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 2008

FINANCIAL HIGHLIGHTS

	2008	2007	
	HK$ million	*HK$ million*	% Change
Revenue			
OEM Business	**2,047.8**	2,092.2	(2.1)
Brand Retail Business	**285.9**	261.3	9.4
	2,333.7	2,353.5	(0.8)
Dividend per share			
— Final *(HK cents)*	**4.46**	7.82	(43.0)
— Full year *(HK cents)*	**9.70**	14.72	(34.1)
Dividend payout ratio	**70.0%**	67.7%	2.3
Equity attributable to the Company's equity holders	**2,278.2**	2,110.4	8.0
Equity per share *(HK cents)*	**108.9**	102.2	6.6

FINAL RESULTS

The board (the "**Board**") of Directors (the "**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 2008, with the comparative figures for the year 2007, as follows:

Consolidated Income Statement
For the year ended 31 December 2008

	Note	**2008** *HK$'000*	2007 *HK$'000*
Revenue	2	**2,333,734**	2,353,507
Cost of sales		**(1,589,267)**	(1,560,468)
Gross profit		**744,467**	793,039
Other (losses)/gains, net	3	**(8,608)**	50,455
Selling, marketing and distribution costs		**(180,390)**	(152,736)
Administrative expenses		**(226,589)**	(189,482)
Operating profit	4	**328,880**	501,276
Finance income, net	5	**6,680**	15,817
Share of (losses)/profits of associates		**(1,840)**	11,776
Profit before income tax		**333,720**	528,869
Income tax expense	6	**(43,021)**	(76,732)
Profit for the year		**290,699**	452,137
Attributable to:			
Equity holders of the Company		**291,184**	449,517
Minority interests		**(485)**	2,620
		290,699	452,137
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
— basic	7	**13.85 cents**	21.75 cents
— diluted	7	**13.85 cents**	21.67 cents
Dividends	8	**203,498**	307,418

Consolidated Balance Sheet
As at 31 December 2008

	Note	2008 HK$'000	2007 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**833,607**	617,299
Investment properties		**7,000**	7,000
Leasehold land and land use rights		**100,040**	84,012
Interests in associates		**4,811**	39,170
Intangible assets		**143,061**	51,729
Deferred income tax assets		**22,139**	8,596
		1,110,658	807,806
Current assets			
Inventories		**403,411**	393,496
Trade and other receivables	9	**378,781**	448,166
Tax recoverable		**795**	24,187
Financial assets at fair value through profit or loss		**29,733**	51,819
Cash and bank balances		**766,592**	747,601
		1,579,312	1,665,269
Total assets		**2,689,970**	2,473,075
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**209,224**	206,525
Reserves		**1,925,202**	1,691,103
Proposed dividends		**93,314**	164,790
		2,227,740	2,062,418
Minority interests		**50,448**	48,020
Total equity		**2,278,188**	2,110,438

	Note	**2008**	2007
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Licence fees payable		**—**	5,260
Deferred income tax liabilities		**20,714**	14,287
		20,714	19,547
Current liabilities			
Trade and other payables	10	**341,128**	301,079
Bank borrowings		**30,176**	13,154
Derivative financial instruments		**—**	5,447
Current income tax liabilities		**19,764**	23,410
		391,068	343,090
Total liabilities		**411,782**	362,637
Total equity and liabilities		**2,689,970**	2,473,075
Net current assets		**1,188,244**	1,322,179
Total assets less current liabilities		**2,298,902**	2,129,985

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) The following amendment and interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but are not currently relevant for the Group:

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement
HK(IFRIC) — Int 11	HKFRS 2 — Group and treasury share transactions
HK(IFRIC) — Int 12	Service concession arrangements
HK(IFRIC) — Int 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

(b) The following new standards, amendments and interpretations to existing standards have been published and are mandatory for the Group to apply for the accounting periods beginning on or after 1 January 2009 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 (Amendment) and HKAS 1 (Amendment)	"Financial instruments: Presentation" and "Presentation of financial statements" "Puttable financial instruments and obligations arising on liquidation"[1]
HKFRS 1 (Amendment) and HKAS 27 (Amendment)	"First time adoption of HKFRS" and "Consolidated and separate financial statements"[1]
HKFRS 2 (Amendment)	Share-based payment[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) — Int 13	Customer loyalty programmes[4]
HK(IFRIC) — Int 15	Agreements for construction of real estate[1]
HK(IFRIC) — Int 16	Hedges of a net investment in a foreign operation[3]
HK(IFRIC) — Int 17	Distributions of non-cash assets to owners[2]
HK(IFRIC) — Int 18	Transfer of assets from customers[5]

The following are improvements to HKFRSs published by the Hong Kong Institute of Certified Public Accountants in October 2008:

HKAS 1 (Amendment)	Presentation of financial statements[1]
HKAS 16 (Amendment)	Property, plant and equipment (and consequential amendment to HKAS 7, "Statement of cash flows")[1]
HKAS 19 (Amendment)	Employee benefits[1]
HKAS 20 (Amendment)	Accounting for government grants and disclosure of government assistance[1]
HKAS 23 (Amendment)	Borrowing costs[1]
HKAS 27 (Amendment)	Consolidated and separate financial statements[1]
HKAS 28 (Amendment) and HKFRS 7 (Amendment)	"Investments in associates" (and consequential amendments to HKAS 32, "Financial instruments: Presentation" and HKFRS 7, "Financial instruments: Disclosures")[1]
HKAS 29 (Amendment)	Financial Reporting in hyperinflationary economies[1]
HKAS 31 (Amendment)	Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7)[1]
HKAS 36 (Amendment)	Impairment of assets[1]
HKAS 38 (Amendment)	Intangible assets[1]
HKAS 39 (Amendment)	Financial instruments: Recognition and measurement[1]
HKAS 40 (Amendment)	Investment property (and consequential amendments to HKAS 16)[1]
HKAS 41 (Amendment)	Agriculture[1]
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations (and consequential amendment to HKFRS 1, "First-time adoption")[2]

The Group will apply the above new standards, amendments and interpretations to existing standards where applicable. It is not expected to have a significant impact on the Group's financial statements.

There are a number of minor amendments to HKFRS 7, "Financial instruments: Disclosures", HKAS 8, "Accounting policies, Changes in accounting estimates and errors", HKAS 10, "Events after the balance sheet date", HKAS 18, "Revenue" and HKAS 34, "Interim financial reporting" which are not addressed above. These amendments are unlikely to have an impact on the Group's financial statements, and therefore they have not been analysed in detail.

Notes:

1 Effective for annual periods beginning on or after 1 January 2009
2 Effective for annual periods beginning on or after 1 July 2009
3 Effective for annual periods beginning on or after 1 October 2008
4 Effective for annual periods beginning on or after 1 July 2008
5 Effective for transfer on or after 1 July 2009

2 REVENUE AND SEGMENT INFORMATION

(a) Turnover and revenue

The Group is principally engaged in the manufacturing and sale of garments. Revenue represents sales of goods.

(b) Primary reporting segment — business segments

The business segment reporting includes the following segments: (1) manufacturing and sale of garments on an OEM basis ("OEM"); and (2) manufacturing and retailing of branded fashion apparel ("Retail").

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties.

The segment revenue and results for the year ended 31 December 2008 are as follows:

	OEM ***HK$'000***	**Retail** ***HK$'000***	**Total** ***HK$'000***
Gross segment sales	**2,051,513**	**287,611**	**2,339,124**
Elimination of inter-segment sales	**(3,668)**	**(1,722)**	**(5,390)**
Turnover and segment revenue	**2,047,845**	**285,889**	**2,333,734**
Segment results	**355,068**	**56,373**	**411,441**
Unallocated losses			**(82,561)**
Operating profit			**328,880**
Share of losses of associates	**(1,460)**	**(380)**	**(1,840)**

Other segment items included in the income statement are as follows:

	OEM ***HK$'000***	**Retail** ***HK$'000***	**Total** ***HK$'000***
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**

The segment revenue and results for the year ended 31 December 2007 are as follows:

	OEM *HK$'000*	Retail *HK$'000*	Total *HK$'000*
Gross segment sales	2,093,719	263,928	2,357,647
Elimination of inter-segment sales	(1,561)	(2,579)	(4,140)
Turnover and segment revenue	2,092,158	261,349	2,353,507
Segment results	433,715	53,333	487,048
Unallocated gains			14,228
Operating profit			501,276
Share of profits less losses of associates	12,156	(380)	11,776

Other segment items included in the income statement are as follows:

	OEM *HK$'000*	Retail *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	37,455	2,561	40,016
Amortisation of leasehold land and land use rights	1,640	42	1,682
Amortisation of intangible assets	—	7,845	7,845

(c) Secondary reporting segment — geographical segments

The Group primarily operates in Hong Kong and Mainland China. Sales are made to overseas customers as well as customers in Hong Kong and Mainland China.

The Group's sales are mainly made to the customers located in the following geographical areas:

	2008 ***HK$'000***	2007 *HK$'000*
North America	**1,514,283**	1,780,656
European Union	**117,708**	111,280
Mainland China	**639,874**	411,042
Hong Kong	**48,723**	14,021
Other countries	**13,146**	36,508
	2,333,734	2,353,507

3 OTHER (LOSSES)/GAINS, NET

	2008 ***HK$'000***	2007 *HK$'000*
Gain/(loss) on disposal of property, plant and equipment and leasehold land and land use rights	**638**	(49)
Loss on disposal of an associate	**—**	(84)
Increase in fair value of investment properties	**—**	2,060
Government grants	**6,748**	11,341
Net exchange gains/(losses)	**13,262**	(748)
Gain on deregistration of a subsidiary	**23,653**	—
Net fair value (losses)/gains of financial assets at fair value through profit or loss	**(66,780)**	29,030
Net fair value (losses)/gains of foreign exchange forward contracts	**(926)**	2,751
Rental income	**1,023**	4,212
Investment tax credits *(Note)*	**7,695**	—
Others	**6,079**	1,942
	(8,608)	50,455

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:

	2008	2007
	HK$'000	*HK$'000*
Amortisation of leasehold land and land use rights	**1,206**	1,682
Amortisation of intangible assets	**9,425**	7,845
Depreciation of property, plant and equipment	**70,598**	40,016

5 FINANCE INCOME, NET

	2008	2007
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**10,243**	17,002
— amount due from an associate	**286**	235
Finance costs — interest expense on		
— bank loans	**(3,244)**	(587)
— licence fees payable	**(605)**	(833)
	6,680	15,817

6 INCOME TAX EXPENSE

	2008	2007
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax *(Note (a))*	**26,781**	34,799
— PRC enterprise income tax *(Note (b))*	**39,158**	52,788
— (Over)/under-provision in prior years	**(8,262)**	426
Deferred income tax	**(14,656)**	(11,281)
	43,021	76,732

Note:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) 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$291,184,000 (2007: HK$449,517,000) and weighted average number of ordinary shares in issue during the year of 2,102,223,712 (2007: 2,066,311,096).

(b) As there was no potential dilutive share for the year ended 31 December 2008, diluted earnings per share equal to the basic earnings per share. Diluted earnings per share for the year ended 31 December 2007 was calculated based on the profit attributable to equity holders of the Company of HK$449,517,000, and the weighted average number of ordinary shares of 2,074,141,213 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 7,830,117 deemed to be issued at no consideration if all outstanding share options granted under the Pre-IPO Share Option Scheme had been exercised.

8 DIVIDENDS

	2008	2007
	HK$'000	*HK$'000*
Interim		
Interim dividend, paid, of HK4.56 cents (2007: HK5.90 cents) per ordinary share	**95,885**	121,957
Special dividend, paid, of HK0.68 cent (2007: HK1.00 cent) per ordinary share	**14,299**	20,671
Final *(Note)*		
Proposed final dividend of HK2.37 cents (2007: HK4.98 cents) per ordinary share	**49,586**	104,943
Proposed special dividend of HK2.09 cents (2007: HK2.84 cents) per ordinary share	**43,728**	59,847
	203,498	307,418

Note: The amount of 2008 proposed final and special dividends is based on 2,092,238,000 shares in issue as at 27 March 2009 (2007: 2,107,294,000 shares in issue as at 2 April 2008).

At a meeting held on 27 March 2009, the directors proposed a special dividend of HK2.09 cents per ordinary share in addition to a final dividend of HK2.37 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 2009.

9 TRADE AND OTHER RECEIVABLES

	2008	2007
	HK$'000	*HK$'000*
Trade and bills receivables	**319,529**	341,860
Less: Provision for impairment	**(3,840)**	(3,188)
Trade and bills receivables, net	**315,689**	338,672
Amounts due from associates	**3,989**	63,509
Other receivables, deposits and prepayments	**59,103**	45,985
	378,781	448,166

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

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**207,434**	201,721
31 to 60 days	**78,975**	102,425
61 to 90 days	**12,035**	17,125
Over 90 days	**21,085**	20,589
	319,529	341,860

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

	2008	2007
	HK$'000	*HK$'000*
Trade and bills payables	**202,331**	195,555
Other payable and accruals	**131,746**	98,218
Amounts due to associates	**1,482**	2,267
Licence fees payable	**5,569**	5,039
	341,128	301,079

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

	2008	2007
	HK$'000	*HK$'000*
0 to 30 days	**128,460**	135,655
31 to 60 days	**32,921**	38,029
61 to 90 days	**13,554**	8,813
Over 90 days	**27,396**	13,058
	202,331	195,555

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

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

The Company has been listed on the Hong Kong Stock Exchange since 15 December 2005. The Group is a vertically integrated large-scale garment manufacturer, exporter and retailer with headquarters and corporate management in Hong Kong. The Group's sales offices in Hangzhou, Shanghai and New York are providing support to its sourcing, manufacturing and distribution activities.

The Group's production facilities are situated in an industrial complex in Hangzhou, Zhejiang Province, China with a manufacturing area of approximately 3.2 million square feet. The industrial complex is a real comprehensive production base serving customers from fabric weaving, dyeing and printing to finished garment and apparel items under one roof, which enables the Group to respond to customers' needs promptly and efficiently. The location of the Group's industrial complex also allows it to keep abreast of the latest market developments and international fashion trends.

*Original Equipment Manufacturing ("**OEM**") Business*

The Group's core business during the year ended 31 December 2008 continued to be OEM. During the year, the Group continued its strategy to become a diversified garment manufacturer covering designs and brand building services, both in fabrics and finished garments. With the efforts made during the last couple of years, the Group is now able to offer Original Design Manufacture ("**ODM**") solutions in a wide range of garments and apparel items to its working partners.

The OEM and ODM businesses contributed, in 2008, to the Group's revenue of approximately HK$2,047.8 million, representing approximately 87.7% of its total revenue. The year of 2008 was challenging for the manufacturing and exporting businesses in China because of various macro-economic and political factors. No one was well prepared for the unprecedented and unheralded catastrophic financial downturn that devastated the global economy starting from the third-quarter of 2008 that is still having staggering consequences worldwide.

The Group could not avoid all adverse effects resulting from the recession, but the Directors believe that the Group was positioned well and responded in appropriate ways as compared with its competitors. Since the listing on the Hong Kong Stock Exchange, the Group focused on its own business without experiencing any significant fluctuations in performance. During the year, the gross profit margin of OEM/ODM business declined by approximately 2.7% was because of the continuous decreases in the average selling prices of garment and apparel items and our planned diversification strategy into the non-silk products to capture the increasing market demands.

Most of the Group's customers are long-term business partners, several of which have been cooperating with the Group for over 10 years. Because of this enduring relationship, a kind of our mutual supports have been created particularly in weathering the present economic contraction. The strong financial standing of the Group is appealing to new customers looking for reliable and quality suppliers. Whilst developing the business of the Group, the Directors are mindful on risk control and management in attracting new customers with assurance for payments. The Group has also implemented cost-cutting measures and encourages improvement in productivity to mitigate the impact on the decreasing trend of the average selling prices of garment and apparel items.

In line with the Group's strategy of geographical diversification, counter-balancing the reliance on exports to the United States (the "US"), the Group is developing other markets, notably Europe and Asia.

Brand Retail Business

The Group's retail network today comprises a total of four wholly-owned brands: "FINITY", "DBNI", "ELANIE", and "RIVERSTONE", as well as the licensed brand of "MAXSTUDIO". As at 31 December 2008, the Group has a sales network of approximately 450 retail outlets comprising concessions, shop-in-shops, and freestanding stores operated either directly by the Group or by nominated franchisees across China.

In November 2008, the Group strengthened its owned brand "FINITY" by acquiring the ownership in the trademark in the US, Canada, France and Japan.

In response to the unanticipated economic contraction, the Group did not open as many stores as planned in 2008. The Group continued to intensify the expansion of our retail network in China by opening 42 stores in 2008, where the current market is soft but not as badly hit as other overseas markets. Despite all the difficulties, the Group completed the year of 2008 with an increase in revenue to HK$285.9 million, approximately 12.3% of its total revenue with a gross profit margin of 65.5%. The Group continued to follow its strategy of strengthening the retail sector with the target of establishing more than one thousand stores within the next couple of years.

(2) Financial Review

Results Performance

During the year ended 31 December 2008, the Group's revenue amounted to HK$2,333.7 million, representing a decrease of 0.8% as compared with HK$2,353.5 million in 2007. The gross profit margin decreased from 33.7% in 2007 to 31.9% in 2008. This situation was principally due to the appreciation of Renminbi ("RMB"), the increase in labour costs and raw material prices, and overall deterioration of the US economy. The net profit attributable to equity holders was HK$291.2 million, representing a decrease of 35.2% as compared with HK$449.5 million in 2007. Earnings per share was HK13.85 cents, representing HK7.9 cents lower as compared to HK21.75 cents for the same period last year.

OEM and ODM Business

During the year ended 31 December 2008, the OEM revenue recorded a decrease from approximately HK$2,092.2 million in 2007 to approximately HK$2,047.8 million. Silk and silk-blended apparel items continued to contribute a significant part of the OEM revenue. The OEM revenue analysis by product type is as follows:

	2008		2007		
	HK$ million	***%***	*HK$ million*	*%*	% Change
Silk and silk-blended apparel	**798.9**	**39.0**	915.8	43.8	(12.8)
Linen and linen blended apparel	**179.2**	**8.8**	264.0	12.6	(32.1)
Cotton and cotton-blended apparel	**386.3**	**18.9**	395.5	18.9	(2.3)
Apparel in synthetic fabrics	**355.0**	**17.3**	300.3	14.4	18.2
Wool and wool-blended apparel	**54.5**	**2.6**	42.9	2.0	27.0
Printing and dyeing	**55.2**	**2.7**	—	—	—
Home textile fabric and accessories	**84.0**	**4.1**	87.9	4.2	(4.4)
Others	**134.7**	**6.6**	85.8	4.1	57.0
Total	**2,047.8**	**100.0**	2,092.2	100.0	(2.1)

In terms of markets, sales to the US amounted to approximately HK$1,514.3 million (2007: 1,780.7 million), which accounted for approximately 74.0% (2007: 85.1%) of the OEM revenue. Sales to European and other markets were approximately HK$117.7 million (2007: HK$111.3 million) and HK$415.8 million (2007: HK$200.2 million), respectively.

Brand Retail Business

During the year ended 31 December 2008, the retail sales increased by approximately 9.4% from HK$261.3 million to approximately HK$285.9 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 6.5% to HK$131.6 million (2007: HK$123.6 million), accounting for 46.0% of the Group's retail sales. The retail sales analysis by brand name is as follows:

	2008		2007		
	HK$ million	***%***	*HK$ million*	*%*	% Change
In-house brands					
Finity	**131.6**	**46.0**	123.6	47.3	6.5
Dbni	**27.5**	**9.6**	29.3	11.2	(6.1)
Elanie	**44.6**	**15.6**	38.0	14.5	17.4
Riverstone	**31.2**	**10.9**	18.5	7.1	68.7
Licensed brands					
Maxstudio	**50.8**	**17.8**	51.2	19.6	(0.8)
Burlington House	**0.2**	**0.1**	0.7	0.3	(71.0)
Total retail sales	**285.9**	**100.0**	261.3	100.0	9.4

In terms of retail revenue analysis by sales channel, sales from concessions amounted to approximately HK$188.8 million (2007: HK$175.5 million), accounting for approximately 66.0% of total retail turnover. Sales from freestanding stores and franchisees amounted to HK$10.4 million (2007: HK$11.4 million) and HK$86.7 million (2007: HK$74.7 million) respectively.

The Group's gross profit decreased to approximately HK$744.5 million (2007: HK$793.0 million), with the gross profit margin declined from 33.7% to 31.9%. The decline in the Group's gross profit margin was mainly due to the Renminbi appreciation, higher energy costs resulting from the general high inflation during the first nine months of 2008, the introduction of new labour laws and the increase in labour costs in China.

Operating profit

The Group's operating profit for the year ended 31 December 2008 decreased from approximately HK$501.3 million to approximately HK$328.9 million, with the net profit margin dropped to approximately 12.5% (2007: 19.2%). The decrease in profitability was principally attributable to (i) the economic contraction as a result of the financial crisis; (ii) the Group's planned strategy to diversify its product mix including non-silk garments and apparel items; (iii) the continuous appreciation of RMB against other leading currencies of the target markets of the Group and (iv) increases in the wages and salaries as a result of the new labour law in China.

The short-term investment portfolio of the Group, which has no material changes since the middle of 2008, also recorded fair value losses of approximately to HK$66.8 million (2007: net fair value gains: HK$29.0 million). Excluding the fair value adjustments, the operating profit of the Group decreased from approximately HK$472.3 million in 2007 to HK$395.7 million in 2008, representing a decease of 16.2% in operating profit.

The Group's performance in 2008 was undoubtedly adversely affected by the lower gross profit margin as mentioned above, the higher selling, marketing and distribution costs, and the higher administrative expenses as a result of, mainly, the continuous appreciation of RMB and the increases in labour cost. As all of the Group's factories are located in China and most of the expenses were incurred in Renminbi, any appreciation of RMB will have a direct impact on the profitability of the Group. As the average exchange rate of RMB against HK dollars has appreciated by approximately 8.4% for the year ended 2008, the expenses of the Group increased by approximately HK$146.5 million in the course of translation from RMB into Hong Kong dollars. At the same time, the implementation of the new labour law increased the labour cost in China by approximately RMB22.4 million (approximately HK$25.1 million).

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 2008, the cash and cash equivalents were approximately HK$645.0 million, representing a decrease of approximately 12.2% from approximately HK$734.4 million as at 31 December 2007. Net cash generated from operating activities increased from HK$317.8 million to HK$436.7 million in 2008. The cash used in investing activities and financing activities was approximately HK$279.6 million and HK$279.4 million, respectively. During the year ended 31 December 2008, the Group's major cash expenditures used during the year included the acquisition of property, plant and equipment amounting to HK$190.0 million, the acquisition of an intangible assets amounting to HK$16.8 million, the cash placed in term deposits with a fixed three-month initial term, by approximately HK$97.7 million, and the payment of 2007 final dividends and 2008 interim dividends to equity holders during the year.

As at 31 December 2008, the Group had bank borrowings of HK$30.2 million (2007: HK$13.2 million), repayable within one year. The debt to equity ratio was 1.3 % (2007: 0.6%). The management is 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 2008, 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

Since 2003, revenue of the Group has a compound annual growth rate of approximately 24.5%. In 2008, the Group first experienced a mild negative growth for the first time. Like all other businesses engaged in garment manufacturing business, the Group was under pressure during the fourth quarter of 2008 with unexpected business slowdown in overseas markets, particularly in the US. US is currently the principal market of the Group.

The economic contraction affects customers and businesses alike, but the Group continues to strengthen its liens with its working partners by offering them full and strong support, more designs and greater creativity through our ODM services, better prices and shorter delivery times. Despite the stressful market conditions, the Directors believe a silver lining exists in that the Group is actively exploring new markets and new customers searching for a reliable and stable partnership for the purpose of expanding the businesses. These efforts are important because a number of their previous collaborators are succumbing to their own financial problems.

Given that the Group does not incur significant amount of debts, but enjoys a liquidity of maintaining more than HK$700 million cash and bank balances, the Directors are carefully scrutinising all potential investment opportunities, including merger and acquisition projects, as the current financial tsunami is providing ample opportunities for future growth, especially in the retail market. On the other hand, the Directors are constantly monitoring the level of risks and the stability of the Group's business partners which, at this moment, are as crucial as orders received.

The Group is in the process of reviewing and improving its existing structure and work process and strategy. The Directors are confident that, through new developments, constant innovation and close monitoring of the administrative costs and overheads, strengthened and made possible by the solidarity and full support of its current workforce in close collaboration with the management, it will be possible to control the level of operating costs and hence, improve the productivity.

The Group's proposed wool mill investment, which has been one of the focuses of the Group, is in final negotiation stage. The Directors expect that the project may start around the middle of 2009. The Directors also expect that this venture will bridge the seasonal gap caused, hitherto, by the Group's strength in producing lighter garments production and the lack of comprehensive winter apparel items to make balanced utilisation of the production facilities of the Group throughout a year.

On the retail business, despite the impact of the recent economic contraction, the Group experienced a mild growth in turnover as compared to 2007 while maintaining the satisfactory gross profit margin of approximately 65.5%. For 2009, the Group will continue the same strategy of innovation, development and cost-consciousness. The Group will continue to open new stores, to enhance and diversify the fashion design and collections, to promote strong recognition of the Group's brands, both in China and selected overseas markets.

Despite the Directors' belief that the shares of the Company are grossly undervalued with low trading prices, the Directors will continue to adopt a consistent dividend policy as a sign of acknowledgement of the unwavering support of the shareholders.

(4) Human Resources

As at 31 December 2008, the Group had approximately 12,000 full-time employees. The staff costs for 2008 was HK$417.4 million, representing an increase of approximately 11.9% over 2007.

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.

(5) Use of proceeds from the initial public offering

During the period from 15 December 2005 (date of listing) to 31 December 2008, the Group has already used part of the net proceeds from the initial public offering to invest in the following projects for business expansion:

(a) approximately HK$77.3 million to complete the construction of a new apparel plant and the design, development and exhibition centre;

(b) approximately HK$97.0 million for the expansion of retail shops and engaging in advertising and marketing campaigns;

(c) approximately HK$416.5 million on the acquisition of plant and machinery to enhance production capacity;

(d) approximately HK$16.8 million on the acquisition of a retail trademark;

(e) approximately HK$116.3 million to repay the bank borrowings; and

(f) approximately HK$203.0 million as additional general working capital of the Group.

The net proceeds raised by the Group in its initial public offering in 2005 amounted to approximately HK$1,099.9 million. As at 31 December 2008, approximately HK$173.0 million of the net proceeds has not been used by the Group and were deposited with a licensed banks in Hong Kong and China as short-term deposits. The Directors intend to apply such amount for expansion of the Group's retail business.

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 2008.

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 23 March 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2008, the Company repurchased a total of 20,166,000 (2007: 2,246,000) shares on the Stock Exchange as follows:

Month	Number of shares	Price per share Highest	Price per share Lowest	Total paid
		HK$	*HK$*	*HK$*
January 2008	3,660,000	1.70	1.48	5,966,600
February 2008	1,450,000	1.31	1.27	1,876,000
June 2008	4,544,000	1.30	1.25	5,859,500
July 2008	2,190,000	1.26	1.16	2,685,100
October 2008	5,198,000	0.61	0.50	2,890,360
November 2008	3,124,000	0.48	0.38	1,365,120
	20,166,000			20,642,680

The above repurchased shares have been cancelled. The premium paid on the repurchase of shares of HK$18,626,080 (2007: 4,220,460) has been charged to the share premium. An amount equivalent to the par value of the shares cancelled has been transferred from the share capital of the Company to the capital redemption reserve.

The repurchase of the shares during the year was effected by the Directors, pursuant to the mandate from shareholders (the "**Shareholders**") of the Company, with a view to benefiting Shareholders as a whole by enhancing the net asset value per share and earnings per share.

Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities 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 2008 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 27 March 2009, the Directors proposed a special dividend of HK2.09 cents per share in addition to a final dividend of HK2.37 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 27 May 2009 to the shareholders whose names appear on the register of members of the Company at close of business on Friday, 22 May 2009.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 19 May 2009 to Friday, 22 May 2009, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the special dividend and the final dividend to be considered at the forthcoming annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 18 May 2009.

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 Secretaty

Hong Kong, 27 March 2009