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: 03398)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

FINANCIAL HIGHLIGHTS

	Six months ended 30 June		
	2014	2013	
	HK$ million	*HK$ million*	*% Change*
Revenue			
OEM Business	**1,067.4**	1,008.5	5.8
Fashion Retail Business	**259.7**	235.4	10.3
	1,327.1	1,243.9	6.7
Operating profit	**44.8**	84.8	(47.2)
Profit attributable to the Company's equity holders	**36.0**	73.3	(50.9)
Dividend per share *(HK cents)*	**—**	—	
Equity attributable to the Company's equity holders	**2,836.8**	2,842.3	(0.2)
Equity per share *(HK$)*	**1.35**	1.35	—

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 2014, together with the unaudited comparative figures for the corresponding period in 2013 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2014

		Six months ended 30 June	
		2014	2013
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	3	**1,327,149**	1,243,935
Cost of sales		**(953,942)**	(864,053)
Gross profit		**373,207**	379,882
Other income	4	**12,981**	10,970
Other losses, net	5	**(25,575)**	(13,073)
Selling, marketing and distribution costs		**(151,718)**	(139,670)
Administrative expenses		**(164,134)**	(153,282)
Operating profit	6	**44,761**	84,827
Finance income	7	**24,984**	27,930
Finance costs	7	**(8,587)**	(9,879)
Share of losses of associates		**(3,916)**	(2,918)
Share of (losses)/profits of joint ventures		**(223)**	897
Profit before income tax		**57,019**	100,857
Income tax expense	8	**(22,064)**	(28,060)
Profit for the period		**34,955**	72,797
Other comprehensive income for the period, net of tax:			
Items that may be reclassified to profit or loss			
— Currency translation differences		**(73,413)**	40,526
Total comprehensive income for the period		**(38,458)**	113,323

	Note	Six months ended 30 June 2014 (Unaudited) HK$'000	2013 (Unaudited) HK$'000
Profit/(loss) attributable to:			
Equity holders of the Company		**36,034**	73,324
Non-controlling interests		**(1,079)**	(527)
		34,955	72,797
Total comprehensive income attributable to:			
Equity holders of the Company		**(36,166)**	113,186
Non-controlling interests		**(2,292)**	137
		(38,458)	113,323
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)			
— basic	9	**1.72 cents**	3.49 cents
— diluted	9	**1.72 cents**	3.49 cents
Dividends	10	**—**	—

CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2014

	Note	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**781,114**	835,443
Investment properties		**20,000**	20,000
Land use rights		**85,815**	89,218
Intangible assets		**122,236**	126,961
Interests in associates		**565,795**	580,601
Loan to an associate		**292,087**	312,512
Interests in joint ventures		**14,615**	7,198
Promissory note	11	**62,298**	64,869
Deferred income tax assets		**52,913**	50,474
		1,996,873	2,087,276
Current assets			
Inventories		**609,364**	723,762
Trade and other receivables	11	**697,753**	665,274
Entrusted loans	11	**199,452**	204,630
Financial assets at fair value through profit or loss		**14,812**	16,091
Derivative financial instruments		—	1,540
Term deposits		**44,538**	28,838
Pledged bank deposits		**18,249**	15,331
Cash and cash equivalents		**304,938**	178,783
		1,889,106	1,834,249
Total assets		**3,885,979**	3,921,525

	Note	As at 30 June 2014 (Unaudited) HK$'000	As at 31 December 2013 (Audited) HK$'000
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**209,982**	209,982
Reserves		**2,626,800**	2,662,967
Proposed dividends		**—**	83,152
		2,836,782	2,956,101
Non-controlling interests		**38,730**	43,065
Total equity		**2,875,512**	2,999,166
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**12,789**	14,760
Current liabilities			
Trade and other payables	12	**557,896**	569,300
Bank borrowings		**389,725**	316,211
Derivative financial instruments		**31,000**	274
Current income tax liabilities		**19,057**	21,814
		997,678	907,599
Total liabilities		**1,010,467**	922,359
Total equity and liabilities		**3,885,979**	3,921,525
Net current assets		**891,428**	926,650
Total assets less current liabilities		**2,888,301**	3,013,926

NOTES TO THE CONDENSED ANNOUNCEMENT

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2014 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 2013, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2013, 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.

There are no new or amended standards or interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

The following new standards, amendments/revisions to standards and interpretation have been issued, but are not effective for the financial year beginning 1 January 2014 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 16 and HKAS 38 Amendment	Classification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contribution	1 July 2014
HKFRS 9	Financial Instruments	To be determined
HKFRS 11 Amendment	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
HKFRS 14	Regulatory Deferral Accounts	1 January 2016
HKFRS 15	Revenue from Contracts with Customers	1 January 2017
Annual Improvements Projects	Annual Improvements 2010–2012 Cycle	1 July 2014
Annual Improvements Projects	Annual Improvements 2011–2013 Cycle	1 July 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.

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**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2014				
Total revenue	**1,071,851**	**259,757**	**—**	**1,331,608**
Inter-segment revenue	**(4,459)**	**—**	**—**	**(4,459)**
Revenue (from external customers)	**1,067,392**	**259,757**	**—**	**1,327,149**
Segment profit before income tax	**63,384**	**11,895**	**(1,281)**	**73,998**
Depreciation of property, plant and equipment	**(38,386)**	**(18,199)**	**—**	**(56,585)**
Amortisation of land use rights	**(1,522)**	**(36)**	**—**	**(1,558)**
Amortisation of intangible assets	**(2,286)**	**(2,134)**	**—**	**(4,420)**
Finance income	**4,842**	**513**	**—**	**5,355**
Finance costs	**(8,026)**	**(561)**	**—**	**(8,587)**
Share of losses of associates	**(78)**	**(2,557)**	**(1,281)**	**(3,916)**
Share of losses of joint ventures	**(47)**	**(176)**	**—**	**(223)**
Income tax expense	**(16,025)**	**(6,039)**	**—**	**(22,064)**

	(Unaudited)			
	OEM	Retail	Property development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30 June 2013				
Total revenue	1,010,871	235,408	—	1,246,279
Inter-segment revenue	(2,344)	—	—	(2,344)
Revenue (from external customers)	1,008,527	235,408	—	1,243,935
Segment profit before income tax	77,701	11,194	(914)	87,981
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	(24,463)	(3,597)	—	(28,060)

	(Unaudited)			
	OEM	**Retail**	**Property development**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
As at 30 June 2014				
Total segment assets	**2,000,145**	**754,864**	**842,833**	**3,597,842**
Total assets include:				
Interests in associates	**2,125**	**12,924**	**550,746**	**565,795**
Interests in joint ventures	**2,664**	**11,951**	**—**	**14,615**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**5,515**	**18,188**	**—**	**23,703**

	(Audited)			
	OEM	Retail	Property development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
As at 31 December 2013				
Total segment assets	1,951,161	798,757	878,940	3,628,858
Total segment assets include:				
Interests in associates	2,312	11,861	566,428	580,601
Interests in joint ventures	2,866	4,332	—	7,198
Additions to non-current assets (other than financial instruments and deferred income tax assets)	161,259	37,511	74,387	273,157

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Total segment profit before income tax	**73,998**	87,981
Net fair value losses of financial assets at fair value through profit or loss	**(694)**	(2,761)
Corporate overhead	**(4,808)**	(5,239)
Rental income	**129**	258
Interest income from an associate	**6,335**	6,586
Interest income from entrusted loans	**13,294**	14,032
Net fair value loss on derivative financial instruments	**(32,266)**	—
Realised gain on derivative financial instruments	**1,031**	—
Profit before income tax per condensed consolidated statement of comprehensive income	**57,019**	100,857

A reconciliation of reportable segments' assets to total assets is provided as follows:

	As at 30 June 2014	As at 31 December 2013
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Total segment assets	**3,597,842**	3,628,858
Financial assets at fair value through profit or loss	**14,812**	16,091
Corporate assets	**960**	1,472
Investment properties	**20,000**	20,000
Deferred income tax assets	**52,913**	50,474
Entrusted loans	**199,452**	204,630
Total assets per condensed consolidated balance sheet	**3,885,979**	3,921,525

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:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
North America	**795,287**	770,651
European Union	**122,702**	81,020
Mainland China	**362,572**	342,619
Hong Kong	**40,737**	41,358
Other countries	**5,851**	8,287
	1,327,149	1,243,935

The total of non-current assets other than interests in associates, loan to an associate, interests in joint ventures, promissory note 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 2014 (Unaudited) ***HK$'000***	As at 31 December 2013 (Audited) *HK$'000*
Mainland China	**831,400**	888,852
Hong Kong	**177,414**	182,479
North America	**351**	291
	1,009,165	1,071,622

For the six months ended 30 June 2014, revenue of approximately HK$211,142,000 (2013: HK$171,498,000) was derived from one external customer (2013: 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	
	2014 (Unaudited) ***HK$'000***	2013 (Unaudited) *HK$'000*
Commission income	**1,343**	3,139
Government grants	**5,005**	2,582
Rental income	**2,314**	1,930
Others	**4,319**	3,319
	12,981	10,970

5 OTHER LOSSES, NET

	Six months ended 30 June	
	2014 (Unaudited) ***HK$'000***	2013 (Unaudited) *HK$'000*
Gain on disposal of property, plant and equipment	**(546)**	12
Net fair value losses on financial assets at fair value through profit or loss	**(694)**	(2,761)
Net exchange gains/(losses)	**6,900**	(10,324)
Net fair value loss on derivative financial instruments	**(32,266)**	—
Realised gain on derivative financial instruments	**1,031**	—
	(25,575)	(13,073)

6 OPERATING PROFIT

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

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**56,585**	54,079
Amortisation of land use rights	**1,558**	1,120
Amortisation of intangible assets	**4,420**	4,680
Employee benefit expenses	**387,859**	369,657
Provision for inventories	**5,884**	10,354
Provision for impairment of trade receivables	**19,070**	3,151

7 FINANCE INCOME, NET

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**1,687**	3,492
— amounts due from associates	**528**	180
— loan to an associate	**6,335**	6,586
— promissory notes	**3,140**	3,640
— entrusted loans	**13,294**	14,032
	24,984	27,930
Finance costs — interest expense on		
— bank borrowings	**(8,587)**	(9,879)
Finance income, net	**16,397**	18,051

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**1,397**	11,467
— PRC enterprise income tax	**24,621**	22,537
— Under-provision in prior years	**662**	—
— PRC corporate withholding income tax	**250**	—
Deferred income tax	**(4,866)**	(5,944)
	22,064	28,060

Hong Kong profits tax has been provided for at the rate of 16.5% (2013: 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% (2013: 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 2014, deferred income tax liabilities of approximately HK$53,576,000 (31 December 2013: HK$51,126,000) 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$1,071,526,000 (31 December 2013: HK$1,022,514,000) 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$36,034,000 (2013: HK$73,324,000) and weighted average number of ordinary shares in issue during the period of approximately 2,099,818,000 (2013: 2,099,224,000).

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 2014 and 2013, 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 22 August 2014, the directors do not recommend the payment of any dividend for the six months ended 30 June 2014 (2013: Nil).

11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2014 (Unaudited) *HK$'000*	As at 31 December 2013 (Audited) *HK$'000*
Trade and bill receivables	**498,991**	469,520
Less: Provision for impairment	**(34,410)**	(16,141)
Trade and bill receivables, net *(Note (i))*	**464,581**	453,379
Amounts due from associates	**37,595**	37,120
Amounts due from joint ventures	**1,584**	3,739
Promissory note *(Note (ii))*	**73,454**	72,356
Entrusted loans *(Note (iii))*	**199,452**	204,630
Other receivables, deposits and prepayments	**182,837**	163,549
	959,503	934,773
Less: Non-current portion of promissory note	**(62,298)**	(64,869)
Current portion	**897,205**	869,904

Notes:

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

	As at 30 June 2014 (Unaudited) *HK$'000*	As at 31 December 2013 (Audited) *HK$'000*
0 to 30 days	**219,823**	211,689
31 to 60 days	**134,763**	124,381
61 to 90 days	**64,383**	55,061
Over 90 days	**80,022**	78,389
	498,991	469,520

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:

	Six months ended 30 June	
	2014	2013
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
At 1 January	**16,141**	12,837
Exchange differences	**(336)**	153
Charged to the profit or loss	**19,070**	3,151
Write-off	**(177)**	(871)
Reversal of provision	**(288)**	—
At 30 June	**34,410**	15,270

(ii) The promissory note represents a senior unsecured promissory note with principal amounted to US$10,000,000 (equivalent to approximately HK$77,350,000) converted from trade receivables due from a major customer which will be payable in various installments until the end of 2016. The promissory note is interest bearing at 5.25% per annum.

(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$37,398,000) 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 is expected to be payable on or before 25 December 2014 according to the agreement related to Entrusted Loan A. 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$162,054,000) 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 is expected to be payable on or before 5 February 2014 according to the agreement related to Entrusted Loan B. An affiliate of Borrower B pledged to the lending agent a parcel of land located at Lin'an City in Hangzhou as collateral.

On 27 January 2014, the Group renewed Entrusted Loan B with the borrower for twelve months from the original expiry date of 5 February 2014 to 5 February 2015. The terms and conditions of Entrusted Loan B, other than the repayment period, remain unchanged.

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.

In June 2014, there was a failure for Borrower A and B to settle the interest within the agreed payment schedules set forth in the agreements for both Entrusted Loan A and B. On 5 August 2014, the lending agent of Entrusted Loan B has reached eight civil claim mediation agreements with Borrower B, in which Borrower B has agreed to pay the principal of Entrusted Loan B amounting to RMB130,000,000 and the interest due up to 20 June 2014 before 31 October 2014. In addition, according to the civil claim mediation agreements, Borrower B is required to settle the interest incurred during the period from 21 June 2014 to the date of settlement at 22.5% per annum.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2014 (Unaudited) *HK$'000*	As at 31 December 2013 (Audited) *HK$'000*
Trade and bill payables	**334,811**	387,086
Other payables and accruals	**221,803**	180,311
Amount due to an associate	**1,282**	1,903
	557,896	569,300

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

	As at 30 June 2014 (Unaudited) *HK$'000*	As at 31 December 2013 (Audited) *HK$'000*
0 to 30 days	**209,415**	281,132
31 to 60 days	**71,948**	55,819
61 to 90 days	**20,120**	18,333
Over 90 days	**33,328**	31,802
	334,811	387,086

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 2014. The Board considers that the financial resources of the Group should be used for the future business development of the Group.

BUSINESS REVIEW

In the first half of 2014, the global economy continued its recovering growth. The U.S. economy presented a recovery and positive trend, and would continue to be a major driver for the global economic growth. The impact of Euro-debt crisis has been fading. China reduced its estimate on its economic growth for in-depth structural reform. In January to June 2014, the accumulated export of textile apparel of China amounted to US$132.5 billion, representing an increase of US$5.27 billion. This represented an increase of 4.14% over the corresponding period last year, while the economic growth rate decreased by 7.92 percentage points over the corresponding period last year.

In the first half of 2014, the economic growth of the major exporting countries and regions of the Group slowed down, and the consumers' confidence remained fragile. Foreign retailers used up the stock incurred in 2013, together with the comprehensive impact of factors such as the increasing costs and expenses of domestic raw materials and labour as well as industry shift, which added up to make a positive impact on the Group's OEM/ODM business. However, the Group also adopted various measures, such as the optimization of ordering structure, to improve its efficiency. Therefore, the turnover of the OEM/ODM business in the first half of the year amounted to HK$1,067.4 million, increased by 5.8% when compared with HK$1,008.5 million during the six months ended 30 June 2013.

Under the influence of macro-economic policy, the Chinese economy was in the midst of structural adjustment. According to the data published by the National Bureau of Statistics of China, in January to June 2014, the retail turnover of apparel, shoes, hats and textiles recorded an increase of 10% over the corresponding period last year, while the growth rate shrank by 1.9 percentage points over the corresponding period last year. The Group had made timely adjustment to adopt different strategies for different brand development. The overall turnover generated from our fashion retail business amounted to HK$259.7 million, increased by 10.3% when compared with HK$235.4 million during the six months ended 30 June 2013.

FINANCIAL REVIEW

Review of operations

During the six months ended 30 June 2014, the Group's revenue amounted to HK$1,327.1 million, representing an increase of 6.7% as compared with HK$1,243.9 million for the same period in 2013. The gross profit for the six months ended 30 June 2014 was HK$373.2 million, representing a decrease of 1.8% as compared with HK$379.9 million for the same period in 2013. However, due to the full provision for doubtful debts of Coldwater Creek, as defined and detailed in the announcements of the Company dated 9 June 2014 and 9 May 2004 (the "**Coldwater Creek Announcements**") and the net fair value loss on derivative financial instruments amounted to HK$16.9 million and HK$32.3 million, respectively, the operating profit of the Group dropped significantly from HK$84.8 million to HK$44.8 million, representing a decrease of 47.2% for the same period in 2013. The net profit attributable to equity holders was HK$36.0 million. Earnings per share were HK cents 1.72 and net asset value per share was HK$1.35.

OEM and ODM Business

During the period under review, the turnover derived from our OEM/ODM business recorded an increase from HK$1,008.5 million to HK$1,067.4 million for the same period in 2013. Apparel in silk, cotton and synthetic fabrics continued to be the major products of the Group, which contributed HK$834.9 million (2013: HK$755.6 million), representing 78.2% (2013: 74.9%) of the total turnover of our OEM/ODM business.

The United States continued to be the Group's principal market with sales amounted to HK$795.3 million (2013: HK$770.7 million), representing 74.5% (2013: 76.4%) of the total turnover of our OEM/ODM business. Sales to Europe and other markets were HK$122.7 million (2013: HK$81.0 million) and HK$149.4 million (2013: HK$156.8 million), respectively.

Fashion Retail Business

During the six months ended 30 June 2014, our retail sales increased to HK$259.7 million from HK$235.4 million for the same period in 2013. Finity, the major brand of the Group, contributed HK$142.1 million to our retail business, representing an increase of 9.8% as compared with HK$129.4 million for the same period in 2013.

In terms of retail revenue analysis by sales channel, sales from concessionary counters amounted to HK$195.4 million (2013: HK$184.0 million), accounting for 75.2% of the total retail turnover. Sales from free-standing stores and franchisees amounted to HK$37.7 million (2013: HK$16.9 million) and HK26.6 million (2013: HK$34.5 million), respectively.

Liquidity and Financial Resources

During the six months ended 30 June 2014, the Group satisfied its working capital needs principally from its business operations. As of 30 June 2014, the Group had cash and cash equivalents of HK$304.9 million, representing an increase of HK$126.1 million as compared with HK$178.8 million as of 31 December 2013. The Group's total bank borrowings were HK$389.7 million (31 December 2013: HK$316.2 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 13.6% (31 December 2013: 10.5%). 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 dollars and Renminbi, and the purchase of raw materials is mainly made in Renminbi, United States dollars and Hong Kong dollars. As of 30 June 2014, all cash and cash equivalents, and bank borrowings were mainly denominated in US dollars, Renminbi and Hong Kong dollars. Hence, the Group considers that its foreign exchange risk is minimal. The Group has entered into certain foreign exchange contracts (between United States dollars and Renminbi) during the year of 2013 and 2014 as part of the measures to mitigate the foreign exchange risk arising from the OEM trading business of the Group. According to the applicable accounting policies of the Group, the contracts would need to be evaluated against the market value of the corresponding currencies as of 30 June 2014. For the six months end 30 June 2014, the Group records a net fair value loss on derivative financial instruments of HK$32.3 million. Such loss does not represent any cash inflow/outflow but will be reflected in the profit and loss of the Group during the period.

Account receivables from Coldwater Creek

As set forth in the Coldwater Creek Announcements, one of the customers of the Group, Coldwater Creek (as defined in the Coldwater Creek Announcements), filed voluntary petitions of relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the District of Delaware on 11 April 2014. The Group filed proof of claim of US$2.16 million (equivalent to HK$16.9 million) on 6 June 2014. Full provision for doubtful debts of the claim has been provided in the profit and loss of the Group for the six months ended 30 June 2014.

Entrusted Loans to Zhongdou Group (as defined in the Entrusted Loan Announcements) and Zhongdou Shopping Centre (as defined in the Entrusted Loan Announcements)

As set forth in the announcements (the "**Entrusted Loans Announcements**") of the Company dated 19 August, 23 June and 20 June 2014, in respect of the NBC Entrusted Loans (as defined in the Entrusted Loan Announcements) and the BOCOM Entrusted Loans (as defined in the Entrusted Loans Announcements) in the total amount of RMB160.0 million (equivalent to HK$202.5 million). These two loans are in default by the borrowers, and the Group has instructed PRC legal advisers to take the appropriate steps to recover the outstanding amount and/or obtain the collaterals for the defaulted entrusted loans. The Directors confirm that the relevant banks have initiated appropriate legal proceedings on behalf of the Group for the recovery of the total amount of the NBC Entrusted Loans and the BOCOM Entrusted Loans. The Group has been informed by 寧波銀行股份有限公司杭州餘杭支行 (Ningbo Bank Corporation, Hangzhou Yuhang Branch*) that it has reached eight civil claim mediation agreements with Zhongdou Group and Mr. YANG Dingguo, whereby both Zhongdou Group and Mr. YANG Dingguo have agreed to pay the total amount of RMB132.0 million (equivalent to HK$167.1 million) to Ningbo Bank Corporation before 31 October 2014. The amount represents the total amount of principal and the interest due under the NBC Entrusted Loans. Zhongdou Group and Mr. YANG Dingguo also need to settle the interest incurred during the period from 21 June 2014 to the date of settlement at 22.5% per annum. The civil claim mediation agreements were endorsed by The People's Court of Yuhang District, Hangzhou City.

No member of the Group was a party to the civil claim meditation agreements as the NBC Entrusted Loans were provided by Ningbo Bank Corporation. The Directors are advised by the PRC legal advisers that if Zhongdou Group or Mr. YANG Dingguo has settled the amount in full before the deadline, Ningbo Bank Corporation is obliged to return the received amount to us.

There is no updated information received by the Group in respect of the actions that may be taken by 交通銀行股份有限公司浙江分行杭州餘杭支行 (The Bank of Communications Limited, Zhejiang Branch, Hangzhou Yuhang Sub-branch*) in respect of the BOCOM Entrusted Loans. After evaluating the recoverability of the defaulted entrusted loans and the value of the collaterals, the Directors consider no provision for doubtful debts will be required to be made in profit and loss of the Group for the six months ended 30 June 2014. The Directors are of the view that the loan default would not have any immediate adverse impact on the business operation and the cash flow position of the Group as the loans were made by the Group in the two previous financial years out of its own financial resources.

Human Resources

As of 30 June 2014, the Group employed a total of approximately 9,400 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.

Pursuant to the applicable laws and regulations, the Group has participated in relevant defined contribution retirement schemes administrated by the Chinese government authorities for the Group's employees in China. For the Group's employees in Hong Kong, all the arrangements pursuant to the mandatory provident fund requirements set forth under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) are duly implemented. There is no mandatory retirement schemes under the applicable laws and regulations in the US. The Group has not implemented retirement schemes for the Group's employees in the US.

Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2014.

BUSINESS OUTLOOK

Outlook

The market in the United States is still the major market for the OEM/ODM business of the Group. The Group will maintain its long term and stable customer relationship by leveraging the edges on development and design, fully utilising the advantage of the Group's overseas companies being close to the markets, promptly responding to the demand of markets and customers, providing customers with more value-added products and services.

While continuing to maintain the market in the United States and customers, the Group will continue to develop its business in the European market, as well as the business in Japan and other emerging countries and regions, together with the development of customer base in various means, which will allow the Group to capture more markets and orders.

Brand retailing business remains the utmost priority in the development of the Group. In the second half of 2014, the Group will continue to increase the input for every aspect of the retail business, strengthen the design cooperation with international design houses, further improve the images of products and shops, open premium shops which will be complementing with various brand positions in a proactive fashion, as well as the improvement of the market awareness of brands by way of professional promotion. While continuing to drive the expansion of physical shops, more effort will be put into the development of e-commerce. The mutual complementation of the online and offline operations will optimize the sales network.

The Group cooperates with its strategic partner, Camuto Group of the United States, to introduce the reputable brand Vince Camuto in China. A comprehensive series of fashionable brands covering shoes, handbags, apparel, sunglasses, watches and perfumes will be established. In the second half of 2014, the image flagship shop of Vince Camuto will have its grand opening in China.

Amid the vigorous challenges in the retail market of China, the Group will relentlessly strengthen its expansion of the retail business area, enabling it to be the new business driving spot of the Group.

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 2014.

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 forth in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**") during the six months ended 30 June 2014.

Disclosure of Directors' Information Pursuant to Rule 13.51B(1) of the Listing Rules

Since the publication of the annual report of the Company for the year ended 31 December 2013, there has been a change in the biographical details of Mr. WONG Chi Keung, an independent non-executive Director. Mr. WONG has retired as an independent non-executive director, the chairman of the audit committee, remuneration committee and nomination committee of PacMOS Technologies Holdings Limited (Stock code: 1010), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited with effect from 1 July 2014.

Since the publication of the annual report of the Company for the year ended 31 December 2013, there has been a change in the biographical details of Mr. LEUNG Man Kit, an independent non-executive Director. On 28 March 2014, Mr. LEUNG was appointed as an independent non-executive director and chairman of audit committee of Optics Valley Union Holding Company Limited (Stock Code: 798), a company listed on The Stock Exchange of Hong Kong. Optics Valley Union Holding Company Limited is primarily engaged in the development and operation of large scale business parks with distinctive industry themes. On 9 July 2014, Mr. LEUNG was appointed as an independent non-executive director and chairman of audit committee of Luye Pharma Group Ltd. (Stock Code: 2186), a company listed on The Stock Exchange of Hong Kong Limited. Luye Pharma Group Ltd. is primary engaged in the business of the manufacture, sale and distribution of drugs and medicine.

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 for securities transactions by the Directors. All Directors have confirmed, upon specific enquiry by the Company, that they have complied with the Model Code during the six months ended 30 June 2014.

PUBLICATION OF INTERIM REPORT

An interim report of the Company for the six months ended 30 June 2014 containing all the relevant information required by Appendix 16 to the Listing Rules will be dispatched to the shareholders and 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
Executive Director and Chief Executive Officer

Hong Kong, 22 August 2014

* *For identification purposes only. The English names are only translation of the official Chinese names. In case of inconsistency, the Chinese names shall prevail.*

As of 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