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 2007

	2007	2006	
	HK$ million	*HK$ million*	% Change
Revenue			
OEM Business	**2,092.2**	1,723.5	21.4
Branded Retail Business	**261.3**	196.6	32.9
	2,353.5	1,920.1	22.6
Profit attributable to equity holders of the Company	**449.5**	408.5	10.0
Basic earnings per share *(HK cents)*	**21.75**	19.79	9.9
Dividend per Share			
— Final *(HK cents)*	**7.82**	7.00	11.7
— Full year *(HK cents)*	**14.72**	13.40	9.9
Dividend payout ratio	**67.7%**	67.7%	
Equity attributable to the Company's equity holders	**2,110.4**	1,842.8	14.5
Equity per share *(HK cents)*	**102.2**	89.18	14.6

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 2007, with the comparative figures for the year 2006, as follows:

Consolidated Income Statement
For the year ended 31 December 2007

	Note	**2007** *HK$'000*	2006 *HK$'000*
Revenue	2	**2,353,507**	1,920,068
Cost of sales		**(1,560,468)**	(1,249,738)
Gross profit		**793,039**	670,330
Other gains, net	3	**50,455**	23,797
Selling, marketing and distribution costs		**(152,736)**	(117,960)
Administrative expenses		**(189,482)**	(152,985)
Operating profit	4	**501,276**	423,182
Finance income, net	5	**15,817**	35,486
Share of profits less losses of associates		**11,776**	6,823
Profit before income tax		**528,869**	465,491
Income tax expense	6	**(76,732)**	(54,690)
Profit for the year		**452,137**	410,801
Attributable to:			
Equity holders of the Company		**449,517**	408,539
Minority interests		**2,620**	2,262
		452,137	410,801
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
— basic	7	**21.75 cents**	19.79 cents
— diluted	7	**21.67 cents**	19.70 cents
Dividends	8	**307,418**	276,798

Consolidated Balance Sheet

As at 31 December 2007

	Note	**2007**	2006
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**617,299**	452,509
Investment properties		**7,000**	4,940
Leasehold land and land use rights		**84,012**	74,339
Interests in associates		**39,170**	72,250
Intangible assets		**51,729**	43,903
Deferred income tax assets		**8,596**	4,153
		807,806	652,094
Current assets			
Inventories		**393,496**	348,197
Trade and other receivables	9	**448,166**	378,603
Tax recoverable		**24,187**	5,288
Financial assets at fair value through profit or loss		**51,819**	—
Cash and bank balances		**747,601**	837,568
		1,665,269	1,569,656
Total assets		**2,473,075**	2,221,750

	Note	**2007**	2006
		HK$'000	*HK$'000*
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**206,525**	206,625
Reserves		**1,691,103**	1,455,971
Proposed dividends		**164,790**	144,638
		2,062,418	1,807,234
Minority interests		**48,020**	35,550
Total equity		**2,110,438**	1,842,784
LIABILITIES			
Non-current liabilities			
Licence fees payable		**5,260**	—
Deferred income tax liabilities		**14,287**	19,752
		19,547	19,752
Current liabilities			
Trade and other payables	10	**301,079**	343,725
Bank borrowings		**13,154**	2,225
Derivative financial instruments		**5,447**	—
Current income tax liabilities		**23,410**	13,264
		343,090	359,214
Total liabilities		**362,637**	378,966
Total equity and liabilities		**2,473,075**	2,221,750
Net current assets		**1,322,179**	1,210,442
Total assets less current liabilities		**2,129,985**	1,862,536

Notes:

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**"). The consolidated financial statements 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) Standard, amendment and interpretations to existing standards effective in 2007

HKFRS 7, "Financial Instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of Financial Statements — Capital Disclosures", introduce new disclosures relating to financial instruments and do not have any impact on the classification and valuation of the Group's financial instruments.

HK(IFRIC) — Int 8, "Scope of HKFRS 2", requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) — Int 10, "Interim Financial Reporting and Impairment", prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

(b) Interpretations to existing standards effective in 2007 but not relevant to the Group's operation

The following interpretations to existing standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Group's operations:

- HK(IFRIC) — Int 7 "Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyper-Inflationary Economies"; and
- HK(IFRIC) — Int 9 "Reassessment of Embedded Derivatives".

(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, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

HKAS 1 (Revised), "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2009. It requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other HKFRSs. The Group will apply HKAS 1 (Revised) from 1 January 2009.

HKAS 23 (Revised), "Borrowing Costs", effective for annual periods beginning on or after 1 January 2009. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) from 1 January 2009 but management believes that this standard should not have a significant impact to the Group as the Group has been capitalising borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, if any.

HKAS 27 (Revised), "Consolidated and Separate Financial Statements", effective from annual periods beginning on or after 1 July 2009. It requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

HKFRS 3 (Revised), "Business Combination", effective for business combinations with acquisition date on or after 1 July 2009. It may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non-current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010.

HKFRS 8, "Operating Segments", effective for annual periods beginning on or after 1 January 2009. HKFRS 8 replaces HKAS 14 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. The Group will apply HKFRS 8 from 1 January 2009. Management believes that this standard should not have a significant impact to the number of reportable segments, as well as the manner in which the segments are reported as the reportable segments are presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. As goodwill is allocated to groups of cash generating units based on segment level, the change will also require management to reallocate goodwill to the newly identified operating segments. Management does not anticipate that this will result in any material impairment to the goodwill balance.

HK(IFRIC) — Int 13, "Customer Loyalty Programmes", effective for annual periods beginning on or after 1 July 2008. It clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) — Int 13 is not relevant to the Group's operation as none of the Group's entities operate any loyalty programmes.

(d) Interpretations to existing standards which are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Group's operations:

HK(IFRIC) — Int 11, "HKFRS 2 — Group and Treasury Share Transfer", effective for annual periods beginning on or after 1 March 2007;

HK(IFRIC) — Int 12, "Service Concession Arrangements", effective for annual periods beginning on or after 1 January 2008; and

HK(IFRIC) — Int 14, "HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction", effective for annual periods beginning on or after 1 January 2008.

2 Revenue and segment information

(a) Turnover and revenue

The Group is principally engaged in the manufacturing and sale of garments on an OEM basis and retailing of branded fashion apparel. 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 2007 are as follows:

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

The segment revenue and results for the year ended 31 December 2006 are as follows:

	OEM *HK$'000*	Retail *HK$'000*	Total *HK$'000*
Gross segment sales	1,726,554	198,477	1,925,031
Elimination of inter-segment sales	(3,113)	(1,850)	(4,963)
Turnover and segment revenue	1,723,441	196,627	1,920,068
Segment results	390,195	38,934	429,129
Unallocated losses			(5,947)
Operating profit			423,182
Share of profits less losses of associates	6,831	(8)	6,823

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	26,024	2,136	28,160
Amortisation of leasehold land and land use rights	970	31	1,001
Amortisation of intangible assets	—	3,122	3,122

(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:

	2007 *HK$'000*	2006 *HK$'000*
North America	**1,780,656**	1,476,517
European Union	**111,280**	90,958
Mainland China	**411,042**	331,603
Hong Kong	**14,021**	8,834
Other countries	**36,508**	12,156
	2,353,507	1,920,068

3 Other gains, net

	2007 *HK$'000*	2006 *HK$'000*
(Loss)/gain on disposal of property, plant and equipment and leasehold land and land use rights	**(49)**	9,617
Loss on disposal of an associate	**(84)**	—
Increase in fair value of investment properties	**2,060**	—
Government grants	**11,341**	7,655
Net exchange (losses)/gains	**(748)**	527
Net fair value gains of financial assets at fair value through profit or loss	**29,030**	—
Net fair value gains of foreign exchange forward contracts	**2,751**	—
Rental income	**4,212**	732
Others	**1,942**	5,266
	50,455	23,797

4 Operating profit

Operating profit is stated after charging the following:

	2007 *HK$'000*	2006 *HK$'000*
Amortisation of leasehold land and land use rights	**1,682**	1,001
Amortisation of intangible assets	**7,845**	3,122
Depreciation of property, plant and equipment	**40,016**	28,160

5 Finance income, net

	2007 *HK$'000*	2006 *HK$'000*
Finance income — interest income on		
— bank deposits	**17,002**	35,909
— amount due from an associate	**235**	—
Finance costs — interest expense on		
— bank loans	**(587)**	(423)
— license fees payable	**(833)**	—
	15,817	35,486

6 Income tax expense

	2007 *HK$'000*	2006 *HK$'000*
Current income tax		
— Hong Kong profits tax (Note (a))	**34,799**	28,803
— PRC enterprise income tax (Note (b))	**52,788**	30,823
— Under/(over)-provision in prior years	**426**	(4,911)
Deferred income tax	**(11,281)**	(25)
	76,732	54,690

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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 26.4%, which comprises 24% attributable to national enterprise income tax and 2.4% attributable to local municipal income tax, except that the applicable enterprise income tax rate for Zhejiang China Ting Group Company Limited and Hangzhou Fuxi Fashion Company Limited is 33%, which comprises 30% attributable to national enterprise income tax and 3% attributable to local municipal income tax, and that for Shenzhen Fuhowe Fashion Company Limited and Finity Fashion (Shenzhen) Company Limited is 15%.

In accordance with the relevant applicable tax regulations, for those subsidiaries established in the PRC as wholly owned foreign enterprises or sino-foreign joint ventures, they are entitled to full exemption from enterprise income tax for the first two years and 50% reduction in national enterprise income tax for the next three years, commencing from the first profitable year, after offsetting all unexpired tax losses carried forward from previous years.

7 Earnings per share

(a) The calculation of basic earnings per share is based on the Group's profit attributable to the equity holders of the Company of HK$449,517,000 (2006: HK$408,539,000) and weighted average number of ordinary shares in issue during the year of 2,066,311,096 (2006: 2,064,541,096).

(b) Diluted earnings per share is calculated based on the profit attributable to the equity holders of the Company of HK$449,517,000 (2006: HK$408,539,000), and the weighted average number of ordinary shares of 2,074,141,096 (2006: 2,073,900,096) 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 7,830,115 (2006: 9,358,622) deemed to be issued at no consideration if all outstanding share option granted under the share option scheme had been exercised.

8 Dividends

	2007 *HK$'000*	2006 *HK$'000*
Interim		
Interim dividend, paid, of HK5.9 cents (2006: HK5.4 cents) per ordinary share	**121,957**	111,510
Special dividend, paid, of HK1.0 cent (2006: HK1.0 cent) per ordinary share	**20,671**	20,650
Final (Note)		
Proposed final dividend of HK4.98 cents (2006: HK4.4 cents) per ordinary share	**104,943**	90,915
Proposed special dividend of HK2.84 cents (2006: HK2.6 cents) per ordinary share	**59,847**	53,723
	307,418	276,798

Note:

The amount of 2007 final and special dividends is based on 2,107,294,000 shares in issue as at 2 April 2008 (2006: 2,066,250,000 shares in issue as at 28 March 2007).

At a meeting held on 2 April 2008, the Directors proposed a special dividend of HK2.84 cents per ordinary share in addition to a final dividend of HK4.98 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 2008.

9 Trade and other receivables

	2007 *HK$'000*	2006 *HK$'000*
Trade and bills receivables	**341,860**	307,632
Less: Provision for impairment	**(3,188)**	(2,527)
Trade and bills receivables, net	**338,672**	305,105
Amounts due from associates	**63,509**	3,107
Other receivables, deposits and prepayments	**45,985**	70,391
	448,166	378,603

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

	2007 *HK$'000*	2006 *HK$'000*
0 to 30 days	**201,721**	221,304
31 to 60 days	**102,425**	62,059
61 to 90 days	**17,125**	17,343
Over 90 days	**20,589**	6,926
	341,860	307,632

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

	2007	2006
	HK$'000	*HK$'000*
Trade and bills payables	**195,555**	223,976
Other payable and accruals	**98,218**	113,827
Amounts due to associates	**2,267**	5,922
Licence fees payable	**5,039**	—
	301,079	343,725

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

	2007	2006
	HK$'000	*HK$'000*
0 to 30 days	**135,655**	172,735
31 to 60 days	**38,029**	31,367
61 to 90 days	**8,813**	6,299
Over 90 days	**13,058**	13,575
	195,555	223,976

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

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

The Group is a vertically integrated and large-scale garment manufacturer, exporter and retailer in China. The Group is headquartered in Hong Kong with production facilities in Zhejiang, Jiangsu and Shenzhen and offices in Hong Kong, Hangzhou, Shenzhen, Shanghai, and New York.

Original Equipment Manufacturer ("OEM") Business

The Group's OEM business continued to develop steadily in 2007 and contributed a solid source of revenue to the Group. During the year ended 31 December 2007, OEM business contributed to the Group's revenue of approximately HK$2,092.2 million (2006: approximately HK$1,723.4 million) representing approximately 88.9% of the Group's total revenue.

The year of 2007 was a challenging one for manufacturing and exporting businesses in China with appreciation of Renminbi ("**RMB**") and increasing production costs (including labour costs and other overheads) and the shrinkage market conditions in the United States. All of these factors restricted the growth of the profit. The OEM business reported a decrease in gross profit margin from approximately 31.8% in 2006 to approximately 29.9% in 2007.

In view of the difficulties as mentioned above, the Group adopted the strategy to expand the product mix only to silk-blended garment and non-silk garment. The expansion enabled the Group to capture new business opportunities and maintained a growth of approximately 21.4%. Besides, the Group also benefited from its vertical integration, which enabled it to respond to the customers' needs promptly with short delivery time to meet the customers' requirements.

Retail Business

The Group's retail outlets were operated under four brands of "FINITY", "DBNI", "ELANIE", and "RIVERSTONE", and two licensed brands of "MAXSTUDIO" and "LEE COOPER". As at 31 December 2007, the Group had a sales network of over 400 retail outlets comprising concessions, free-standing stores operated by the Group and retail outlets operated by franchisees, spanning over 26 provinces and municipalities in China. During the year under review, the Group was actively exploring additional opportunities to expand its retail business.

Despite the increasing costs such as production and rental, the Group is benefited from the continuous economic growth in China with increase in household income and consumption power in China. The Group also has its own teams of designer and engaged external designers to provide inspiration on the Group's design and keep abreast of the latest international trends and development in fabric and styles with consideration of the China market. In 2007, the Group's revenue contributed by the retail business increased by approximately 32.9% from HK$196.6 million to HK$261.3 million.

(2) Financial Review

Results Performance

During the year ended 31 December 2007, the Group's revenue continued to be derived from the two core businesses: OEM and retail sales in China. The Group's total sales rose 22.6% to HK$2,353.5 million (2006: HK$1,920.1 million) but the gross profit margin was slightly reduced from 34.9% to 33.7%, which was principally due to the Group's strategy to enhance its product mix to non-silk apparel items which enjoy generally a lower gross profit margin than silk apparel items. The profit attributable to equity holders of the Company grew to approximately HK$449.5 million (2006: HK$408.5 million) and the basic earnings per Share were HK21.75 cents (2006: HK19.79 cents).

Review of operations

The segment revenue is as follows:

	2007		2006		
	HK$ million	*%*	*HK$ million*	*%*	% Change
By principal activity:					
OEM Business	**2,092.2**	**88.9**	1,723.5	89.8	21.4
Brand Retail Business	**261.3**	**11.1**	196.6	10.2	32.9
	2,353.5	**100.0**	1,920.1	100.0	22.6

OEM Business

During the year ended 31 December 2007, the OEM sales were approximately HK$2,092.9 million which accounted for approximately 88.9% of the Group's total sales. The sales of silk and silk-blended apparel items were approximately HK$915.8 million (2006: HK$889.2 million) which contributed approximately 43.8% (2006: 51.6%) of the total Group's OEM revenue. The OEM revenue analysis by product is as follows:

	2007		2006		
	HK$ million	*%*	*HK$ million*	*%*	% Change
Silk and silk-blended apparel	**915.8**	**43.8**	889.2	51.6	3.0
Linen and linen-blended apparel	**264.0**	**12.6**	312.4	18.1	(15.5)
Cotton and cotton-blended apparel	**395.5**	**18.9**	202.8	11.8	95.0
Apparel in synthetic fabrics	**300.3**	**14.4**	132.8	7.7	126.0
Others	**128.7**	**6.1**	104.5	6.0	23.3
Home textile fabric and accessories	**87.9**	**4.2**	81.8	4.8	7.5
Total	**2,092.2**	**100.0**	1,723.5	100.0	21.4

In terms of markets, sales to the United States amounted to approximately HK$1,780.7 million (2006: HK$1,476.5 million), accounting for approximately 85.1% (2006: 85.7%) of the total OEM revenue. Sales to European and other markets were approximately HK$111.3 million (2006: HK$91.0 million) and HK$200.2 million (2006: HK$156.0 million) respectively.

The gross profit margin of the OEM business slightly decreased from 31.8% to 29.9%, which was principally due to diversification to non-silk garment business and the appreciation of the RMB against the US dollars.

Brand Retail Business

During the year ended 31 December 2007, the retail sales increased by approximately 32.9% from approximately HK$196.6 million to approximately HK$261.3 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 31.2% to HK$123.6 million (2006: HK$94.2 million), accounting for 47.3% of the Group's retail sales. Sales under the brand names, "ELANIE" and "MAXSTUDIO", representing 14.5% and 19.6% of the Group's retail sales, and delivered sales growth of 40.3% and 36.2%, respectively.

The retail sales analysis by brand name is as follows:

	2007		2006		
	HK$ million	*%*	*HK$ million*	*%*	% Change
In-house brands					
Finity	**123.6**	**47.3**	94.2	47.9	31.2
Dbni	**29.3**	**11.2**	27.0	13.7	8.6
Elanie	**38.0**	**14.5**	27.1	13.8	40.3
Riverstone	**18.5**	**7.1**	10.3	5.3	79.4
Licensed brands					
Maxstudio	**51.2**	**19.6**	37.6	19.1	36.2
Burlington House *(Note a)*	**0.7**	**0.3**	0.4	0.2	75.0
Total retail sales	**261.3**	**100.0**	196.6	100.0	32.9

Note a) The retail business of "Burlington House" commenced in July 2006.

Note b) The business of "Lee Cooper" commenced in May 2007 and its results were included in the share of profits less losses of associates.

In terms of retail sales by channel, sales from concessions amounted to approximately HK$175.5 million (2006: HK$133.3 million), accounting for approximately 67.2% of total retail turnover. Sales from free-standing stores and franchisees amounted to approximately HK$11.4 million (2006: HK$6.5 million) and HK$74.4 million (2006: HK$56.8 million), respectively.

The gross profit margin of retail business increased from approximately 62.0% to 63.8%. The increase was mainly driven by the continuous economic growth in China and the improved performance of the retail network in China.

Liquidity and Financial Resources

The Group continues to be in a strong financial position, with cash and cash equivalents of approximately HK$747.6 million and bank borrowings at a lower level of approximately HK$13.2 million as at 31 December 2007.

Net cash inflow from operating activities amounted to approximately HK$317.8 million (2006: HK$221.5 million). The strong cash inflow was mainly due to an increase in operating profit in 2007 by approximately HK$78.1 million. The net cash used in financing activities increased by approximately HK$137.2 million. Excluding the effect of the proceed from the over-allotment arrangement of HK$152.0 million, the net cash used in financing activities slightly decreased from approximately HK$289.7 million to approximately HK$274.9 million in 2007.

In 2007, the Group's average trade receivables turnover was 50 days (2006: 51 days). Average trade payables turnover was 45 days (FY 2006: 59 days). Average inventory turnover was 87 days (FY 2006: 88 days).

(3) Outlook

OEM business:

Despite the fact that the year of 2007 was a challenging one for manufacturing and exporting businesses in China, the Group's OEM business continued to develop steadily in 2007 and contributed to be a solid source of revenue of the Group.

During the year, the Group achieved a balanced product mix between silk and non-silk apparel items. With the successful diversification of product mix and the vertically integrated production facilities in Hangzhou, the Group captured new business opportunities and completed customers' orders in a short production time. This versatile business model helps the Group to sustain a steady growth in its OEM business.

The Group will continue to strengthen its competitive advantages in the following four areas:–

a. *Total solution approach:* The Group will further expand its scope of service from OEM to original design manufacturing businesses.

b. *Speedy delivery:* The Group will shorten the production time through efficient and effective management of its supply chain.

c. *Good quality*: The Group will strive to provide customers with good-quality products.

d. *Superior services*: The Group will provide professional services to its customers at all stages of the supply chain.

Leveraging the success in the business of silk garments, the Group will expand its product mix and develop new products with different fabrics.

While sustaining the garment manufacturing business in the US, the Group will continue its efforts to develop its export business in Europe and to explore the Japan market.

The wool fabric mill project is progressing well and the mill will commence operations in early 2009. The project will facilitate the Group in the following perspectives:

a. Diversification of spring/summer products into fall/winter products that facilitates the Group to utilise its production capacity evenly throughout the year.

b. Expansion of the European market with the help of the Group's business partners.

Retail business:

Although the retail business has recorded satisfactory growth over the past few years, the proportion of its revenue over the Group's revenue is significantly lower than that of the OEM business. The Group is committed to take some strategic initiatives to accelerate the growth in its retail business by cooperation with well-known branded fashion in China.

To cope this growth strategy and enhance the competitiveness, the Group will make substantial investments in strengthening both the hardwares and the softwares of the operating platforms for its retail business, including:

a. Recruitment of professionals for the operations;

b. Recruitment and retention of professional designers from Europe to offer advice on design, styles, and collections;

c. Opening of flagship shops to enhance brand image;

d. Expansion of retail shop networks;

e. Constant promotional work through nationwide fashion shows, advertisements and VIP programmes;

f. Establishment of a highly dedicated sales team with the support of comprehensive training and development schemes; and

g. Installation of ERP systems to facilitate logistic arrangements and sales analysis.

By the end of 2008, the Group expect the retail network will expand to approximately 550 retail shops.

Capital markets:

In view of the stable financial position currently enjoyed by the Group and the availability of cooperation opportunities in the market, the Group will actively evaluate each opportunity for mergers and acquisition so as to increase its market capitalisation, optimise the utilisation of funds and maximise the sharehoders' wealth.

(4) Human Resources

As at 31 December 2007, the Group had approximately 12,000 full-time employees. The staff costs for 2007 was HK$373.1 million, representing an increase of approximately 22.2% over 2006.

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 Directors believe 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 to 31 December 2007, the Group has already used part of the net proceeds from initial public offering to invest in the following projects for business expansion: –

(a) approximately HK$76.4 million to complete the construction of a new apparel plant and the design, development and exhibition centre;

(b) approximately HK$57.5 million for the expansion of retail shops and engaging in advertising and marketing campaigns;

(c) approximately HK$221.6 million on the acquisition of plant and machinery to enhance production capacity;

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

(e) 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 2007, approximately HK$425.1 million of the net proceeds has not been used by the Group and were deposited with 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 OF CORPORATE GOVERNANCE PRACTICES (THE "CODE")

The Board is committed to enhance 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 of Corporate Governance as set out in appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

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 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 2007.

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 provides guidance thereto. Members of the Audit Committee comprise all the three independent non-executive Directors. The annual results have been reviewed by the Audit Committee on 26 March 2008.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year ended 31 December 2007, the Company repurchased a total of 2,246,000 (2006: Nil) Shares on the main board of The Stock Exchange of Hong Kong Limited as follows:

Month	**Number of shares**	**Price per share Highest**	**Lowest**	**Total paid**
		HK$	*HK$*	*HK$*
August 2007	12,000	1.99	1.99	23,880
September 2007	412,000	1.99	1.99	819,880
October 2007	1,750,000	1.99	1.93	3,460,180
November 2007	72,000	1.96	1.96	141,120
	2,246,000			4,445,060

The above repurchased shares have been cancelled. The premium paid on the repurchase of shares of HK$4,220,460 (2006: Nil) 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 2007 containing all the information required by the Listing Rules will be dispatched to Shareholders and published on the website of the Stock Exchange in due course.

SPECIAL AND FINAL DIVIDEND

At a meeting held on 2 April 2008, the Directors proposed a special dividend of HK2.84 cent for each Share in addition to a final dividend of HK4.98 cents for each Share. Upon the approval to be obtained from the forth coming annual general meeting, the special dividend and the final dividend will be payable on or about 20 May 2008 to the Shareholders whose names appear on the register of members of the Company at close of business on 29 April 2008.

CLOSURE OF REGISTER OF MEMEBRS

The register of members of the Company will be closed from Wednesday, 30 April 2008 to Thursday, 8 May 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for 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 Tuesday, 29 April 2008.

APPRECIATION

The Board would like to take this opportunities 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. WONG Sin Yung
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
WONG Sin Yung
Executive Director and Company Secretary

Hong Kong, 2 April 2008