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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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2010

FINANCIAL HIGHLIGHTS

	2010 <i>HK\$ million</i>	2009 <i>HK\$ million</i>	% Change
Revenue			
OEM Business	2,146.9	1,755.7	22.3
Brand Retail Business	414.2	335.3	23.5
	<u>2,561.1</u>	<u>2,091.0</u>	<u>22.5</u>
Operating profit	333.6	355.2	(6.1)
Profit attributable to the equity holders of the Company	267.0	376.6	(29.1)
Profit attributable to the equity holders of the Company (excluding negative goodwill and other (losses)/gains, net)	272.0	265.7	2.4
Dividend per share			
— Final (<i>HK cents</i>)	4.75	5.26	(9.7)
— Full year (<i>HK cents</i>)	8.92	9.70	(8.0)
Dividend payout ratio (excluding negative goodwill)	70%	70%	—
Equity attributable to the equity holders of the Company	2,622.4	2,475.9	5.9
Equity per share (<i>HK cents</i>)	125.1	118.2	5.8

FINAL RESULTS

The board of Directors of China Ting Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2010, with the comparative figures for the year 2009, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Revenue	2	2,561,096	2,090,980
Cost of sales		(1,761,254)	(1,369,110)
Gross profit		799,842	721,870
Other income	3	13,798	10,323
Other (losses)/gains, net	4	(4,983)	25,699
Selling, marketing and distribution costs		(238,468)	(175,918)
Administrative expenses		(236,627)	(226,812)
Operating profit	5	333,562	355,162
Finance (costs)/income, net	6	(1,100)	4,791
Share of losses of associates		(364)	(1,615)
Share of loss of a jointly controlled entity		(59)	—
Negative goodwill arising on the acquisition		—	92,686
Profit before income tax		332,039	451,024
Income tax expense	7	(66,891)	(68,417)
Profit for the year		265,148	382,607
Other comprehensive income/(expense):			
Currency translation differences		94,116	(1,260)
Other comprehensive income/(expense), net of tax		94,116	(1,260)
Total comprehensive income		359,264	381,347

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Profit/(loss) attributable to:			
Equity holders of the Company		266,997	376,625
Non-controlling interests		(1,849)	5,982
		<u>265,148</u>	<u>382,607</u>
Total comprehensive income/(expense) attributable to:			
Equity holders of the Company		359,527	375,053
Non-controlling interests		(263)	6,294
		<u>359,264</u>	<u>381,347</u>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
— basic	8	<u>12.74 cents</u>	<u>18.00 cents</u>
— diluted	8	<u>12.74 cents</u>	<u>17.99 cents</u>
Dividends	9	<u>186,956</u>	<u>203,076</u>

CONSOLIDATED BALANCE SHEET

As at 31 December 2010

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		813,224	865,671
Investment properties		8,000	7,000
Leasehold land and land use rights		93,739	100,843
Interests in associates		426,687	387,151
Interest in a jointly controlled entity		1,622	—
Intangible assets		153,447	161,827
Deferred income tax assets		31,873	24,397
		1,528,592	1,546,889
Current assets			
Inventories		554,463	457,697
Trade and other receivables	10	582,800	491,148
Tax recoverable		1,101	7,081
Financial assets at fair value through profit or loss		25,053	35,199
Cash and bank balances		395,856	414,007
		1,559,273	1,405,132
Total assets		3,087,865	2,952,021

	<i>Note</i>	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,573	209,415
Reserves		2,271,566	2,099,574
Proposed dividends		99,563	110,152
		<u>2,580,702</u>	<u>2,419,141</u>
Non-controlling interests		<u>41,675</u>	<u>56,742</u>
Total equity		<u>2,622,377</u>	<u>2,475,883</u>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		<u>19,343</u>	<u>19,991</u>
Current liabilities			
Trade and other payables	11	352,514	350,136
Bank borrowings		66,525	78,714
Derivative financial instruments		348	—
Current income tax liabilities		26,758	27,297
		<u>446,145</u>	<u>456,147</u>
Total liabilities		<u>465,488</u>	<u>476,138</u>
Total equity and liabilities		<u>3,087,865</u>	<u>2,952,021</u>
Net current assets		<u>1,113,128</u>	<u>948,985</u>
Total assets less current liabilities		<u>2,641,720</u>	<u>2,495,874</u>

NOTES:

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) Amended standard adopted by the Group

HKAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the statement of consolidated comprehensive income. HKAS 27 (revised) has no impact on the current period, as none of the non-controlling interests have a deficit balance and there have been no transactions whereby an interest in an entity is retained after the loss of control of that entity.

HKAS 17 (amendment), ‘Leases’, deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest which title is not expected to pass to the Group by the end of the lease term was classified as operating lease under “Leasehold land and land use rights”, and amortised over the lease term. Certain of Hong Kong leasehold land of approximately HK\$1,907,000 has been reclassified as finance lease. As management considered the impact not significant to the Group, the reclassification has been applied to the financial statements for current year with no prior year adjustment.

HK — Int 5, ‘Presentation of financial statements — Classification by the borrower of a term loan that contains a repayment on demand clause’ provides guidance on the classification by the borrow of a term loan that contains a repayment on demand clause, with reference to the criteria for classification of liabilities as current or non-current as set out in paragraph 69 of HKAS 1.

The adoption of the above amended HKASs has no material effect on the Group’s financial statements.

(b) Standards, amendments and interpretations to existing standards that have become effective in 2010 but not relevant to the Group's operations

HKFRS 1 (Amendment)	Additional exemptions for first-time adopters
HKFRS 2 (Amendment)	Group cash-settled share-based payment transactions
HKFRS 3 (Revised)	Business combination
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations
HKAS 1 (Amendment)	Presentation of financial statements
HKAS 32 (Amendment)	Classification of right issues
HKAS 36 (Amendment)	Impairment of assets
HKAS 39 (Amendment)	Eligible hedge items
HK(IFRIC) — Int 9	Reassessment of embedded derivatives
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation
HK(IFRIC) — Int 17	Distribution of non-cash assets to owners
HK(IFRIC) — Int 18	Transfers of assets from customers
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments
HKFRSs (Amendments)	Annual improvements projects published in April and May 2009 by HKICPA

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

		Effective for annual periods beginning on or after
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters	1 July 2010
HKFRS 9	Financial instruments	1 January 2013
HKAS 12 (Amendment)	Deferred tax accounting for investment property at fair value	1 January 2012
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HKAS 32 (Amendment)	Classification of rights issues	1 February 2010
HK(IFRIC) — Int 14 (Amendment)	Prepayments of a minimum funding requirement	1 January 2011
HK(IFRIC) — Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKFRSs (Amendments)	Third annual improvements project published in May 2010 by HKICPA	1 July 2010

The Group is in the process of assessing the impact of adoption of these standards, amendments and interpretations to existing standards, which the Group plans to adopt when they become effective. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the financial statements will be resulted.

2 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 assets exclude deferred income tax assets, financial assets at fair value through profit or loss and interest in an associate, all of which are managed on a central basis. These are part of the reconciliation to total 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 consolidated statement of comprehensive income.

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2010			
Total revenue	2,151,573	415,070	2,566,643
Inter-segment revenue	(4,690)	(857)	(5,547)
	<u>2,146,883</u>	<u>414,213</u>	<u>2,561,096</u>
Revenue (from external customers)			
	<u>2,146,883</u>	<u>414,213</u>	<u>2,561,096</u>
Segment profit before income tax	<u>274,482</u>	<u>70,899</u>	<u>345,381</u>
Depreciation of property, plant and equipment	(94,710)	(2,611)	(97,321)
Amortisation of leasehold land and land use rights	(2,112)	(32)	(2,144)
Amortisation of intangible assets	(4,571)	(4,799)	(9,370)
License right fee	—	(4,308)	(4,308)
Finance income	2,617	547	3,164
Finance costs	(2,052)	(2,212)	(4,264)
Share of profit of an associate	49	—	49
Share of loss of a jointly controlled entity	(59)	—	(59)
Income tax expense	(43,278)	(23,613)	(66,891)

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2009			
Total revenue	1,759,354	337,566	2,096,920
Inter-segment revenue	(3,719)	(2,221)	(5,940)
Revenue (from external customers)	<u>1,755,635</u>	<u>335,345</u>	<u>2,090,980</u>
Segment profit before income tax	<u>278,019</u>	<u>67,089</u>	<u>345,108</u>
Depreciation of property, plant and equipment	(77,664)	(2,471)	(80,135)
Amortisation of leasehold land and land use rights	(2,358)	(31)	(2,389)
Amortisation of intangible assets	(2,762)	(9,522)	(12,284)
Finance income	7,032	466	7,498
Finance costs	(479)	(2,228)	(2,707)
Share of profits/(losses) of associates	97	(1,303)	(1,206)
Income tax expense	(49,587)	(18,830)	(68,417)
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2010			
Total assets	<u>2,149,175</u>	<u>446,781</u>	<u>2,595,956</u>
Total assets include:			
Interest in an associate	1,652	—	1,652
Interest in a jointly controlled entity	1,622	—	1,622
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>50,296</u>	<u>2,439</u>	<u>52,735</u>
	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2009			
Total assets	<u>2,063,561</u>	<u>428,813</u>	<u>2,492,374</u>
Total assets include:			
Interests in associates	1,603	1,314	2,917
Additions to non-current assets (other than financial instruments and deferred income tax assets)	<u>144,748</u>	<u>1,114</u>	<u>145,862</u>

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Total segment profit before income tax	345,381	345,108
Net fair value (losses)/gains of financial assets at fair value through profit or loss	(4,539)	20,530
Corporate overhead	(8,906)	(8,755)
Rental income	516	1,864
Share of loss of an associate	(413)	(409)
Negative goodwill arising from the acquisition	—	92,686
Profit before income tax	332,039	451,024

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

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Total segment assets	2,595,956	2,492,374
Financial assets at fair value through profit or loss	24,745	35,199
Corporate assets	1,155	1,736
Investment properties	8,000	7,000
Deferred income tax assets	31,873	24,397
Tax recoverable	1,101	7,081
Interest in an associate	425,035	384,234
Total assets per consolidated balance sheet	3,087,865	2,952,021

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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
North America	1,686,212	1,304,005
European Union	166,865	124,192
Mainland China	652,915	603,841
Hong Kong	15,052	22,753
Other countries	40,052	36,189
	2,561,096	2,090,980

The total of non-current assets other than interests in associates, interest in a jointly controlled entity 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:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Mainland China	1,018,893	1,081,110
Hong Kong	49,073	53,544
North America	444	687
	<u>1,068,410</u>	<u>1,135,341</u>

For the year ended 31 December 2010, revenues of approximately HK\$322,010,000 are derived from a single external customer. These revenues are attributable to the OEM reportable segments and accounted for greater than 10% of the Group's revenue.

For the year ended 31 December 2009, no single external customer contributed more than 10% of the Group's revenue.

3 OTHER INCOME

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Commission income	6,993	—
Government grants	6,289	8,459
Rental income	516	1,864
	<u>13,798</u>	<u>10,323</u>

4 OTHER (LOSSES)/GAINS, NET

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Net exchange (losses)/gains	(7,896)	127
Gain on disposal of a subsidiary	1,039	—
Fair value gain on investment properties	1,000	—
Net fair value (losses)/gains of financial assets at fair value through profit or loss	(4,539)	20,530
Net fair value losses of foreign exchange forward contracts	(40)	—
Gain/(loss) on disposal of property, plant and equipment and leasehold land and land use rights	38	(287)
Others	5,415	5,329
	<u>(4,983)</u>	<u>25,699</u>

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Amortisation of leasehold land and land use rights	2,144	2,389
Amortisation of intangible assets	9,370	12,284
Depreciation of property, plant and equipment	<u>97,321</u>	<u>80,135</u>

6 FINANCE (COSTS)/INCOME, NET

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	3,019	7,283
— amount due from an associate	145	215
Finance costs — interest expense on		
— bank loans	(4,264)	(2,414)
— licence fees payable	—	(293)
	<u>(1,100)</u>	<u>4,791</u>

7 INCOME TAX EXPENSE

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax (<i>Note (a)</i>)	27,045	23,148
— PRC enterprise income tax (<i>Note (b)</i>)	48,216	47,225
— (Over)/under-provision in prior years	(246)	1,025
Deferred income tax	<u>(8,124)</u>	<u>(2,981)</u>
	<u>66,891</u>	<u>68,417</u>

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the year.

(b) PRC enterprise income tax

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%.

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% may be offered a gradual increase of tax rate to 25% within 5 years. Certain subsidiaries of the Group established in the PRC will enjoy preferential income tax rate from 2008 to 2011 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.

8 EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$266,997,000 (2009: HK\$376,625,000) and weighted average number of ordinary shares in issue during the year of 2,095,161,836 (2009: 2,092,553,726).
- (b) Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company of approximately HK\$266,997,000 (2009: HK\$376,625,000), and the weighted average number of ordinary shares of 2,096,053,938 (2009: 2,092,944,865) which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of dilutive potential ordinary shares of 892,102 (2009: 391,139) deemed to be issued at no consideration if all outstanding share option granted under the Share Option Scheme had been exercised.

9 DIVIDENDS

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Interim		
Interim dividend, paid, of HK3.48cents (2009: HK3.70 cents) per ordinary share	72,931	77,437
Special dividend, paid, of HK0.69 cent (2009: HK0.74 cent) per ordinary share	14,462	15,487
Final (<i>Note</i>)		
Proposed final dividend of HK2.90 cents (2009: HK3.25 cents) per ordinary share	60,786	68,060
Proposed special dividend of HK1.85 cents (2009: HK2.01 cents) per ordinary share	38,777	42,092
	<u>186,956</u>	<u>203,076</u>

Note:

The amount of 2010 proposed final and special dividends is based on 2,096,068,000 shares in issue as at 30 March 2011 (2009: 2,094,148,000 shares in issue as at 26 March 2010).

At a meeting held on 30 March 2011, the directors proposed a special dividend of HK1.85 cents per ordinary share in addition to a final dividend of HK2.90 cents per ordinary share. The proposed dividends are not reflected as a dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2011.

10 TRADE AND OTHER RECEIVABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade and bill receivables	455,118	389,270
Less: Provision for impairment	<u>(8,278)</u>	<u>(5,654)</u>
Trade and bill receivables, net	446,840	383,616
Amounts due from associates	3,906	2,840
Amount due from a jointly controlled entity	3,276	—
Other receivables, deposits and prepayments	<u>128,778</u>	<u>104,692</u>
	<u>582,800</u>	<u>491,148</u>

The ageing analysis of gross trade and bill receivables is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 to 30 days	232,386	258,798
31 to 60 days	125,937	94,681
61 to 90 days	41,543	16,764
Over 90 days	<u>55,252</u>	<u>19,027</u>
	<u>455,118</u>	<u>389,270</u>

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 settled 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.

11 TRADE AND OTHER PAYABLES

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Trade and bill payables	221,713	211,897
Other payables and accruals	129,305	133,633
Amounts due to associates	1,496	1,675
Licence fees payable	—	2,931
	<u>352,514</u>	<u>350,136</u>

The ageing analysis of trade and bill payables is as follows:

	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
0 to 30 days	141,006	165,994
31 to 60 days	40,082	35,616
61 to 90 days	19,825	4,618
Over 90 days	20,800	5,669
	<u>221,713</u>	<u>211,897</u>

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

12 EVENT AFTER THE BALANCE SHEET DATE

On 25 February 2011, an extraordinary general meeting was held and it was resolved that the provision of a loan guarantee in a sum of not more than RMB343,000,000 (equivalent to approximately HK\$407,600,000) by Zhejiang China Ting Group Company Limited (“Zhejiang China Ting”), a subsidiary of the Group, to a bank as surety for a loan to Hangzhou China Ting Property Development Company Limited (“Hangzhou China Ting Property”), an associate of the Group, in order to finance the acquisition by Hangzhou China Ting Property of a parcel of land with a site area of approximately 32,345 square meters located on the western side of South Avenue and the northern side of Halian Peninsula Residence, Linping New Town, Yuhang District, Hangzhou, Zhejiang Province, the PRC.

However, in view of the recent stringent lending policies to new established enterprises in the property sector as adopted by commercial banks in the PRC and the measures of the national policy in the PRC to restraint the continuous increases in the residential property prices in the PRC, Zhejiang China Ting is not able to secure the entire amount of the required bank loan. On 30 March 2011, the directors of the Company have decided not to proceed with the execution of the loan guarantee but to provide direct funding by way of pro rata contribution to the proposed increase of registered capital of Hangzhou China Ting Property from RMB40,000,000 to RMB200,000,000. Accordingly, Zhejiang China Ting will require to contribute another RMB78,400,000 (approximately HK\$93,200,000) as additional capital injection.

13 COMPARATIVE FIGURES

Certain comparative figures have been reclassified within consolidated statement of comprehensive income to conform with the current year’s presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

The global economy experienced a slight upturn in 2010 but the overall market sentiment has remained uncertain. Consumer confidence in general is not strong. Despite such an economic environment, the Group continued to grow aggressively and, through its strong creativity, improvement of services and structural adjustments, has achieved a significant turnover of approximately HK\$2,561.1 million with a gross profit of approximately HK\$799.8 million, representing an increase of approximately 22.5% and 10.8% as compared with 2009.

OEM/ODM Business

Export business, which represented a principal source of income for the Group, continued to grow steadily in 2010, generating a total of approximately HK\$2,146.9 million, accounting for approximately 83.8% of the Group's total revenue. Through continued and focused efforts in improving the internal management, increasing productivity and conserving energy, the Group is actively responding to rising costs in raw materials, labour, foreign exchange fluctuation and other linked adverse factors. The Group also continues to respond swiftly to market demands, providing customers with excellent products and speed-to-market services, facilitating both business growth and development.

Brand Retail Business

There has been continual upgrading to the Group's brand retail business in 2010. Additional resources were focused on the Group's principal proprietary brands resulting in a double-digit growth in turnover which accounting for approximately of 16.2% the Group's revenue. As of 31 December 2010, the Group's sales network in China included 445 retail outlets with a total revenue of approximately HK\$414.2 million and a gross profit margin of approximately 61.2%.

(2) Financial Review

Results Performance

During the year ended 31 December 2010, the Group's revenue amounted to approximately HK\$2,561.1 million, representing an increase of 22.5% as compared with HK\$2,091.0 million in 2009. The gross profit was approximately HK\$799.8 million, representing an increase of approximately 10.8% as compared with HK\$721.9 million in 2009. The net profit attributable to equity holders was approximately HK\$267.0 million. Earnings per share was approximately HK12.74 cents and net asset value per share was approximately HK\$1.25.

OEM and ODM Business

During the year ended 31 December 2010, the turnover derived from our OEM/ODM business recorded approximately HK\$2,146.9 million, representing an increase from HK\$1,755.7 million in 2009. The following table sets forth an analysis of the turnover of our OEM/ODM business by products:

	2010		2009		
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%	% Change
Silk and silk-blended apparel	479.8	22.3	508.7	29.0	(5.7)
Linen and linen-blended apparel	121.6	5.7	113.0	6.4	7.6
Cotton and cotton-blended apparel	578.6	27.0	459.8	26.2	25.8
Apparel in synthetic fabrics	651.6	30.4	481.1	27.4	35.4
Wool and wool-blended apparel	74.7	3.5	39.1	2.2	91.0
Printing and dyeing	44.9	2.1	42.0	2.4	6.9
Home textile fabric and accessories	103.4	4.8	63.1	3.6	63.9
Others	92.3	4.2	48.9	2.8	88.8
Total	<u>2,146.9</u>	<u>100.0</u>	<u>1,755.7</u>	<u>100.0</u>	<u>22.3</u>

In terms of markets performance, sales to the US market amounted to approximately HK\$1,686.2 million (2009: 1,304.0 million), which accounted for approximately 78.5% (2009: 74.0%) of the OEM revenue. Sales to European and other markets were approximately HK\$166.9 million (2009: HK\$124.2 million) and HK\$293.8 million (2009: HK\$327.5 million), respectively.

Brand Retail Business

During the year ended 31 December 2010, the retail sales increased by approximately 23.5% from HK\$335.3 million to approximately HK\$414.2 million, which was mainly driven by the expansion of the Group's retail network and the improvement in store sales performance. Sales under the brand name, "FINITY", grew by approximately 23.3% to HK\$200.3 million (2009: HK\$162.4 million), accounting for 48.4% of the Group's retail sales. The retail sales analysis by brand name is as follows:

	2010		2009		
	<i>HK\$ million</i>	%	<i>HK\$ million</i>	%	% Change
Finity	200.3	48.4	162.4	48.4	23.3
Elanie	74.7	18.0	60.4	18.0	23.7
Riverstone	51.3	12.4	39.8	11.9	28.9
Other brands	87.9	21.2	72.7	21.7	20.9
Total retail sales	<u>414.2</u>	<u>100.0</u>	<u>335.3</u>	<u>100.0</u>	<u>23.5</u>

In terms of retail revenue analysis by sales channel, sales from concessions amounted to approximately HK\$298.6 million (2009: HK\$228.4 million), accounting for approximately 72.1% of total retail turnover. Sales from freestanding stores and franchisees amounted to HK\$28.1 million (2009: HK\$18.7 million) and HK\$87.5 million (2009: HK\$88.2 million) respectively.

Operating Profit

The Group's operating profit for the year ended 31 December 2010 decreased from approximately HK\$355.2 million to approximately HK\$333.6 million. The decrease in operating profit was principally attributable to the changes in fair value of the short-term investment portfolio of the Group, which recorded fair value losses of approximately HK\$4.5 million (2009: net fair value gains: HK\$20.5 million). The Group's profit before income tax for the year ended 31 December 2010 decreased from approximately HK\$451.0 million to approximately HK\$332.0 million and the Group's profit for the year decreased from approximately HK\$382.6 million to approximately HK\$265.1 million. The decrease was mainly due to the negative goodwill arising on the acquisition of a subsidiary in PRC in 2009. Excluding the effect of fair value losses of financial assets at fair value through profit or loss of approximately HK\$4.5 million (2009: Fair value gains of HK\$20.5 million) and the negative goodwill arising on an acquisition of a subsidiary in PRC in 2009 amounting to approximately HK\$92.7 million, the adjusted net profit attributable to equity holders of the Company was approximately HK\$271.5 million, representing an increase of 3.1% as compared with approximately HK\$263.4 million in 2009.

Liquidity and Financial Resources

The Group continues to retain a good and solid financial position. During the year, the Group satisfied their working capital needs principally from its normal operations. As at 31 December 2010, the cash and cash equivalents were approximately HK\$340.0 million, representing a decrease of approximately 3.1% from approximately HK\$350.7 million as at 31 December 2009. Net cash generated from operating activities slightly increased from HK\$220.0 million to HK\$220.5 million in 2010. The cash used in investing activities and financing activities was approximately HK\$49.2 million and HK\$191.3 million respectively.

As at 31 December 2010, the Group had bank borrowings of HK\$66.5 million (2009: HK\$78.7 million), repayable within one year. The debt to equity ratio was 2.5% (2009: 3.2%). The Directors are confident that the Group has adequate financial resources to support its working capital requirement and future expansion.

The sales of the Group are mainly denominated in US dollars and Renminbi and the purchase of raw materials are mainly made in Renminbi, US dollars and Hong Kong dollars. As at 31 December 2010, 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.

(3) Outlook

In 2011, the global economic outlook continues to be fragile and unbalanced, while complications persist. The Group will leverage on its customary strengths in creativity, innovation, excellence of quality and sustainable development to maintain its edge over its competitors.

OEM/ODM Business

Chinese customs statistics show that as of February 28, 2011 the total export of apparel and clothing accessories amounted to a value of USD19,791.1 million, an increase of 9.5% which shows a progressive market amelioration; however, restoring strong economic recovery and consumer confidence will take time, and the Group remains cautious in dealing with its export business, focusing on effectual product structure adjustments and industrial upgrading.

The Group is committed to creating a rich portfolio of products and, through close collaboration with its international design teams, focus will continue to be on strengthening product research and development in fabrics while expanding the scope of its business, from wovens to knits, to offer more value-added services to customers and business partners alike.

Although the US continues to be the dominant market for the Group's exports, inroads into European and Asian markets continue to increase and expand successfully.

Brand Retail Business

China's domestic market remains strong with a focused effort by the government to encourage consumer spending in diverse sectors including apparel. Through various measures taken including prime shop locations, improved and selective training, strong local and international design teams, and a variety of marketing and advertising methods, the Group is confident in the sustained success of its retail business to provide customers with better products and the increase of market share.

In 2011, the Group will have a particular focus on the development of this sector by actively expanding the Chinese market with a plan to open over 100 new stores. It will also continue to access global retail opportunities and render its retail business more international, seizing occasions to bring about an overall transformation and upgrading of the Group.

Capital Markets

The Group has remained financially strong and as of 31 December 2010, the Group has a liquidity exceeding approximately HK\$395.9 million in the bank. The Group continues to exploit potential market opportunities globally in order to achieve optimum results and a maximized return to shareholders and investors.

(4) Human Resources

As of 31 December 2010, the Group comprises approximately 11,000 full-time employees. Staff costs for 2010 stand at approximately HK\$460.9 million, representing an increase of approximately 13.8% over the previous year.

In 2011, the Group launched a bonus share options scheme (16,000,000 shares) for its retail management teams to promote morale among staff and boost sales. This scheme is performance-oriented and based on achievement of a determined established goal.

The management continues to believe that a competitive remuneration scheme, a safe and comfortable workplace, and heightened career development opportunities are incentives for employees to excel in their areas of responsibilities.

THE CODE ON CORPORATE GOVERNANCE PRACTICES (THE “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 Code as set out in Appendix 14 to The Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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. In the opinion of the Board, the Company has complied with the Model Code and upon specific enquiry, no Director is aware of any non-compliance with the Model Code throughout the year ended 31 December 2010.

The Company has received, from each of the independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Board considers that all the independent non-executive Directors are independent.

In compliance with Rule 3.21 of the Listing Rules the Board has established an audit committee (the “**Audit Committee**”) to review the financial reporting procedures and internal control and provide guidance thereto. The members of the Audit Committee comprise all the three independent non-executive Directors. The annual results have been reviewed by the Audit Committee on 25 March 2011.

PURCHASE, SALE OR REDEMPTION OF SHARES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of the Company’s shares during the year.

ANNUAL REPORT AND DISCLOSURE OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is also published on the website of the Stock Exchange. The annual report for the year ended 31 December 2010 containing all the information required by the Listing Rules will be dispatched to Shareholders and published on the websites of the Stock Exchange and the Company in due course.

SPECIAL AND FINAL DIVIDEND

At a meeting held on 30 March 2011, the Directors proposed a special dividend of HK1.85 cents per share in addition to a final dividend of HK2.90 cents per share. Upon the approval to be obtained from the forthcoming annual general meeting, the special dividends and the final dividends will be payable on or about 2 June 2011.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to all shareholders, customers, suppliers, banks, professional parties and employees of the Company for their continuous patronage and support.

GENERAL INFORMATION

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:

Dr. CHENG Chi Pang
Mr. LEUNG Man Kit
Mr. WONG Chi Keung

By Order of the Board
CHINA TING GROUP HOLDINGS LIMITED
CHENG Ho Lung, Raymond
Company Secretary

Hong Kong, 30 March 2011