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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 2011

FINAL RESULTS

The board (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 2011, with the comparative figures for the year ended 31 December 2010, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Revenue	2	2,472,539	2,561,096
Cost of sales		<u>(1,702,807)</u>	<u>(1,761,254)</u>
Gross profit		769,732	799,842
Other income	3	7,480	19,213
Other losses, net	4	(5,736)	(10,398)
Selling, marketing and distribution costs		(279,831)	(238,468)
Administrative expenses		<u>(259,583)</u>	<u>(236,627)</u>
Operating profit	5	232,062	333,562
Finance income	6	7,400	3,164
Finance costs	6	(12,973)	(4,264)
Share of losses of associates		(1,215)	(364)
Share of profit/(loss) of a jointly controlled entity		<u>524</u>	<u>(59)</u>
Profit before income tax		225,798	332,039
Income tax expense	7	<u>(56,475)</u>	<u>(66,891)</u>
Profit for the year		<u>169,323</u>	<u>265,148</u>

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Other comprehensive income:			
Change in value of available-for-sale financial asset		(233)	—
Currency translation differences		<u>96,972</u>	<u>94,116</u>
Other comprehensive income, net of tax		<u>96,739</u>	<u>94,116</u>
Total comprehensive income		<u>266,062</u>	<u>359,264</u>
Profit/(loss) attributable to:			
Equity holders of the Company		170,219	266,997
Non-controlling interests		<u>(896)</u>	<u>(1,849)</u>
		<u>169,323</u>	<u>265,148</u>
Total comprehensive income attributable to:			
Equity holders of the Company		265,058	359,527
Non-controlling interests		<u>1,004</u>	<u>(263)</u>
		<u>266,062</u>	<u>359,264</u>
Earnings per share for profit attributable			
to the equity holders of the Company during			
the year (expressed in HK cents per share)			
— basic	8	<u>8.12 cents</u>	<u>12.74 cents</u>
— diluted	8	<u>8.12 cents</u>	<u>12.74 cents</u>
Dividends	9	<u>114,304</u>	<u>186,956</u>

CONSOLIDATED BALANCE SHEET*As at 31 December 2011*

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment		796,698	813,224
Investment properties		14,000	8,000
Land use rights		93,120	93,739
Interests in associates		541,519	426,687
Interest in a jointly controlled entity		2,146	1,622
Intangible assets		145,080	153,447
Available-for-sale financial asset		2,093	—
Deferred income tax assets		41,575	31,873
		<u>1,636,231</u>	<u>1,528,592</u>
Current assets			
Inventories		592,193	554,463
Trade and other receivables	<i>10</i>	623,840	582,800
Tax recoverable		1,528	1,101
Financial assets at fair value through profit or loss		21,002	25,053
Cash and bank balances		534,926	395,856
		<u>1,773,489</u>	<u>1,559,273</u>
Total assets		<u><u>3,409,720</u></u>	<u><u>3,087,865</u></u>
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		209,732	209,573
Reserves		2,425,598	2,271,566
Proposed dividends		57,676	99,563
		<u>2,693,006</u>	<u>2,580,702</u>
Non-controlling interests		<u>42,679</u>	<u>41,675</u>
Total equity		<u><u>2,735,685</u></u>	<u><u>2,622,377</u></u>

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		16,370	19,343
Current liabilities			
Trade and other payables	<i>11</i>	434,430	352,514
Bank borrowings		200,499	66,525
Derivative financial instruments		—	348
Current income tax liabilities		22,736	26,758
		657,665	446,145
Total liabilities		674,035	465,488
Total equity and liabilities		3,409,720	3,087,865
Net current assets		1,115,824	1,113,128
Total assets less current liabilities		2,752,055	2,641,720

NOTES

1 BASIS OF PREPARATION

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). They have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, available-for-sale financial asset 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) Revised and amended standards adopted by the Group

The following revised standard is mandatory for the first time for the financial year beginning 1 January 2011.

HKAS 24 (Revised)	Related Party Disclosures
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The Group adopted the above revised standard which impact the disclosures of the consolidated financial statements.

(b) Standards, amendments and interpretations to existing standards that have become effective in 2011 but not relevant to the Group’s operations

HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 27 (Amendment)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 34 (Amendment)	Interim Financial Reporting
HKFRS 1 (Amendment)	First-time Adoption of International Financial Reporting Standards
HKFRS 3 (Amendment)	Business Combinations
HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HK(IFRIC) — Int 13 (Amendment)	Customer Loyalty Programmes
HK(IFRIC) — Int 19 (Amendment)	Extinguishing Financial Liabilities with Equity Instruments
Amendment to HKFRS 1	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
Amendment to HK(IFRIC) — Int 14	Prepayments of a Minimum Funding Requirement

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

		Effective for annual periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised 2011)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised 2011)	Associates and Joint Ventures	1 January 2013
HKAS 32 (Amendment)	Financial Instruments: Disclosure — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters	1 July 2011
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets	1 July 2011
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurements	1 January 2013
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013

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

2 SEGMENT INFORMATION

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

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

The Board assesses the performance of the operating segments based on profit before income tax, which is consistent with that in the financial statements. Other information, as noted below, is also provided to the Board.

Total segment assets exclude deferred income tax assets, financial assets at fair value through profit or loss, interests in certain associates, investment properties and available-for-sale financial asset, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Turnover comprises sale of goods. Sales between segments are carried out based on terms agreed. The revenue from external parties reported to the Board is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2011			
Total revenue	1,975,876	503,099	2,478,975
Inter-segment revenue	(5,617)	(819)	(6,436)
Revenue (from external customers)	1,970,259	502,280	2,472,539
Segment profit before income tax	183,441	54,123	237,564
Depreciation of property, plant and equipment	(87,654)	(3,619)	(91,273)
Amortisation of land use rights	(2,923)	(33)	(2,956)
Amortisation of intangible assets	(4,571)	(4,799)	(9,370)
Finance income	6,911	489	7,400
Finance costs	(12,973)	—	(12,973)
Share of profit of an associate	62	—	62
Share of profit of a jointly controlled entity	524	—	524
Income tax expense	(34,971)	(21,504)	(56,475)
	OEM	Retail	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 December 2010			
Total revenue	2,151,573	415,070	2,566,643
Inter-segment revenue	(4,690)	(857)	(5,547)
Revenue (from external customers)	2,146,883	414,213	2,561,096
Segment profit before income tax	274,482	70,899	345,381
Depreciation of property, plant and equipment	(94,710)	(2,611)	(97,321)
Amortisation of land use rights	(2,112)	(32)	(2,144)
Amortisation of intangible assets	(4,571)	(4,799)	(9,370)
Finance income	2,617	547	3,164
Finance costs	(2,052)	(2,212)	(4,264)
Share of profit of an associate	49	—	49
Share of loss of a jointly controlled entity	(59)	—	(59)
Income tax expense	(43,278)	(23,613)	(66,891)

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

	OEM <i>HK\$'000</i>	Retail <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2010			
Total assets	2,149,175	446,781	2,595,956
Total assets include:			
Interest in an associate	1,652	—	1,652
Interest in a jointly controlled entity	1,622	—	1,622
Additions to non-current assets (other than financial instruments and deferred income tax assets)	50,296	2,439	52,735

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Total segment profit before income tax	237,564	345,381
Net fair value losses of financial assets at fair value through profit or loss	(1,216)	(4,539)
Corporate overhead	(9,789)	(8,906)
Rental income	516	516
Share of losses of associates	(1,277)	(413)
Profit before income tax	225,798	332,039

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Total segment assets	2,787,925	2,595,956
Financial assets at fair value through profit or loss	21,002	24,745
Corporate assets	1,792	1,155
Investment properties	14,000	8,000
Deferred income tax assets	41,575	31,873
Available-for-sale financial asset	2,093	—
Tax recoverable	1,528	1,101
Interest in associates	539,805	425,035
Total assets per consolidated balance sheet	3,409,720	3,087,865

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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
North America	1,562,945	1,686,212
European Union	170,101	166,865
Mainland China	661,427	652,915
Hong Kong	29,960	15,052
Other countries	48,106	40,052
	<u>2,472,539</u>	<u>2,561,096</u>

The total of non-current assets other than interests in associates, interest in a jointly controlled entity, available-for-sale financial asset and deferred income tax assets (there are no employment benefit assets and rights arising under insurance contracts) located in the following geographical areas are as follows:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Mainland China	998,729	1,018,893
Hong Kong	49,792	49,073
North America	377	444
	<u>1,048,898</u>	<u>1,068,410</u>

For the year ended 31 December 2011, revenues of approximately HK\$286,954,000 (2010: HK\$322,010,000) are derived from a single external customer. These revenues are attributable to the OEM reportable segments and accounted for greater than 10% of the Group's revenue.

3 OTHER INCOME

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Commission income	3,904	6,993
Government grants	281	6,289
Rental income	516	516
Others	2,779	5,415
	<u>7,480</u>	<u>19,213</u>

4 OTHER LOSSES, NET

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Net exchange losses	(11,278)	(7,896)
Gain on disposal of a subsidiary	—	1,039
Fair value gain on investment properties	6,000	1,000
Net fair value losses of financial assets at fair value through profit or loss	(1,216)	(4,539)
Net fair value gains/(losses) of foreign exchange forward contracts	612	(40)
Gain on disposal of property, plant and equipment	146	38
	<u>(5,736)</u>	<u>(10,398)</u>

5 OPERATING PROFIT

Operating profit is stated after charging the following:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Amortisation of land use rights	2,956	2,144
Amortisation of intangible assets	9,370	9,370
Depreciation of property, plant and equipment	<u>91,273</u>	<u>97,321</u>

6 FINANCE INCOME AND COSTS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Finance income — interest income on		
— bank deposits	7,275	3,019
— amount due from an associate	<u>125</u>	<u>145</u>
	7,400	3,164
Finance costs — interest expense on		
— bank borrowings	<u>(12,973)</u>	<u>(4,264)</u>
	<u>(5,573)</u>	<u>(1,100)</u>

7 INCOME TAX EXPENSE

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Current income tax		
— Hong Kong profits tax (<i>Note (a)</i>)	19,858	27,045
— PRC enterprise income tax (<i>Note (b)</i>)	49,241	48,216
— Over-provision in prior years	(363)	(246)
Deferred income tax	<u>(12,261)</u>	<u>(8,124)</u>
	<u>56,475</u>	<u>66,891</u>

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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. Income tax was calculated at rates given under the concessions.

8 EARNINGS PER SHARE

- (a) The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of approximately HK\$170,219,000 (2010: HK\$266,997,000) and weighted average number of ordinary shares in issue during the year of 2,096,833,918 (2010: 2,095,161,836).
- (b) Diluted earnings per share is calculated based on the profit attributable to equity holders of the Company of approximately HK\$170,219,000 (2010: HK\$266,997,000), and the weighted average number of ordinary shares of 2,097,057,889 (2010: 2,096,053,938) 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 223,971 (2010: 892,102) deemed to be issued at no consideration if all outstanding share option granted under the Share Option Scheme had been exercised.

9 DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<i>Interim</i>		
Interim dividend, paid, of HK2.25 cents (2010: HK3.48 cents) per ordinary share	47,190	72,931
Special dividend, paid, of HK0.45 cent (2010: HK0.69 cent) per ordinary share	9,438	14,462
<i>Final (Note)</i>		
Proposed final dividend of HK1.64 cents (2010: HK2.90 cents) per ordinary share	34,396	60,786
Proposed special dividend of HK1.11 cents (2010: HK1.85 cents) per ordinary share	23,280	38,777
	<u>114,304</u>	<u>186,956</u>

Note:

The amount of 2011 proposed final and special dividends is based on 2,097,318,000 shares in issue as at 23 March 2012 (2010: 2,096,068,000 shares in issue as at 30 March 2011).

At a meeting held on 23 March 2012, the directors proposed a special dividend of HK1.11 cents per ordinary share in addition to a final dividend of HK1.64 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 2012.

10 TRADE AND OTHER RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Trade and bill receivables	494,346	455,118
Less: Provision for impairment	<u>(10,958)</u>	<u>(8,278)</u>
Trade and bill receivables, net	483,388	446,840
Amounts due from associates	20,546	3,906
Amount due from a jointly controlled entity	323	3,276
Other receivables and prepayments	<u>119,583</u>	<u>128,778</u>
	<u>623,840</u>	<u>582,800</u>

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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
0 to 30 days	221,250	232,386
31 to 60 days	103,441	125,937
61 to 90 days	51,874	41,543
Over 90 days	<u>117,781</u>	<u>55,252</u>
	<u>494,346</u>	<u>455,118</u>

For OEM garment sales, the Group's trade receivables from its customers are generally settled by way of letters of credit or telegraphic transfer with credit periods of not more than 90 days. The grant of open account terms without security coverage is generally restricted to large or long-established customers with good repayment history. Sales to these customers comprise a significant proportion of the Group's OEM garment sales. On the other hand, for new and existing customers with short trading history, letters of credit issued by these customers are normally demanded for settlement purposes.

For sales of branded fashion apparel to franchisees, the Group normally requests payments in advance or deposits from such customers, with the remaining balances settled immediately upon delivery of goods. The Group also grants open account terms of 30 credit days to long-established customers with good repayment history.

Retail sales are settled in cash or by credit cards or collected by department stores on behalf of the Group. The department stores are normally required to settle the proceeds to the Group within 2 months from the date of sale.

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

As at 31 December 2011, trade and bill receivables of approximately HK\$134,323,000 (2010: HK\$78,213,000) were past due but not considered impaired, including certain trade receivables of approximately of HK\$93,044,000 due by Bernard Chaus, Inc. ("Bernard Chaus"). In order to facilitate the continuous business development of Bernard Chaus under the existing management with fixed repayment schedules for these outstanding receivables due from Bernard Chaus as at 31 December 2011 and to secure certain rights for the Group for these receivables, the Group entered into a debt restructuring arrangement with Bernard Chaus and certain of its subsidiaries on 20 January 2012. Pursuant to the debt restructuring agreement, the trade receivable amounting to US\$12,000,000 (equivalent to approximately HK\$93,044,000) due by Bernard Chaus as at 1 September 2011 was converted into two senior unsecured promissory notes of the same amount which will be payable in various installments until the end of 2016. In addition, the Group will be entitled to an interest on the principal amount of these promissory notes at the rate of 5.25% per annum from the date of these notes until the principal amount thereof is repaid in full.

11 TRADE AND OTHER PAYABLES

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade and bill payables	280,160	221,713
Other payables and accruals	152,128	129,305
Amount due to an associate	1,313	1,496
Amount due to a jointly controlled entity	829	—
	<u>434,430</u>	<u>352,514</u>

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

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	208,001	141,006
31 to 60 days	44,370	40,082
61 to 90 days	8,645	19,825
Over 90 days	19,144	20,800
	<u>280,160</u>	<u>221,713</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

2011 was a year in which there was a gloomy and unpredictable economic outlook in different countries — particularly in Europe — that severely impacted and weakened the global economy, resulting in a business downturn in almost all areas of businesses. The fashion and textile industry was not an exception, and pricier segments and branded goods fared better in general.

OEM/ODM Business

The Group's export business, which represents our principal source of income, was steady in 2011, generating a total of HK\$1,970.3 million representing 79.7% of the Group's total revenue. The Group has managed to closely monitor and control the balance of rising costs in raw materials, labour, foreign exchange and other related factors against a decreasing consumer potential, which has permitted it to perform satisfactorily in a very difficult market environment and amidst strong competition.

Brand Retail Business

The Group has continuously upgraded its brand retail business with a double-digit growth in turnover, which accounting for 20.3% of the Group's revenue. As at 31 December, 2011, the Group's sales network in China included 435 retail outlets with a total revenue of HK\$502.2 million.

(2) Financial Review

Results Performance

During the year ended 31 December 2011, the Group's revenue amounted to HK\$2,472.5 million, representing a decrease of 3.5% as compared with HK\$2,561.1 million in 2010. The gross profit for the year ended 31 December 2011 was HK\$769.7 million, representing a decrease of 3.8% as compared with HK\$799.8 million in 2010. The net profit attributable to equity holders was approximately HK\$170.2 million. Earnings per share were HK8.12 cents and net asset value per share was HK\$1.3.

OEM and ODM Business

During the year ended 31 December 2011, the turnover derived from our OEM/ODM business recorded a decrease to HK\$1,970.3 million from HK\$2,146.9 million in 2010. Apparel in silk, cotton and synthetic fabrics continues to be the major products of the Group, which contributed HK\$1,621.3 million (2010: HK\$1,710.1 million), representing 82.3% (2010: 79.7%) of the total turnover of our OEM/ODM business.

The North America market continues to be the Group's principal market with sales amounted to HK\$1,562.9 million (2010: HK\$1,686.2 million), representing 79.3% (2010: 78.5%) of the total revenue of our OEM/ODM business. During the year ended 31 December 2011, sales to European Union and other markets were HK\$170.1 million (2010: HK\$166.9 million) and HK\$237.3 million (2010: HK\$293.8 million), respectively.

Brand Retail Business

During the year ended 31 December 2011, retail sales increased to HK\$502.2 million compared with HK\$414.2 million for the year 2010. Finity, the major brand of the Group, contributed HK\$277.9 million to the retail business, representing an increase of 38.7% as compared with HK\$200.3 million for the year 2010.

In terms of retail revenue analysis by sales channel, sales from concessions amounted to HK\$352.9 million (2010 : HK\$298.6 million), accounting for 70.3% of total retail turnover. Sales from freestanding stores and franchisees amounted to HK\$39.8 million (2010 : HK\$28.1 million) and HK\$109.5 million (2010 : HK\$87.5 million) respectively.

Liquidity and Financial Resources

During the year ended 31 December 2011, the working capital needs of the Group were principally satisfied by our business operations. As at 31 December 2011, the Group had cash and cash equivalents of HK\$362.6 million, representing an increase of HK\$22.6 million as compared with HK\$340.0 million as at 31 December 2010. The Group's total bank borrowings were HK\$200.5 million (31 December 2010: HK\$66.5 million) and were repayable within one year. The debt to equity ratio (total borrowings as a percentage of total equity) was 7.3% (31 December 2010: 2.5%). Based on the net cash position, the Group continues to retain good and solid working capital and liquidity.

The sales of the Group are mainly denominated in US dollars and Renminbi and the purchase of raw materials are mainly made in Renminbi, US dollars and Hong Kong dollars. As at 31 December 2011, most of the cash and cash equivalents, and bank borrowings were denominated in US dollars, Renminbi and Hong Kong dollars. Hence, the Group has no significant exposure to foreign exchange risk.

Advancement to Bernard Chaus

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

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

The Directors consider that the debt restructuring agreement and the Promissory Notes are beneficial to the Group with an agreed repayment timetable for the amount due from Bernard Chaus. The debt restructuring agreement also facilitates the continuous business development of Bernard Chaus with additional protection to be provided to the Group for the recovery of the amount due from Bernard Chaus.

(3) Outlook

The economic outlook in 2012 remains uncertain as expectation of financial recovery in the USA and Europe may not be materialised. This is particularly the case amongst member countries in the European Union where certain members continued to struggle against possible economic downturn and the rate of unemployment remains at high level. Overall, the picture does not bode well for a quick recovery.

OEM/ODM Business

Strong management and close cost control continue to be the focus of the Group in its OEM/ODM business to survive the current economic crisis, sustain profitability and combat competitiveness in such a despondent global business environment. Leveraging on its reputation as a preferred business partner, the Group's portfolio of customers and orders are steady although turnover and actual selling prices continue to suffer as a result of reduced consumer power impacting the Group's profit margins; however, the Group's finance remains strong under its risk management.

Brand Retail Business

The Group's retailing business in China remains strong and steady under the Group's experienced and extensive management with increased efforts applied to upgrade its structure including a more inviting working environment and increased professional training at all levels for its personnel, in particular for the sales teams responsible for the brands' marketing, merchandising and sales.

Innovation, creativity and expansion continue to be the focus of the Group to meet fashion demands and customer needs, and maintain profitability and edge in a market which has shown a slower growth in 2011 compared to 2010.

The Group's acknowledged reputation as a partner of choice in China retailing continues to attract propositions for collaboration from international brands seeking to establish themselves in a market which, today, remains one of the strongest in the fashion consumer industry.

Capital Markets

The Group remains financially strong and, as at 31 December 2011, has cash and bank balances exceeding HK\$534.9 million. The Group continues to exploit potential market opportunities globally to achieve optimum results and a maximized return to shareholders and investors.

(4) Human Resources

As at 31 December 2011, the Group comprises approximately 10,000 full-time employees in Mainland China, Hong Kong and the United States.

The Group recognises the importance of fostering good relationships with our employees and has established an incentive bonus scheme for them pursuant to which their bonus entitlements are determined with reference to the performance of the Group and individual employees, which are reviewed every year. Our Directors believe that a comparative remuneration scheme, a safe and comfortable workplace and career development opportunities provide 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 2011.

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 22 March 2012.

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 2011 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 23 March 2012, the Directors proposed a special dividend of HK1.11 cents per share in addition to a final dividend of HK1.64 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 6 June 2012.

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, 23 March 2012