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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

— The revenue of the Group increased by 10.0% to HK$1,350.3 million during the six months ended 30 June 2012, as compared with HK$1,227.5 million during the six months ended 30 June 2011. The revenue generated from the Group's OEM/ODM business increased by 13.5%. The revenue generated from the Group's fashion retail business decreased by 5.0%.

— The net profit of the Group decreased by 34.5% to HK$61.5 million during the six months ended 30 June 2012, as compared with HK$93.9 million during the six months ended 30 June 2011. The decrease in the Group's profitability was a result of the increasing cost pressure in China and the increasing price pressure in the major target markets, such as the United States and the European countries.

— The earnings per share decreased to 2.97 HK cents during the six months ended 30 June 2012, as compared with 4.50 HK cents during the six months ended 30 June 2011.

— The Board has decided not to declare and pay any cash interim dividend for the six months ended 30 June 2012.

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 2012, together with the unaudited comparative figures for the same period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Note	***HK$'000***	*HK$'000*
Revenue	3	**1,350,347**	1,227,520
Cost of sales		**(969,736)**	(834,962)
Gross profit		**380,611**	392,558
Other income	4	**5,561**	5,263
Other gains/(losses), net	5	**556**	(4,010)
Selling, marketing and distribution costs		**(145,808)**	(139,189)
Administrative expenses		**(141,688)**	(125,420)
Operating profit	6	**99,232**	129,202
Finance income	7	**11,207**	2,453
Finance costs	7	**(7,135)**	(8,133)
Share of losses of associates		**(836)**	(444)
Share of profit of a jointly controlled entity		**725**	338
Profit before income tax		**103,193**	123,416
Income tax expense	8	**(41,727)**	(29,559)
Profit for the period		**61,466**	93,857
Other comprehensive (loss)/income for the period, net of tax:			
Currency translation differences		**(30,067)**	38,486
Change in fair value of available-for-sale financial asset		**2,792**	1,163
Deregistration of a subsidiary		**(5,439)**	—
		(32,714)	39,649
Total comprehensive income for the period		**28,752**	133,506

	Note	Six months ended 30 June 2012 (Unaudited) HK$'000	2011 (Unaudited) HK$'000
Profit/(loss) attributable to:			
Equity holders of the Company		**62,327**	94,255
Non-controlling interests		**(861)**	(398)
		61,466	93,857
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**30,044**	133,165
Non-controlling interests		**(1,292)**	341
		28,752	133,506
Earnings per share for profit attributable to equity holders of the Company (expressed in HK cents per share)			
— basic	9	**2.97 cents**	4.50 cents
— diluted	9	**2.97 cents**	4.49 cents
Dividends	10	**—**	56,628

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2012

	Note	**As at 30 June 2012 (Unaudited)** *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**748,641**	796,698
Investment properties		**14,000**	14,000
Land use rights		**90,807**	93,120
Intangible assets		**140,179**	145,080
Interests in associates		**774,137**	541,519
Interest in a jointly controlled entity		**2,871**	2,146
Promissory notes	11	**83,522**	—
Available-for-sale financial asset		**4,885**	2,093
Deferred income tax assets		**41,200**	41,575
		1,900,242	1,636,231
Current assets			
Inventories		**475,287**	592,193
Trade and other receivables	11	**596,980**	623,840
Tax recoverable		**2,508**	1,528
Financial assets at fair value through profit or loss		**16,888**	21,002
Term deposits		**129,461**	168,435
Pledged bank deposits		**34,648**	3,855
Cash and cash equivalents		**335,544**	362,636
		1,591,316	1,773,489
Total assets		**3,491,558**	3,409,720
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**209,732**	209,732
Reserves		**2,460,208**	2,425,598
Proposed dividends		**—**	57,676
		2,669,940	2,693,006
Non-controlling interests		**41,387**	42,679
Total equity		**2,711,327**	2,735,685

	Note	As at 30 June 2012 (Unaudited) HK$'000	As at 31 December 2011 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**15,596**	16,370
Current liabilities			
Trade and other payables	12	**438,206**	434,430
Bank borrowings		**306,932**	200,499
Current income tax liabilities		**19,497**	22,736
		764,635	657,665
Total liabilities		**780,231**	674,035
Total equity and liabilities		**3,491,558**	3,409,720
Net current assets		**826,681**	1,115,824
Total assets less current liabilities		**2,726,923**	2,752,055

NOTES TO THE CONDENSED CONSOLIDATED ANNOUNCEMENT

1 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2012 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 2011, which have been prepared in accordance with HKFRSs.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2011, 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 following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012, but are not currently relevant for the Group.

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets

(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 2012 and have not been early adopted.

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised)	Investment in Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosure — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

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 board of directors (the "Board"). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Board considers the Group has two reportable segments: (1) manufacturing and sale of garments on an OEM basis ("OEM"); and (2) manufacturing and retailing of branded fashion apparel ("Retail").

The Board assesses 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 Board.

Total segment assets exclude investment properties, deferred income tax assets, financial assets at fair value through profit or loss, interests in certain associates and available-for-sale financial asset, 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.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions. 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**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2012			
Total revenue	**1,129,209**	**222,630**	**1,351,839**
Inter-segment revenue	**(1,492)**	**—**	**(1,492)**
Revenue (from external customers)	**1,127,717**	**222,630**	**1,350,347**
Segment profit before income tax	**85,073**	**21,533**	**106,606**
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)**	**(46)**
Share of profit of a jointly controlled entity	**725**	**—**	**725**
Income tax expense	**(34,483)**	**(7,244)**	**(41,727)**

	(Unaudited)		
	OEM	Retail	Total
	HK$'000	*HK$'000*	*HK$'000*
Six months ended 30 June 2011			
Total revenue	995,454	234,626	1,230,080
Inter-segment revenue	(2,188)	(372)	(2,560)
Revenue (from external customers)	993,266	234,254	1,227,520
Segment profit before income tax	94,307	32,027	126,334
Depreciation of property, plant and equipment	(44,908)	(1,440)	(46,348)
Amortisation of land use rights	(2,143)	(16)	(2,159)
Amortisation of intangible assets	(2,285)	(2,384)	(4,669)
Finance income	2,285	168	2,453
Finance costs	(6,813)	(1,320)	(8,133)
Share of profit of an associate	23	—	23
Share of profit of a jointly controlled entity	338	—	338
Income tax expense	(19,118)	(10,441)	(29,559)

	(Unaudited)		
	OEM	**Retail**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
As at 30 June 2012			
Total segment assets	**2,021,253**	**628,355**	**2,649,608**
Total assets include:			
Interests in associates	**2,307**	**13,174**	**15,481**
Interest in a jointly controlled entity	**2,871**	**—**	**2,871**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**14,754**	**1,865**	**16,619**

	(Audited)		
	OEM	Retail	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 31 December 2011			
Total segments assets	2,195,258	592,667	2,787,925
Total segment assets include:			
Interest in an associate	1,714	—	1,714
Interest in a jointly controlled entity	2,146	—	2,146
Additions to non-current assets (other than financial instruments and deferred income tax assets)	40,734	4,442	45,176

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

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Total segment profit before income tax	**106,606**	126,334
Net fair value gains of financial assets at fair value through profit or loss	**146**	1,966
Corporate overhead	**(4,401)**	(4,675)
Rental income	**258**	258
Interest income from an associate	**1,374**	—
Share of losses of associates	**(790)**	(467)
Profit before income tax per condensed consolidated statement of comprehensive income	**103,193**	123,416

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

	As at 30 June 2012	As at 31 December 2011
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Total segment assets	**2,649,608**	2,787,925
Financial assets at fair value through profit or loss	**16,888**	21,002
Corporate assets	**3,813**	1,792
Investment properties	**14,000**	14,000
Deferred income tax assets	**41,200**	41,575
Available-for-sale financial asset	**4,885**	2,093
Tax recoverable	**2,508**	1,528
Interests in associates	**758,656**	539,805
Total assets per condensed consolidated balance sheet	**3,491,558**	3,409,720

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
North America	**888,181**	815,566
European Union	**91,176**	76,722
Mainland China	**290,671**	295,479
Hong Kong	**68,636**	15,391
Other countries	**11,683**	24,362
	1,350,347	1,227,520

The total of non-current assets other than interests in associates, interest in a jointly controlled entity, promissory notes, available-for-sale financial asset 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 2012 (Unaudited)	As at 31 December 2011 (Audited)
	HK$'000	*HK$'000*
Mainland China	**947,349**	998,729
Hong Kong	**45,901**	49,792
North America	**377**	377
	993,627	1,048,898

For the six months ended 30 June 2012, revenue of approximately HK$194,401,000 (2011: HK$135,331,000) was derived from one external customer (2011: 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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Commission income	**1,594**	2,051
Government grants	**18**	71
Rental income	**258**	258
Others	**3,691**	2,883
	5,561	5,263

5 OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**158**	69
Net fair value gains on financial assets at fair value through profit or loss	**146**	1,966
Net exchange gains/(losses)	**5,065**	(6,694)
Gain on deregistration of a subsidiary	**5,192**	—
Loss on conversion of trade receivables to promissory notes *(Note 11(ii))*	**(10,005)**	—
Net fair value gains of foreign exchange forward contracts	**—**	649
	556	(4,010)

6 OPERATING PROFIT

The following items have been charged/(credited) to the operating profit during the interim period:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**56,950**	46,348
Amortisation of land use rights	**1,420**	2,159
Amortisation of intangible assets	**4,680**	4,669
Employee benefit expenses	**350,295**	307,814
Provision for inventories	**1,252**	6,947
Provision for/(reversal of provision for) impairment of trade receivables	**950**	(1,659)
Share-based payment to a related party	**2,983**	—

7 FINANCE INCOME/(COSTS), NET

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**5,083**	2,392
— amounts due from associates	**1,438**	61
— promissory notes	**4,686**	—
	11,207	2,453
Finance costs — interest expense on		
— bank borrowings	**(7,135)**	(8,133)
Finance income/(costs), net	**4,072**	(5,680)

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**8,192**	10,326
— PRC enterprise income tax	**29,697**	23,435
— PRC corporate withholding income tax	**4,236**	—
Deferred income tax	**(398)**	(4,202)
	41,727	29,559

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 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% (2011: 25%).

The new Corporate Income Tax Law increases the corporate income tax rate for foreign investment enterprises from previous preferential rates to 25% with effect from 1 January 2008. Companies established in the PRC before 16 March 2007 and previously taxed at the rate lower than 25% were offered a gradual increase of tax rate to 25% within 5 years. Certain subsidiaries of the Group established in the PRC enjoyed preferential income tax rate from 2008 to 2012 and be taxed at the rate of 25% from 2012 or when the preferential treatment expires. Certain subsidiaries established in the PRC are entitled to exemption and concessions from income tax under tax holidays. Income tax was calculated at rates given under the concessions.

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 2012, deferred income tax liabilities of approximately HK$39,668,000 (31 December 2011: HK$40,591,000) 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$793,352,000 (31 December 2011: HK$811,827,000) 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$62,327,000 (2011: HK$94,255,000) and weighted average number of ordinary shares in issue during the period of approximately 2,097,318,000 (2011: 2,096,342,000).

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 2012, there were no dilutive potential ordinary shares deemed to be issued at no consideration if all outstanding share options granted.

During the six months ended 30 June 2011, the average number of dilutive potential ordinary shares of approximately 567,000 is deemed to be issued at no consideration if all outstanding share options granted.

10 DIVIDENDS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Nil interim dividend (2011: HK2.25 cents per ordinary share)	—	47,190
Nil special dividend (2011: HK0.45 cent per ordinary share)	—	9,438
	—	56,628

Note:

At a meeting held on 31 August 2012, the directors do not recommend the payment of any dividend for the six months ended 31 June 2012.

11 TRADE AND OTHER RECEIVABLES

	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
Trade and bill receivables	**450,534**	494,346
Less: Provision for impairment	**(11,427)**	(10,958)
Trade and bill receivables, net *(Note (i))*	**439,107**	483,388
Amounts due from associates	**21,629**	20,546
Amount due from a jointly controlled entity	**252**	323
Promissory notes *(Note (ii))*	**85,456**	—
Other receivables, deposits and prepayments	**134,058**	119,583
	680,502	623,840
Less: Non-current portion of promissory notes	**(83,522)**	—
Current portion	**596,980**	623,840

Notes:

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

	As at 30 June 2012 (Unaudited) *HK$'000*	As at 31 December 2011 (Audited) *HK$'000*
0 to 30 days	**192,654**	221,250
31 to 60 days	**132,060**	103,441
61 to 90 days	**60,041**	51,874
Over 90 days	**65,779**	117,781
	450,534	494,346

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	
	2012	2011
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
At 1 January	**10,958**	8,278
Exchange differences	**(80)**	80
Charged/(credited) to the profit or loss	**950**	(1,659)
Write-off	**(401)**	(1,612)
At 30 June	**11,427**	5,087

(ii) The promissory notes represent two senior unsecured promissory notes with principal amounting 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) has been recognised in "other gains/(losses), net" during the period.

12 TRADE AND OTHER PAYABLES

	As at 30 June 2012	As at 31 December 2011
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade and bill payables	**273,999**	280,160
Other payables and accruals	**163,050**	152,128
Amount due to an associate	**1,157**	1,313
Amount due to a jointly controlled entity	**—**	829
	438,206	434,430

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

	As at 30 June 2012	As at 31 December 2011
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0 to 30 days	**192,109**	208,001
31 to 60 days	**48,721**	44,370
61 to 90 days	**10,333**	8,645
Over 90 days	**22,836**	19,144
	273,999	280,160

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 2012. The Board considers that the financial resources of the Group should be used for the future business development of the Group.

BUSINESS REVIEW

During the six months ended 30 June 2012, the Group's revenue was HK$1,350.3 million, with a net profit of HK$61.5 million. The revenue during the six months ended 30 June 2012 increased by 10.0%, but the net profit during the same period decreased by 34.5%. The significant decrease in the Group's profitability was a result of the increasing price pressure from other low-cost garment manufacturing countries, the increasing cost pressure in China and the increasing price pressure in the major target markets such as the United States and the European countries. These factors, coupled with the modest economic growth, contributed to affect the profitability of the Group during the six months ended 30 June 2012.

The financial turmoil accelerated by the Euro-zone debt crisis, the lack of solutions by the governments to stabilise the situation and the austerity measures contributed to the slow economic growth globally. During the six months ended 30 June 2012, the global economy, particularly the United States and European economies, faced new uncertainties with slow economic growth or economic contraction. The current global economic development is characterised by possible downside risks and fragility.

Although the economic development of the United States, being the largest market of the Group's OEM business, maintained a slight average growth in the first half of 2012, the prospects are still not brilliant as shown in the recent statistics on the employment level in the United States and the deteriorating indications of consumers' confidence. The economic development amongst the European countries is also disappointing, which creates prolonged uncertainties to the world's economic growth. All of these factors affect the demand for a wide range of consumer goods, including garment and apparel items, in the target markets. The reduced demand suppresses the import volume of clothes and apparel items and their price levels.

In addition to the continued price pressure, the inflation in China also resulted in increases in the labour cost and the cost of raw materials. These factors reduce the competitiveness of the PRC as one of the world's major manufacturing bases for fashion and apparel items. The clear trend is that an increasing number of manufacturers prefer to establish production base in other low-cost countries and territories, such as India and Vietnam.

OEM/ODM business

The revenue generated from the OEM/ODM business during the six months ended 30 June 2012 recorded an increase of 13.5% from HK$993.3 million to HK$1,127.7 million. The OEM/ODM business continued to be the core business of the Group, and it contributed 83.5% of the total revenue of the Group during the six months ended 30 June 2012.

The segment profit before income tax from the Group's OEM/ODM business decreased from HK$94.3 million to HK$85.1 million. The decrease in the segment profit before income tax was primarily due to the sluggish demand in the major international markets, such as the United States and the European countries, which was in turn a result of the slow economic growth or economic contraction in these markets. The unsatisfactory economic performance and the Europe-zone debt crisis undermines the consumers' confidence and hence, their spending on clothes and apparel items. These affect the garment export business from the manufacturing countries, including China.

In response to the reduced level of demand and increasing price pressure for its OEM/ODM business, the Group focuses on the continuous increases in its production efficiency. The Group also strives to provide better services to its customers with more creativity, better product quality and shorter delivery time. The Group also works closely with its business partners in the United States and the European countries by providing quality products timely, so as to boost their sales, which would benefit to the Group's OEM/ODM business.

Fashion retail business

The revenue generated from the retail business during the six months ended 30 June 2012 was HK$222.6 million and the segment profit of the retail business of the Group was HK$21.5 million. The domestic retail market in China is expected to be very soft primarily due to the adverse impact from inflation and the reduction of disposal income of the average public in China.

China's economic growth is expected to slow-down due to the unfavourable international economic conditions and consumer spending has dwindled. During the six months ended 30 June 2012, the retail apparel market in China remained soft. A strong influx of international brands as well as some policy-induced deceleration by the PRC government, especially in the industrial sector, contributed to the slight growth in the consumer spending and the less energetic retail market outcome.

The Group's retail business which has undergone a recent restructure and implemented new strategies and aggressive marketing activities for its various brands — FINITY, ELANIE, RIVERSTONE — as well as the licensed brand — MAX STUDIO — continues to focus on good designs and quality to maintain their edge in the very competitive market, but China's economic slowdown does not bode well for retail growth.

FINANCIAL REVIEW

Review of operations

During the six months ended 30 June 2012, the Group's revenue amounted to HK$1,350.3 million, representing an increase of 10.0% as compared with HK$1,227.5 million for the same period in 2011. The gross profit for the six months ended 30 June 2012 was HK$380.6 million, representing a decrease of 3.0% as compared with HK$392.6 million for the same period in 2011. The profit attributable to equity holders was approximately HK$62.3 million. Earnings per share were 2.97 HK cents and net asset value per share was HK$1.29.

OEM and ODM business

During the period under review, the revenue derived from our OEM/ODM business recorded an increase from HK$993.3 million to HK$1,127.7 million for the same period in 2011. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed HK$875.8 million (2011: HK$778.3 million), representing 77.7% (2011: 78.4%) 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$888.2 million (2011: HK$815.6 million), representing 78.8% (2011: 82.1%) of the total turnover of our OEM/ODM business. Sales to Europe and other markets were HK$91.2 million (2011: HK$76.7 million) and HK$148.4 million (2011: HK$101.0 million), respectively.

Fashion retail business

During the six months ended 30 June 2012, the retail sales decreased to HK$222.6 million from HK$234.3 million for the same period in 2011. The decrease was principally due to the increase in the operating costs, the intensive competition amongst the domestic fashion brands in China and the Group's strategy to reduce the level of inventory for seasonal fashion and apparel items.

In terms of retail revenue analysis by sales channel, sales from concessions amounted to HK$159.0 million (2011: HK$174.0 million), accounting for 71.4% of total retail turnover. Sales from free-standing stores and franchisees amounted to HK$20.0 million (2011: HK$18.4 million) and HK$43.6 million (2011: HK$41.9 million), respectively.

Advancement to Bernard Chaus

On 20 January 2012, China Ting Fashion Group (USA), LLC, a subsidiary of the Company, entered into a debt restructuring agreement with the Bernard Chaus, Inc. ("**Bernard Chaus**") and two of its subsidiaries (collectively, the "**Bernard Chaus Companies**"). Pursuant to the debt restructuring agreement, the Bernard Chaus Companies agree that the amount due from Bernard Chaus, which was the amount due from Bernard Chaus for the goods supplied by the Group, would be repayable in various installments before the end of 2016, as evidenced in the two promissory notes (the "**Promissory Notes**"). The obligations under the Promissory Notes represent a senior unsecured indebtedness of the Bernard Chaus Companies on a joint and several basis. No collateral is provided by Bernard Chaus Companies for the obligations under the Promissory Notes.

Pursuant to the Promissory Notes, the Group is given certain rights to inspect the financial information of the Bernard Chaus Companies and monitor the business performance of the Bernard Chaus Companies.

During the six months ended 30 June 2012, there was no overdue amount from Bernard Chaus under the Promissory Notes. The Directors consider that the debt restructuring agreement and the Promissory Notes are beneficial to the Group with an agreed repayment timetable from Bernard Chaus.

Liquidity and financial resources

During the six months ended 30 June 2012, the Group satisfied their working capital needs principally from its business operations. As of 30 June 2012, the Group had cash and cash equivalent of HK$335.5 million, representing a decrease of 7.5% as compared with HK$362.6 million as of 31 December 2011. The Group's total bank borrowings were HK$306.9 million (31 December 2011: HK$200.5 million). The debt to equity ratio (total borrowings as a percentage of total equity) was 11.3% (31 December 2011: 7.3%). Despite the increase in the amount of the bank borrowings, the Directors consider that, based on the net cash position of the Group, the Group continues to retain good and solid working capital and liquidity.

The sales of the Group are mainly denominated in 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 2012, 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 2012, the Group employed a total of approximately 10,700 employees in Mainland China, Hong Kong and the United States.

The Group recognises the importance of good relationships with its employees and has established an incentive bonus scheme for them, in which the benefits are determined based on the performance of the Group and individual employees, reviewable every year. Our Directors believe that a comparative remuneration scheme, 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 of 30 June 2012.

BUSINESS OUTLOOK

Economic uncertainty has pressured the apparel industry for the six months ended 30 June 2012, and the Directors consider that this lack of visibility will continue during the second half of 2012 with low consumer spending in the principal overseas markets of the Group.

The current economic situation in Europe and the United States, including China, swings in commodity prices, labour shortage and rising costs, will continue to affect global economic performance in 2012.

Modest economic growth in the US and no firm indication from the Euro-zone that its debt crises can be resolved imminently to expedite a significant rebound in the European economy make it difficult to predict the economic performance of these major consumption markets so crucial to the world economy.

Increasingly, volatility in the costs of raw materials, energy, logistics and labour in China make long-term pricing difficult and seriously affect the Group's OEM/ODM business as reflected in the decreased profit margin. These factors, particularly in the area of human resources and related labour cost, are also hindering the expected growth of the Group's fashion retail business.

Although the retail market of the United States has shown modest growth for some months in the second quarter of 2012, the Euro-zone crisis creates another wave of real and perceived issues globally, resulting in an unfavourable impact on the already uneasy consumer confidence curbing growth. As a result, most suppliers and buyers today are exercising extreme caution when placing orders, reducing inventory in products categories, and thereby creating the need for short production time for garment and apparel items. Speed to market is very important in 2012 and beyond.

The Group will continue to leverage its strong overall management and work closely with the OEM/ODM business partners through this difficult period to provide speed-to-market, qualitative and cost-competitive supply.

On the fashion retail business, the Directors believe that competition amongst different brands will increase. The Directors expected the increased competition would affect the growth of the Group's fashion retail business and the profit margin in the near future.

The rest of 2012 will continue to be affected by the same economic issues and uncertainties. Our customers are facing the perennial issue of putting the right product at the right price and time in stores, maintaining existing market share and, above all, capturing emerging markets, such as China and other Asian countries.

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 2012.

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

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 Code on Corporate Governance Practices 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.

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. Upon specific enquiry of all directors, no Director is aware of any non-compliance 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 subsequently published on the Stock Exchange's website and on the Company's website in due course.

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

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

Hong Kong, 31 August 2012