June 1992;

- “**Zhejiang Huali**” 浙江華勵時裝有限公司 (Zhejiang Huali Fashion Company Limited*), a wholly foreign-owned enterprise established in the PRC with limited liability on 2 May 1989, and a wholly-owned subsidiary of the Company;
- “**Zhejiang Huaxide**” 浙江華詩迪服飾有限公司 (Zhejiang Huaxide Fashion Apparel Company Limited*), a sino-foreign joint venture established in the PRC with limited liability on 11 July 2007;
- “**HK\$**” Hong Kong dollars, the lawful currency of Hong Kong; and
- “**RMB**” Renminbi, the lawful currency of the PRC.

* *For identification only.*

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 and Mr. CHEUNG Ting Yin, Peter and the independent non-executive Directors are Dr. CHENG Chi Pang, Mr. WONG Chi Keung and Mr. LEUNG Man Kit.

The exchange rate between HK\$ and RMB adopted in this announcement, for illustration purpose only is HK\$1.0 = RMB0.879.

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

Hong Kong, 24 July 2008