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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 2009

| FINANCIAL HIGHLIGHTS   |                     |                     |               |
|--|---------------------|---------------------|---------------|
|  | 2009                | 2008                |               |
|  | <i>HK\$ million</i> | <i>HK\$ million</i> | % Change      |
| Revenue  |                     |                     |               |
| OEM Business   | 1,755.7             | 2,047.8             | (14.3)        |
| Brand Retail Business  | <u>335.3</u>        | <u>285.9</u>        | <u>17.3</u>   |
|  | <u>2,091.0</u>      | <u>2,333.7</u>      | <u>(10.4)</u> |
| Operating profit   | 355.2               | 328.9               | 8.0           |
| Profit attributable to the Company's equity holder                               | 376.6               | 291.2               | 28.9          |
| Profit attributable to the Company's equity holder (excluding negative goodwill) | 291.4               | 291.2               | 0.1           |
| Dividend per share   |                     |                     |               |
| — Final ( <i>HK cents</i> )  | 5.26                | 4.46                | 17.9          |
| — Full year ( <i>HK cents</i> )  | 9.70                | 9.70                | —             |
| Dividend payout ratio (excluding negative goodwill)                              | 70%                 | 70%                 | —             |
| Equity attributable to the Company's equity holders                              | 2,475.9             | 2,278.2             | 8.7           |
| Equity per share ( <i>HK cents</i> )   | 118.2               | 108.9               | 8.5           |

## 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 2009, with the comparative figures for the year 2008, as follows:

### Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

|   | Note | 2009<br>HK\$'000             | 2008<br>HK\$'000             |
|---|------|------------------------------|------------------------------|
| Revenue   | 2    | 2,090,980                    | 2,333,734                    |
| Cost of sales   |      | <u>(1,369,110)</u>           | <u>(1,589,267)</u>           |
| <b>Gross profit</b>   |      | <b>721,870</b>               | 744,467                      |
| Other gains/(losses), net   | 3    | 36,022                       | (8,608)                      |
| Selling, marketing and distribution costs   |      | (175,918)                    | (180,390)                    |
| Administrative expenses   |      | <u>(226,812)</u>             | <u>(226,589)</u>             |
| <b>Operating profit</b>   | 4    | <b>355,162</b>               | 328,880                      |
| Finance income, net   | 5    | 4,791                        | 6,680                        |
| Share of losses of associates   |      | (1,615)                      | (1,840)                      |
| Negative goodwill arising on the acquisition  |      | <u>92,686</u>                | <u>—</u>                     |
| <b>Profit before income tax</b>   |      | <b>451,024</b>               | 333,720                      |
| Income tax expense  | 6    | <u>(68,417)</u>              | <u>(43,021)</u>              |
| <b>Profit for the year</b>  |      | <b><u>382,607</u></b>        | <b><u>290,699</u></b>        |
| <b>Other comprehensive income:</b>  |      |                              |                              |
| Deregistration of a subsidiary  |      | —                            | (23,653)                     |
| Revaluation reserve, net of tax, arising from the acquisition of controlling interest in an associate |      | —                            | 10,572                       |
| Currency translation differences  |      | <u>(1,260)</u>               | <u>94,852</u>                |
| Other comprehensive income, net of tax  |      | <u><u>(1,260)</u></u>        | <u><u>81,771</u></u>         |
| <b>Total comprehensive income</b>   |      | <b><u><u>381,347</u></u></b> | <b><u><u>372,470</u></u></b> |
| <b>Profit attributable to:</b>  |      |                              |                              |
| Equity holders of the Company   |      | 376,625                      | 291,184                      |
| Minority interests  |      | <u>5,982</u>                 | <u>(485)</u>                 |
|   |      | <u><u>382,607</u></u>        | <u><u>290,699</u></u>        |

|  |             | <b>2009</b>               | 2008               |
|--|-------------|---------------------------|--------------------|
|  | <i>Note</i> | <b><i>HK\$'000</i></b>    | <i>HK\$'000</i>    |
| <b>Total comprehensive income attributable to:</b>   |             |                           |                    |
| Equity holders of the Company  |             | <b>375,053</b>            | 370,042            |
| Minority interests   |             | <u><b>6,294</b></u>       | <u>2,428</u>       |
|  |             | <u><b>381,347</b></u>     | <u>372,470</u>     |
| <b>Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)</b> |             |                           |                    |
| — basic  | 7           | <u><b>18.00 cents</b></u> | <u>13.85 cents</u> |
| — diluted  | 7           | <u><b>17.99 cents</b></u> | <u>13.85 cents</u> |
| <b>Dividends</b>   | 8           | <u><b>203,076</b></u>     | <u>203,498</u>     |

## Consolidated Balance Sheet

As at 31 December 2009

|      | 2009     | 2008     |
|------|----------|----------|
| Note | HK\$'000 | HK\$'000 |

### ASSETS

#### Non-current assets

|                                    |                  |                  |
|------------------------------------|------------------|------------------|
| Property, plant and equipment      | 865,671          | 833,607          |
| Investment properties              | 7,000            | 7,000            |
| Leasehold land and land use rights | 100,843          | 100,040          |
| Interests in associates            | 387,151          | 4,811            |
| Intangible assets                  | 161,827          | 143,061          |
| Deferred income tax assets         | <u>24,397</u>    | <u>22,139</u>    |
|                                    | <u>1,546,889</u> | <u>1,110,658</u> |

#### Current assets

|   |                  |                  |
|---|------------------|------------------|
| Inventories   | 457,697          | 403,411          |
| Trade and other receivables                           | 9 491,148        | 378,781          |
| Tax recoverable                                       | 7,081            | 795              |
| Financial assets at fair value through profit or loss | 35,199           | 29,733           |
| Cash and bank balances                                | <u>414,007</u>   | <u>766,592</u>   |
|   | <u>1,405,132</u> | <u>1,579,312</u> |

#### Total assets

|  |                  |                  |
|--|------------------|------------------|
|  | <u>2,952,021</u> | <u>2,689,970</u> |
|--|------------------|------------------|

### EQUITY

#### Capital and reserves attributable to the Company's equity holders

|                    |                |               |
|--------------------|----------------|---------------|
| Share capital      | 209,415        | 209,224       |
| Reserves           | 2,099,574      | 1,925,202     |
| Proposed dividends | <u>110,152</u> | <u>93,314</u> |

|  |           |           |
|--|-----------|-----------|
|  | 2,419,141 | 2,227,740 |
|--|-----------|-----------|

#### Minority interests

|  |               |               |
|--|---------------|---------------|
|  | <u>56,742</u> | <u>50,448</u> |
|--|---------------|---------------|

#### Total equity

|  |                  |                  |
|--|------------------|------------------|
|  | <u>2,475,883</u> | <u>2,278,188</u> |
|--|------------------|------------------|

|  | <i>Note</i> | <b>2009</b><br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| <b>LIABILITIES</b>                           |             |                                |                         |
| <b>Non-current liabilities</b>               |             |                                |                         |
| Deferred income tax liabilities              |             | <u>19,991</u>                  | <u>20,714</u>           |
| <b>Current liabilities</b>                   |             |                                |                         |
| Trade and other payables                     | 10          | 350,136                        | 341,128                 |
| Bank borrowings                              |             | 78,714                         | 30,176                  |
| Current income tax liabilities               |             | <u>27,297</u>                  | <u>19,764</u>           |
|  |             | <u>456,147</u>                 | <u>391,068</u>          |
| <b>Total liabilities</b>                     |             | <u>476,138</u>                 | <u>411,782</u>          |
| <b>Total equity and liabilities</b>          |             | <u>2,952,021</u>               | <u>2,689,970</u>        |
| <b>Net current assets</b>                    |             | <u>948,985</u>                 | <u>1,188,244</u>        |
| <b>Total assets less current liabilities</b> |             | <u>2,495,874</u>               | <u>2,298,902</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 and financial liabilities 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) New and amended standards adopted by the Group

The Group has adopted the following new and amended HKFRSs as of 1 January 2009:

- HKAS 1 (revised), “Presentation of financial statements” — effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, “non-owner changes in equity”) in the statement of changes in equity, requiring “non-owner changes in equity” to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.
- HKFRS 8, “Operating segments” (effective 1 January 2009). HKFRS 8 replaces HKAS 14, “Segment reporting”, and aligns segment reporting with the requirements of the US standard SFAS 131, “Disclosures about segments of an enterprise and related information”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. There is no change in the number of reportable segments presented. In addition, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker.
- HKFRS 7, “Financial instruments: disclosures” (amendment) — effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

(b) The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but are not currently relevant or do not have significant impact to the Group.

|                                |  |
|--------------------------------|--|
| HKAS 7 (amendment)             | Cash flow statements   |
| HKAS 16 (amendment)            | Property, plant and equipment  |
| HKAS 19 (amendment)            | Employee benefits  |
| HKAS 20 (amendment)            | Accounting for government grants and disclosure of government assistance |
| HKAS 23 (revised)              | Borrowing costs  |
| HKAS 28 (amendment)            | Investments in associates  |
| HKAS 29 (amendment)            | Financial reporting in hyperinflationary economies                       |
| HKAS 31 (amendment)            | Interest in joint venture  |
| HKAS 32 and HKAS 1 (amendment) | Puttable financial instruments and obligations arising on liquidation    |
| HKAS 36 (amendment)            | Impairment of assets   |
| HKAS 38 (amendment)            | Intangible assets  |
| HKAS 39 (amendment)            | Financial instruments: recognition and measurement                       |

|                     |  |
|---------------------|--|
| HKAS 40 (amendment) | Investment property                                      |
| HKAS 41 (amendment) | Agriculture  |
| HKFRS 2 (amendment) | Share-based payment vesting conditions and cancellations |
| HK(IFRIC) — Int 13  | Customer loyalty programmes                              |
| HK(IFRIC) — Int 15  | Agreements for the construction of real estate           |
| HK(IFRIC) — Int 16  | Hedges of a net investment in a foreign operation        |

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

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after 1 July 2009 or later periods, but the Group has not early adopted them:

|                     |   |
|---------------------|---|
| HKAS 24 (revised)   | Related party disclosures <sup>4</sup>  |
| HKAS 27 (revised)   | Consolidated and separate financial statements <sup>1</sup>                             |
| HKAS 39 (amendment) | Financial instruments: recognition and measurement — eligible hedged items <sup>1</sup> |
| HKFRS 1 (revised)   | First time adoption of Hong Kong Financial Reporting Standards <sup>1</sup>             |
| HKFRS 2 (amendment) | Share-based payment group cash-settled share-based payment transaction <sup>2</sup>     |
| HKFRS 3 (revised)   | Business combinations <sup>1</sup>  |
| HKFRS 9             | Financial instruments <sup>5</sup>  |
| HK(IFRIC) — Int 17  | Distributions of non-cash assets to owners <sup>1</sup>                                 |
| HK(IFRIC) — Int 18  | Transfers of assets from customers <sup>3</sup>   |
| HK(IFRIC) — Int 19  | Extinguishing financial liabilities with equity instruments <sup>6</sup>                |

<sup>1</sup> effective for annual periods beginning on or after 1 July 2009

<sup>2</sup> effective for annual periods beginning on or after 1 January 2010

<sup>3</sup> effective for transfer of assets from customers received on or after 1 July 2009

<sup>4</sup> effective for annual periods beginning on or after 1 January 2011

<sup>5</sup> effective for annual periods beginning on or after 1 January 2013

<sup>6</sup> effective for annual periods beginning on or after 1 July 2010

In addition, Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) also published a number of amendments for the existing standards under its annual improvement project. These amendments are not expected to have a significant financial impact on the results and financial position of the Group.

## 2 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the Board of Directors (“**BOD**”). The BOD 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 BOD 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 BOD 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 BOD.

Total assets exclude deferred income tax assets, financial assets at fair value through profit or loss and interests in associates, 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 BOD is measured in a manner consistent with that in the consolidated statement of comprehensive income.

|   | OEM<br><i>HK\$'000</i>        | Retail<br><i>HK\$'000</i>        | Total<br><i>HK\$'000</i>        |
|---|-------------------------------|----------------------------------|---------------------------------|
| <b>Year ended 31 December 2009</b>  |                               |                                  |                                 |
| Total revenue   | 1,759,354                     | 337,566                          | 2,096,920                       |
| Inter-segment revenue   | <u>(3,719)</u>                | <u>(2,221)</u>                   | <u>(5,940)</u>                  |
| <b>Revenue (from external customers)</b>  | <b><u>1,755,635</u></b>       | <b><u>335,345</u></b>            | <b><u>2,090,980</u></b>         |
| <b>Profit before income tax</b>   | <b><u>297,558</u></b>         | <b><u>47,550</u></b>             | <b><u>345,108</u></b>           |
| 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  | <u>(49,587)</u>               | <u>(18,830)</u>                  | <u>(68,417)</u>                 |
|   | <i>OEM</i><br><i>HK\$'000</i> | <i>Retail</i><br><i>HK\$'000</i> | <i>Total</i><br><i>HK\$'000</i> |
| <b>Year ended 31 December 2008</b>  |                               |                                  |                                 |
| Total revenue   | 2,051,513                     | 287,611                          | 2,339,124                       |
| Inter-segment revenue   | <u>(3,668)</u>                | <u>(1,722)</u>                   | <u>(5,390)</u>                  |
| <b>Revenue (from external customers)</b>  | <b><u>2,047,845</u></b>       | <b><u>285,889</u></b>            | <b><u>2,333,734</u></b>         |
| <b>Profit before income tax</b>   | <b><u>370,183</u></b>         | <b><u>39,251</u></b>             | <b><u>409,434</u></b>           |
| Depreciation of property, plant and equipment   | (67,949)                      | (2,649)                          | (70,598)                        |
| Amortisation of leasehold land and land use rights  | (1,182)                       | (24)                             | (1,206)                         |
| Amortisation of intangible assets   | (1,470)                       | (7,955)                          | (9,425)                         |
| Finance income  | 10,045                        | 484                              | 10,529                          |
| Finance costs   | (1,217)                       | (2,632)                          | (3,849)                         |
| Share of losses of associates   | (1,460)                       | (380)                            | (1,840)                         |
| Income tax expense  | <u>(25,899)</u>               | <u>(17,122)</u>                  | <u>(43,021)</u>                 |
|   | <i>OEM</i><br><i>HK\$'000</i> | <i>Retail</i><br><i>HK\$'000</i> | <i>Total</i><br><i>HK\$'000</i> |
| <b>As at 31 December 2009</b>   |                               |                                  |                                 |
| <b>Total assets</b>   | <b><u>2,063,561</u></b>       | <b><u>428,813</u></b>            | <b><u>2,492,374</u></b>         |
| 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>                  |



|   | OEM<br><i>HK\$'000</i> | Retail<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|------------------------|---------------------------|--------------------------|
| <b>As at 31 December 2008</b>   |                        |                           |                          |
| <b>Total assets</b>   | <u>2,219,331</u>       | <u>408,576</u>            | <u>2,627,907</u>         |
| Total assets include:   |                        |                           |                          |
| Interests in associates   | 1,927                  | 2,884                     | 4,811                    |
| Additions to non-current assets (other than financial instruments and deferred income tax assets) | <u>354,700</u>         | <u>22,161</u>             | <u>376,861</u>           |

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

|  | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <b>Total segment profit before income tax</b>  | <b>345,108</b>          | 409,434                 |
| Net fair value gains/(losses) of financial assets at fair value through profit or loss | <b>20,530</b>           | (66,780)                |
| Corporate overhead   | <b>(8,755)</b>          | (9,957)                 |
| Rental income  | <b>1,864</b>            | 1,023                   |
| Share of loss of an associate  | <b>(409)</b>            | —                       |
| Negative goodwill arising from the acquisition   | <u><b>92,686</b></u>    | —                       |
| <b>Profit before income tax</b>  | <u><b>451,024</b></u>   | <u>333,720</u>          |

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

|   | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| <b>Total segment assets</b>                           | <b>2,492,374</b>        | 2,627,907               |
| Financial assets at fair value through profit or loss | <b>35,199</b>           | 29,733                  |
| Corporate assets                                      | <b>1,736</b>            | 2,396                   |
| Investment property                                   | <b>7,000</b>            | 7,000                   |
| Deferred income tax assets                            | <b>24,397</b>           | 22,139                  |
| Tax recoverable                                       | <b>7,081</b>            | 795                     |
| Interest in an associate                              | <u><b>384,234</b></u>   | —                       |
| <b>Total assets per balance sheet</b>                 | <u><b>2,952,021</b></u> | <u>2,689,970</u>        |

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:

|                 | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| North America   | <b>1,304,005</b>        | 1,514,283               |
| European Union  | <b>124,192</b>          | 117,708                 |
| Mainland China  | <b>603,841</b>          | 639,874                 |
| Hong Kong       | <b>22,753</b>           | 48,723                  |
| Other countries | <u><b>36,189</b></u>    | <u>13,146</u>           |
|                 | <u><b>2,090,980</b></u> | <u>2,333,734</u>        |

The total of non-current assets other than financial instruments 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:

|                | <b>2009</b>             | 2008             |
|----------------|-------------------------|------------------|
|                | <i>HK\$'000</i>         | <i>HK\$'000</i>  |
| Mainland China | <b>1,081,110</b>        | 1,056,390        |
| Hong Kong      | <b>53,544</b>           | 26,693           |
| North America  | <u><b>687</b></u>       | <u>625</u>       |
|                | <u><b>1,135,341</b></u> | <u>1,083,708</u> |

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

For the year ended 31 December 2008, revenues of approximately HK\$303,430,000, HK\$301,879,000 and HK\$238,755,000 are derived from three external customers. These revenues are attributable to the OEM reportable segment and each of them accounted for greater than 10% of the Group's revenue.

### 3 OTHER GAINS/(LOSSES), NET

|   | <b>2009</b>          | 2008            |
|---|----------------------|-----------------|
|   | <i>HK\$'000</i>      | <i>HK\$'000</i> |
| Government grants   | <b>8,459</b>         | 6,748           |
| Net exchange gains  | <b>127</b>           | 13,262          |
| Gain on deregistration of a subsidiary  | —                    | 23,653          |
| Net fair value gains/(losses) of financial assets at fair value through profit or loss          | <b>20,530</b>        | (66,780)        |
| Net fair value losses of foreign exchange forward contracts                                     | —                    | (926)           |
| Rental income   | <b>1,864</b>         | 1,023           |
| (Loss)/gain on disposal of property, plant and equipment and leasehold land and land use rights | <b>(287)</b>         | 638             |
| Investment tax credits ( <i>Note</i> )  | —                    | 7,695           |
| Others  | <u><b>5,329</b></u>  | <u>6,079</u>    |
|   | <u><b>36,022</b></u> | <u>(8,608)</u>  |

*Note:* Investment tax credits represent incentives received as a result of the reinvestment of the dividend incomes from subsidiaries in the People's Republic of China ("PRC").

### 4 OPERATING PROFIT

Operating profit is stated after charging the following:

|  | <b>2009</b>          | 2008            |
|--|----------------------|-----------------|
|  | <i>HK\$'000</i>      | <i>HK\$'000</i> |
| Amortisation of leasehold land and land use rights | <b>2,389</b>         | 1,206           |
| Amortisation of intangible assets                  | <b>12,284</b>        | 9,425           |
| Depreciation of property, plant and equipment      | <u><b>80,135</b></u> | <u>70,598</u>   |

## 5 FINANCE INCOME, NET

|                                     | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|-------------------------------------|-------------------------|-------------------------|
| Finance income — interest income on |                         |                         |
| — bank deposits                     | 7,283                   | 10,243                  |
| — amount due from an associate      | 215                     | 286                     |
| Finance costs — interest expense on |                         |                         |
| — bank loans                        | (2,414)                 | (3,244)                 |
| — licence fees payable              | <u>(293)</u>            | <u>(605)</u>            |
|                                     | <u><u>4,791</u></u>     | <u><u>6,680</u></u>     |

## 6 INCOME TAX EXPENSE

|   | 2009<br><i>HK\$'000</i> | 2008<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Current income tax                              |                         |                         |
| — Hong Kong profits tax ( <i>Note (a)</i> )     | 23,148                  | 26,781                  |
| — PRC enterprise income tax ( <i>Note (b)</i> ) | 47,225                  | 39,158                  |
| — Under/(over)-provision in prior years         | 1,025                   | (8,262)                 |
| Deferred income tax                             | <u>(2,981)</u>          | <u>(14,656)</u>         |
|   | <u><u>68,417</u></u>    | <u><u>43,021</u></u>    |

*Notes:*

### (a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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.

## 7 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 HK\$376,625,000 (2008: HK\$291,184,000) and weighted average number of ordinary shares in issue during the year of 2,092,553,726 (2008: 2,102,223,712).
- (b) Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company of HK\$376,625,000 (2008: HK\$291,184,000), and the weighted average number of ordinary shares of 2,092,944,865 (2008: 2,102,223,712) 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 391,139 (2008: Nil) deemed to be issued at no consideration if all outstanding share option granted under the Share Option Scheme had been exercised.

## 8 DIVIDENDS

|   | 2009<br>HK\$'000      | 2008<br>HK\$'000      |
|---|-----------------------|-----------------------|
| Interim   |                       |                       |
| Interim dividend, paid, of HK3.70 cents (2008: HK4.56 cents) per ordinary share   | 77,437                | 95,885                |
| Special dividend, paid, of HK0.74 cent (2008: HK0.68 cent) per ordinary share     | 15,487                | 14,299                |
| Final ( <i>Note</i> )   |                       |                       |
| Proposed final dividend of HK3.25 cents (2008: HK2.37 cents) per ordinary share   | 68,060                | 49,586                |
| Proposed special dividend of HK2.01 cents (2008: HK2.09 cents) per ordinary share | <u>42,092</u>         | <u>43,728</u>         |
|   | <u><b>203,076</b></u> | <u><b>203,498</b></u> |

*Note:* The amount of 2009 proposed final and special dividends is based on 2,094,148,000 shares in issue as at 26 March 2010 (2008: 2,092,238,000 shares in issue as at 27 March 2009).

At a meeting held on 26 March 2010, the directors proposed a special dividend of HK2.01 cents per ordinary share in addition to a final dividend of HK3.25 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 2010.

## 9 TRADE AND OTHER RECEIVABLES

|   | 2009<br>HK\$'000      | 2008<br>HK\$'000      |
|---|-----------------------|-----------------------|
| Trade and bills receivables                 | 389,270               | 319,529               |
| Less: Provision for impairment              | <u>(5,654)</u>        | <u>(3,840)</u>        |
| Trade and bills receivables, net            | 383,616               | 315,689               |
| Amounts due from associates                 | 2,840                 | 3,989                 |
| Other receivables, deposits and prepayments | <u>104,692</u>        | <u>59,103</u>         |
|   | <u><b>491,148</b></u> | <u><b>378,781</b></u> |

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

|               | <b>2009</b>           | 2008                  |
|---------------|-----------------------|-----------------------|
|               | <i>HK\$'000</i>       | <i>HK\$'000</i>       |
| 0 to 30 days  | <b>258,798</b>        | 207,434               |
| 31 to 60 days | <b>94,681</b>         | 78,975                |
| 61 to 90 days | <b>16,764</b>         | 12,035                |
| Over 90 days  | <b>19,027</b>         | 21,085                |
|               | <b><u>389,270</u></b> | <b><u>319,529</u></b> |

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.

Bills receivables are with average maturity dates of within 2 months.

## 10 TRADE AND OTHER PAYABLES

|                             | <b>2009</b>           | 2008                  |
|-----------------------------|-----------------------|-----------------------|
|                             | <i>HK\$'000</i>       | <i>HK\$'000</i>       |
| Trade and bills payables    | <b>211,897</b>        | 202,331               |
| Other payables and accruals | <b>133,633</b>        | 131,746               |
| Amounts due to associates   | <b>1,675</b>          | 1,482                 |
| Licence fees payable        | <b>2,931</b>          | 5,569                 |
|                             | <b><u>350,136</u></b> | <b><u>341,128</u></b> |

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

|               | <b>2009</b>           | 2008                  |
|---------------|-----------------------|-----------------------|
|               | <i>HK\$'000</i>       | <i>HK\$'000</i>       |
| 0 to 30 days  | <b>165,994</b>        | 128,460               |
| 31 to 60 days | <b>35,616</b>         | 32,921                |
| 61 to 90 days | <b>4,618</b>          | 13,554                |
| Over 90 days  | <b>5,669</b>          | 27,396                |
|               | <b><u>211,897</u></b> | <b><u>202,331</u></b> |

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### (1) Business Review

In 2009, despite the continued volatile global economy and slow recovery of the US and European markets and consumer confidence, the Group achieved satisfactory results with a revenue of approximately HK\$2,091.0 million. The Group's revenue declined slightly, but the Group's gross profit margin increased by approximately 2.6% to approximately 34.5%, as compared with 2008, as a result of strong management, tighter cost control and stable vertical production systems.

#### *Export Manufacturing Business*

The Group's focus continued to be on the Original Equipment Manufacturing (“OEM”) and Original Design Manufacturing (“ODM”) businesses, both of which remained strong in 2009. Through the efforts in exploring new markets, new customers and new opportunities to cooperate with key players in the international markets, the Group achieved a total revenue of approximately HK\$1,755.7 million, representing approximately 84.0% of the Group's total revenue for the year.

In the second half of 2009, the Group cooperated with Bernard Chaus Inc. in the United States, by way of a long-term exclusive supply agreement relating to garment and apparel items manufactured in Asia. The agreement is for a term of 10 years. The Directors believe that such business collaboration is beneficial to the Group's business. The Group's strong financial standing and vertically integrated production systems will enable Bernard Chaus Inc. to focus on the design and international marketing, whilst the Group provides the manufacturing and design support solutions. This business collaboration is currently moving forward successfully.

The wool business of the Group is in operation and is intended to fully utilise the production capacity of the Group during the third quarter of each year. We expect to increase our business activities in this sector. With our vertical production systems and in partnership with our Italian business associates, we expect to increase our wool business where there is a demand for real Italian quality at affordable prices. The wool business will strengthen our edge over our competitors and we are working to expand our business portfolio in this area.

Faced with an ever changing international market conditions, the Group continues to focus on product and technological innovation, quality improvement, product development and diversification and increased productivity to maintain its edge over its competitors in servicing our customers.

#### *Brand Retail Business*

The retail market in China was also affected by the global economic volatility. Competition among brands in China is fierce. However, in 2009, the Group captured increased market share in the brand retail business and recorded a substantial increase in the sales generated by its four brands: “FINITY” “DBNI” “ELANIE” and “RIVERSTONE”.

As of 31 December 2009, the Group's sales network in China included 445 retail outlets with a total revenue of HK\$335.3 million and a gross profit margin of approximately 65.6%. Such results were achieved through a better control on production planning and

inventory control which resulted in short lead time to sales. We also focus on the provision of intensive staff training programs, and were selective in store opening with better and prime locations.

## (2) Financial Review

### *Results Performance*

During the year ended 31 December 2009, the Group's revenue amounted to HK\$2,091.0 million, representing a decrease of 10.4% as compared with HK\$2,333.7 million in 2008. The gross profit margin for the year ended 31 December 2009 was 34.5%, representing an increase of approximately 2.6 percentage points as compared with approximately 31.9% in 2008. The result were benefit from the on-job trainings and further career development provided by the Group, which enhanced the productivity and reduced the labour costs in the production process.

The net profit attributable to equity holders was HK\$376.6 million, representing an increase of 29.3% as compared with HK\$291.2 million in 2008. Earnings per share was HK18.00 cents, representing HK4.15 cents higher as compared to HK13.85 cents for the same period last year.

### *OEM and ODM Business*

During the period under review, the turnover derived from our OEM/ODM business recorded a decrease to approximately HK\$1,755.7 million from approximately HK\$2,047.8 million in 2008. During the year 2009, the group further diversified its product portfolios with cotton and cotton blended apparel and apparel in synthetic fabrics together contributing 53.6% to the turnover of our OEM/ODM business (2008: 36.2%). The following table sets forth an analysis of the turnover of our OEM/ODM business by products:

|                                     | <b>2009</b>           |                     | <b>2008</b>           |                     |                      |
|-------------------------------------|-----------------------|---------------------|-----------------------|---------------------|----------------------|
|                                     | <i>HK\$ million</i>   | %                   | <i>HK\$ million</i>   | %                   | % Change             |
| Silk and silk-blended apparel       | <b>508.7</b>          | <b>29.0</b>         | 798.9                 | 39.0                | (36.3)               |
| Linen and linen blended apparel     | <b>113.0</b>          | <b>6.4</b>          | 179.2                 | 8.8                 | (36.9)               |
| Cotton and cotton-blended apparel   | <b>459.8</b>          | <b>26.2</b>         | 386.3                 | 18.9                | 19.0                 |
| Apparel in synthetic fabrics        | <b>481.1</b>          | <b>27.4</b>         | 355.0                 | 17.3                | 35.5                 |
| Wool and wool-blended apparel       | <b>39.1</b>           | <b>2.2</b>          | 54.5                  | 2.6                 | (28.3)               |
| Printing and dyeing                 | <b>42.0</b>           | <b>2.4</b>          | 55.2                  | 2.7                 | (23.9)               |
| Home textile fabric and accessories | <b>63.1</b>           | <b>3.6</b>          | 84.0                  | 4.1                 | (24.9)               |
| Others                              | <b>48.9</b>           | <b>2.8</b>          | 134.7                 | 6.6                 | (63.7)               |
| Total                               | <b><u>1,755.7</u></b> | <b><u>100.0</u></b> | <b><u>2,047.8</u></b> | <b><u>100.0</u></b> | <b><u>(14.3)</u></b> |

In terms of markets, sales to the US market amounted to approximately HK\$1,304.0 million (2008: 1,514.3 million), which accounted for approximately 74.3% (2008: 74.0%) of the OEM revenue. Sales to European and other markets were approximately HK\$124.2 million (2008: HK\$117.7 million) and HK\$327.5 million (2008: HK\$415.8 million), respectively.

#### *Brand Retail Business*

During the year ended 31 December 2009, the retail sales increased by approximately 17.3% from HK\$285.9 million to approximately HK\$335.3 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 23.4% to HK\$162.4 million (2008: HK\$131.6 million), accounting for 48.4% of the Group's retail sales. The retail sales analysis by brand name is as follows:

|                           | 2009                |                     | 2008                |                     | % Change           |
|---------------------------|---------------------|---------------------|---------------------|---------------------|--------------------|
|                           | <i>HK\$ million</i> | %                   | <i>HK\$ million</i> | %                   |                    |
| <b>In-house brands</b>    |                     |                     |                     |                     |                    |
| Finity                    | <b>162.4</b>        | <b>48.4</b>         | 131.6               | 46.0                | 23.4               |
| Dbni                      | <b>17.8</b>         | <b>5.3</b>          | 27.5                | 9.6                 | (35.3)             |
| Elanie                    | <b>60.4</b>         | <b>18.0</b>         | 44.6                | 15.6                | 35.4               |
| Riverstone                | <b>39.8</b>         | <b>11.9</b>         | 31.2                | 10.9                | 27.6               |
| <b>Licensed brands</b>    |                     |                     |                     |                     |                    |
| Maxstudio                 | <b>54.9</b>         | <b>16.4</b>         | 50.8                | 17.8                | 8.1                |
| Burlington House          | <u>—</u>            | <u>—</u>            | <u>0.2</u>          | <u>0.1</u>          | <u>N/A</u>         |
| <b>Total retail sales</b> | <b><u>335.3</u></b> | <b><u>100.0</u></b> | <b><u>285.9</u></b> | <b><u>100.0</u></b> | <b><u>17.3</u></b> |

In terms of retail revenue analysis by sales channel, sales from concessions amounted to approximately HK\$228.4 million (2008: HK\$188.8 million), accounting for approximately 68.1% of total retail turnover. Sales from freestanding stores and franchisees amounted to HK\$18.7 million (2008: HK\$10.4 million) and HK\$88.2 million (2008: HK\$86.7 million) respectively.

#### *Operating profit*

The Group's operating profit for the year ended 31 December 2009 increased from approximately HK\$328.9 million to approximately HK\$355.2 million. The increase 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 gain of approximately to HK\$20.5 million (2008: net fair value losses: HK\$66.8 million). The Group's profit before income tax for the year ended 31 December 2009 increased from approximately HK\$333.7 million to approximately HK\$451.0 and the Group's profit for the year increased from HK\$290.7 million to HK\$382.6 million. The increase was mainly due to the negative goodwill arising on the acquisition of a subsidiary in PRC. Please refer to the paragraphs under "Acquisition of a subsidiary in PRC" for further information.



### *Acquisition of a subsidiary in the PRC*

As disclosed in the announcement dated 19 October 2009, the Group entered into an equity transfer agreement and loan transfer agreement with independent third parties for the acquisition of 100% equity interest in Zhejiang Huize Investment Company Limited (“**Zhejiang Huize**”) which owns 29% equity interest in Zhejiang Haoran Property Company Limited (“**Zhejiang Haoran**”). Zhejiang Haoran is the sole owner of a parcel of land situated in Qianjiang New City, Hangzhou, Zhejiang Province, China (the “**Land**”) and the developer of the business building development project proposed to be erected on the Land (the “**Property Project**”).

The Directors intend to use part of the Property Project as the Group’s new headquarters of the retail business in China. The Directors consider that the transactions will provide the Group with a good opportunity to participate in the Property Project that would facilitate the business expansion of the Group.

Based on the purchase consideration and the fair value of net assets acquired, the Group recorded a negative goodwill, which was attributable to the fair value of the Land on the date of acquisition. The negative goodwill was recognized directly in the consolidated statement of comprehensive income.

### *Long Term Exclusive Supply Agreement*

On 31 July 2009, the Group and Bernard Chaus, Inc. entered into a long term exclusive supply agreement whereby the Group will act as the exclusive garment and apparel supplier in Asia. The Directors consider this new business cooperation will attract prestigious branded companies to the Group and an opportunity to enhance the market share.

### *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 2009, the cash and cash equivalents were approximately HK\$350.7 million, representing a decrease of approximately 45.6% from approximately HK\$645.0 million as at 31 December 2008. Net cash generated from operating activities decreased from HK\$436.7 million to HK\$220.0 million in 2009. The cash used in investing activities and financing activities was approximately HK\$377.6 million and HK\$137.3 million, respectively. During the year ended 31 December 2009, the Group’s major cash expenditure used during the year included the acquisition of a subsidiary amounting to HK\$298.3 million, the acquisition of plant and equipment amounting to HK\$111.8 million, the acquisition of an exclusive supply right amounting to HK\$31.0 million and the payment of 2008 final dividends and 2009 interim dividends to equity holders during the year.

As at 31 December 2009, the Group had bank borrowings of HK\$78.7 million (2008: HK\$30.2 million), repayable within one year. The debt to equity ratio was 3.2% (2008: 1.3%). 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 2009, 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**

Innovation and expansion continues to be the focus of the Group to meet customer needs, sustain profitability, and combat competitiveness.

#### *OEM/ODM Business*

Leveraging the Group's international design teams from the US, Europe and Asia, the Group has diversified from OEM (Original Equipment Manufacturing) to ODM (Original Design Management) which emphasised on smooth integration of design, production and sales-support services to the customers.

The Directors are optimistic that the Group's capability to respond quickly, its vertically integrated production systems and innovation will enhance the Group's business, improve the Group's competitiveness and profitability and enable the Group to explore new markets especially in EU and Asia.

#### *Brand Retail Business*

Aggressive marketing and promotions, opening of image and flagship stores, as well as enhancing design and collections, remain the main objectives for achieving the Group's strategy on retail business for the purpose of making it as one of the significant businesses of the Group's overall performance.

As the PRC economy continues to improve and consumer spending potential strengthen, upgrading logistic systems and additional promotional activities have enhanced the Group's brands image and visibility on the market and 2009 has shown excellent revenue results.

In 2010, the Group plans to open 100 stores, including larger image and flagship stores in prime locations and explore significant market share of China's retail business with an vision of expanding internationally.

### **(4) Human Resources**

As at 31 December 2009, the Group had approximately 12,000 full-time employees. The staff costs for 2009 was HK\$405.0 million, representing a decrease of approximately 3.0% over 2008.

The Group has established an incentive bonus scheme for its employees, in which the benefits are determined based on the performance of the Group and individual employees. The management believes that a competitive remuneration scheme, a safe and comfortable workplace, and 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 2009.

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 24 March 2010.

## **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 2009 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 26 March 2010, the Directors proposed a special dividend of HK2.01 cents per share in addition to a final dividend of HK3.25 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 25 May 2010.

## **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, 26 March 2010