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CHINA TING GROUP HOLDINGS LIMITED

華鼎集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3398)

CONTINUING CONNECTED TRANSACTION

The Board refers to the Previous Announcements, in which the Company announced that the Renewed Contact (as defined in the Previous Announcements) was entered into for a period of three years ending 31 December 2013. The purpose of this announcement is to inform the Shareholders that the Renewed Contract will expire on 31 December 2013 and that New Supply Agreement of identical terms and conditions will be entered into with Huasheng Accessories (as defined below) for the same purpose.

In addition, the Group will continue to lease from Yuhang Huaming certain factory building and staff quarters under the New Lease Agreements. The New Lease Agreements are the continuation of the existing lease arrangements, and the aggregate amount of the annual lease payments thereunder at the time of signing was within the *de minimus* threshold under Rule 14A.31(2) of the Listing Rules.

The Directors confirm that the New Supply Agreement and the New Lease Agreements are continuation of the existing arrangements which have been in place since the listing of the Company on the Stock Exchange on 15 December 2005. Other than the time period covered, there will be no changes to the principal terms and conditions of the New Supply Agreement and the New Lease Agreements, as compared with the existing and previous arrangements. In light of the facts that members of the Group have long-term and stable business relationship with Huasheng Accessories (for the New Supply Agreement) and Yuhang Huaming (for the New Lease Agreements), the terms of the New Supply Agreement are not less favourable than the terms offered to independent third parties, and the annual lease payments remain unchanged for a period of eight years, the Directors, including the independent non-executive Directors, consider that the entering into the New Supply Agreement and the New Lease Agreements are fair and reasonable and are entered into in the interests of the Group and the Shareholders as a whole.

Huasheng Accessories and Yuhang Huaming are connected persons of the Company. Hence, any transactions entered into between Huasheng Accessories and Yuhang Huaming are connected transactions for the Company.

Each of the annual caps for the New Supply Agreement and the New Lease Agreements (in aggregate) is expected to be less than 5% of the applicable ratios (other than the profits ratio which is not applicable) set forth in Chapter 14A of the Listing Rules. Hence, the transactions under the New Supply Agreement and the New Lease Agreements are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules and are only subject to the reporting and announcement requirements set forth in Rules 14A.45 to 14A.47 of the Listing Rules, the annual review requirements set forth in rules 14A.37 to 14A.40, and the requirements set forth in Rules 14A.35(1) and 14A.35(2) of the Listing Rules.

BACKGROUND INFORMATION

The board (the "**Board**") of directors (the "**Directors**") of China Ting Group Holdings Limited (the "**Company**" and together with its subsidiaries, collectively, the "**Group**") refers to the announcements of the Company dated 21 and 23 December 2010 (the "**Previous Announcements**"), in which the Company announced that the Renewed Contact (as defined in the Previous Announcements) was entered into for a period of three years ending 31 December 2013. The purpose of this announcement is to inform the shareholders (the "**Shareholders**") of the Company that the Renewed Contract will expire on 31 December 2013 and that a new agreement (the "**New Supply Agreement**") of identical terms and conditions will be entered into with Huasheng Accessories (as defined below) for the same purpose.

In addition, the Group will continue to lease from Yuhang Huaming (as defined below) certain factory building and staff quarters under two new lease agreements (the "**New Lease Agreements**"). The New Lease Agreements are the continuation of the existing lease arrangements, and the aggregate amount of the annual lease payments thereunder at the time of signing was within the *de minimus* threshold under Rule 14A.31(2) of The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

Each of the New Supply Agreement and the New Lease Agreements constitutes continuing connected transactions subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Listing Rules.

INFORMATION ON THE NEW SUPPLY AGREEMENT

Background information

Huasheng Accessories (as defined below) commenced its business in September 2004. The production facilities of Huasheng Accessories are adjacent to the production facilities of the Group. The principal business of Huasheng Accessories is the production of plastic bags, hangers, and other garment packaging materials. Members of the Group started sourcing ancillary materials from Huasheng Accessories in September 2004 initially under a supply agreement dated 1 November 2005. The supply agreement was renewed on 24 July 2008 (as set forth in the announcement of the Company dated 24 July 2008) and on 21 December 2010 (as set forth in the Previous Announcements). The Directors consider that the quality of the products of Huasheng Accessories satisfy the requirements of the Group. Purchases from Huasheng Accessories also reduce the transportation costs incurred by the Group and are beneficial to the business of the Group. On this basis, members of the Group have entered into the New Supply Agreement with the principal terms summarised as below.

Principal terms of the New Supply Agreement

The following sets forth the principal terms of the New Supply Agreement:

Date: 18 December 2013

Parties:

- (a) 杭州華盛輔料有限公司 (Hangzhou Huasheng Accessories Company Limited) (“**Huasheng Accessories**”), a company established in the PRC with limited liability on 23 July 2003
- (b) Members of the Group include 20 subsidiaries of the Company, namely
 - (i) Hangzhou Fuding Fashion Company Limited (“**Hangzhou Fuding**”);
 - (ii) Zhejiang China Ting Textile Technology Company Limited;
 - (iii) Zhejiang China Ting Knitwear Company Limited;
 - (iv) Hangzhou China Ting Fashion Company Limited;
 - (v) China Ting (Hangzhou) Textile Technology Company Limited;
 - (vi) Zhejiang Huali Fashion Company Limited (“**Zhejiang Huali**”);
 - (vii) Zhejiang Concept Creator Fashion Company Limited;
 - (viii) Zhejiang Fucheng Fashion Company Limited;
 - (ix) Zhejiang China Ting Brand Management Company Limited;
 - (x) Zhejiang Fuhowe Fashion Company Limited;
 - (xi) Finity International Fashion Company Limited;
 - (xii) Zhejiang Xinan Fashion Company Limited;
 - (xiii) Diny (Hangzhou) Fashion Company Limited;
 - (xiv) Hangzhou China Ting Tailored Fashion Company Limited;
 - (xv) China Ting Pietraluna (Hangzhou) Wool Textile Dyeing & Finishing Company Limited;
 - (xvi) Finity Fashion (Shenzhen) Company Limited;
 - (xvii) Shenzhen Fuhowe Fashion Company Limited;
 - (xviii) Zhejiang China Ting Jincheng Silk Company Limited;
 - (xix) Hangzhou Huaxing Silk Printing Company Limited; and

(xx) Zhejiang Huayue Silk Products Company Limited.

Terms of supply:

- (a) Huasheng Accessories agrees to supply and the Group agrees to purchase, garment accessories manufactured by Huasheng Accessories subject to the terms of the New Supply Agreement and subsequent detailed commercial agreements between the parties. The subsequent purchase orders will include the specifications including the quantity, type and price of ancillary materials to be supplied and purchased.
- (b) Huasheng Accessories agrees that:
 - (i) the prices of the ancillary materials provided under the New Supply Agreement will not be higher than such prices offered to independent third parties at the same time taking into consideration the prevailing market prices for providing similar ancillary materials;
 - (ii) all members of the Group will have priority over other purchasers in respect of the ancillary materials sourced by the Group; and
 - (iii) the delivery time and the transportation of the ancillary materials will be in accordance with the relevant purchase orders.
- (c) Inspection of the ancillary materials supplied by Huasheng Accessories will be conducted by the relevant members of the Group and any quality issue arising from such inspection must be notified to Huasheng Accessories within 15 days from the date of delivery, failing which Huasheng Accessories will not be responsible for such issues.
- (d) Either party will not terminate or amend the contractual terms under the detailed purchase orders without serving 15 days' written notice to the other party.

Payment terms:

Upon satisfactory inspection of the ancillary materials, the Group will make payment by way of cheque.

Duration:

The New Supply Agreement is for a term of three years commencing from 1 January 2014 to 31 December 2016.

INFORMATION ON THE NEW LEASE AGREEMENTS

Background information

The relevant factory building and staff quarters have been leased by the Group from Yuhang Huaming (as defined below) since October 2005 initially under two lease agreements dated 9 September 2005. The two lease agreements were renewed on 24 July 2008 (as set forth in the announcement of the Company dated 24 July 2008) and on 21 December 2010. The aggregate amount of the annual lease payments under the existing arrangements was at the time of

signing within the *de minimus* threshold under Rule 14A.31(2) of Listing Rules and hence, it was not disclosed in the Previous Announcements. The Directors confirm that members of the Group will continue to use the factory building and staff quarters and on this basis, the Directors decide to renew and enter into the New Lease Agreements of identical terms and conditions as set forth below.

Principal terms of the New Lease Agreements

The following sets forth the principal terms of the New Lease Agreements:

- Date:** 18 December 2013
- Parties:**
- (a) 杭州余杭華明製衣有限公司 (Hangzhou Yuhang Huaming Garment Manufacturing Company Limited) (“**Yuhang Huaming**”), a company established under the laws of the PRC with limited liability on 13 June 1992
 - (b) (i) Zhejiang Huali and (ii) Hangzhou Fuding for each of the New Lease Agreements
- Properties leased:**
- (i) A portion of the factory building and staff quarters owned by Yuhang Huaming with a total gross area of 6,414 square meters, which are currently used by Zhejiang Huali for its production and staff accommodation purpose.
 - (ii) A portion of the factory building and staff quarters owned by Yuhang Huaming with a total gross area of 4,644 square meters, which are currently used by Hangzhou Fuding for its production and staff accommodation purpose.
- Annual lease payment:**
- (i) The annual lease payment is fixed at RMB846,610 (equivalent to HK\$1,077,735) which remains unchanged since the original lease agreement dated 9 September 2005.
 - (ii) The annual lease payment is fixed at RMB613,020 (equivalent to HK\$780,374) which remains unchanged since the original lease agreement dated 9 September 2005.
- The aggregate rental of the New Lease Agreements is RMB1,459,630 (equivalent to HK\$1,858,109) which will remain unchanged throughout the term of the New Lease Agreements.
- Payment terms:** The lease payments will be settled by members of the Group on a monthly basis.
- Duration:** Each of the New Lease Agreements is for a term of three years commencing from 1 January 2014 to 31 December 2016. Each of the New Lease Agreements has an option to review another term of three years upon the expiry of the term thereof.

REASONS FOR, AND BENEFITS OF, ENTERING INTO THE NEW SUPPLY AGREEMENT AND THE NEW LEASE AGREEMENTS

Continuation of the existing arrangements

The Directors confirm that the New Supply Agreement and the New Lease Agreements are the continuation of the existing arrangements which have been in place since the listing of the Company on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 December 2005. Other than the time period covered, there will be no changes to the principal terms and conditions of the New Supply Agreement and the New Lease Agreements, as compared with the existing and previous arrangements. In light of the facts that members of the Group have long-term and stable business relationship with Huasheng Accessories (for the New Supply Agreement) and Yuhang Huaming (for the New Lease Agreements), the terms of the New Supply Agreement are not less favourable than the terms offered to independent third parties, and the annual lease payments remain unchanged for a period of eight years, the Directors, including the independent non-executive Directors, consider that the entering into the New Supply Agreement and the New Lease Agreements are fair and reasonable and are entered into in the interests of the Group and the Shareholders as a whole.

Annual caps under the New Supply Agreement and the New Lease Agreements

Based on the growing business needs and the respective terms of the New Supply Agreement and the New Lease Agreements and the anticipated appreciation of RMB against HK\$ in the three years ending 31 December 2016, the respective annual caps under the New Supply Agreement and the New Lease Agreements for each of three years ending 31 December 2016 are set forth in the following table:

	Annual cap for the year ending 31 December 2013 under the existing arrangements <i>(HK\$ million)</i>	Annual caps for the year ending 31 December		
		2014 <i>(HK\$ million)</i>	2015 <i>(HK\$ million)</i>	2016 <i>(HK\$ million)</i>
Transactions under the New Supply Agreement	21.0	20.1	22.5	24.6
Transactions under the New Lease Agreements	2.0	2.1	2.2	2.3

The above annual caps for the three years ending 31 December 2016 are determined taking into consideration the anticipated appreciation of RMB against HK\$ at the rate between 4% and 5% per annum. The Directors also confirm that the annual caps during the three years ended 31 December 2013 in respect of the purchase from Huasheng Accessories and the payment of annual lease payments to Yuhang Huaming were not exceeded.

IMPLICATIONS UNDER THE LISTING RULES

General information on Huasheng Accessories and Yuhang Huaming

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 Mr. MO Jiangtao, who is the brother-in-law of Ms. ZHOU Shi Min. Ms. ZHOU 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.

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 certain 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.

Applicable requirements under the Listing Rules

Huasheng Accessories and Yuhang Huaming are connected persons of the Company. Hence, any transactions entered into between Huasheng Accessories and Yuhang Huaming are connected transactions for the Company.

Each of the annual caps for the New Supply Agreement and the New Lease Agreements (in aggregate) is expected to be less than 5% of the applicable ratios (other than the profits ratio which is not applicable) set forth in Chapter 14A of the Listing Rules. Hence, the transactions under the New Supply Agreement and the New Lease Agreements are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules and are only subject to the reporting and announcement requirements set forth in Rules 14A.45 to 14A.47 of the Listing Rules, the annual review requirements set forth in rules 14A.37 to 14A.40, and the requirements set forth in Rules 14A.35(1) and 14A.35(2) of the Listing Rules.

GENERAL INFORMATION ON THE GROUP

The Company is an investment holding company with all of its shares listed on the Stock Exchange. The Group is engaged in the business of garment manufacturing for export and retailing branded fashion and apparel items in China. The garment export business represents the principal source of income for the Group. The Group's garment is exported to almost all leading markets in the world, including the United States and major European countries. The fashion retail business of the Group had more than 410 retail stores in China as of the date of this announcement.

By order of the Board

TING HUNG YI

Executive Director and Chief Executive Officer

Hong Kong, 18 December 2013

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