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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

	2012 *HK$ million*	2011 *HK$ million*	*% Change*
Revenue			
OEM Business	**2,109.8**	1,970.3	7.1
Fashion Retail Business	**472.2**	502.2	(6.0)
	2,582.0	2,472.5	4.4
Operating profit	**214.4**	232.1	(7.6)
Profit attributable to the Company's equity holder	**154.9**	170.2	(9.0)
Dividend per share *(HK cents)*	**3.70**	5.45	
Dividend payout ratio	**50%**	67%	
Equity attributable to the Company's equity holders	**2,806.1**	2,693.0	4.2
Equity per share *(HK$)*	**1.3**	1.3	—

FINAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Ting Group Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2012, together with the comparative figures for the year 2011, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

	Note	**2012** *HK$'000*	2011 *HK$'000*
Revenue	2	**2,582,040**	2,472,539
Cost of sales		**(1,808,881)**	(1,702,807)
Gross profit		**773,159**	769,732
Other income	3	**13,564**	7,480
Other gains/(losses), net	4	**5,642**	(5,736)
Selling, marketing and distribution costs		**(295,959)**	(279,831)
Administrative expenses		**(282,002)**	(259,583)
Operating profit	5	**214,404**	232,062
Finance income	6	**27,769**	7,400
Finance costs	6	**(12,546)**	(12,973)
Share of losses of associates		**(3,604)**	(1,215)
Share of (loss)/profit of a jointly controlled entity		**(143)**	524
Profit before income tax		**225,880**	225,798
Income tax expense	7	**(72,116)**	(56,475)
Profit for the year		**153,764**	169,323
Other comprehensive income/(loss)			
Change in fair value of available-for-sale financial asset		**—**	(233)
Reclassification adjustment upon disposal of an available-for-sale financial asset		**233**	—
Currency translation differences		**15,703**	96,972
Deregistration of a subsidiary		**(5,439)**	—
Other comprehensive income, net of tax		**10,497**	96,739
Total comprehensive income		**164,261**	266,062

	Note	2012 HK$'000	2011 HK$'000
Profit/(loss) attributable to:			
Equity holders of the Company		**154,919**	170,219
Non-controlling interests		**(1,155)**	(896)
		153,764	169,323
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**164,480**	265,058
Non-controlling interests		**(219)**	1,004
		164,261	266,062
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share)			
— basic	8	**7.39 cents**	8.12 cents
— diluted	8	**7.39 cents**	8.12 cents
Dividends	9	**77,647**	114,304

CONSOLIDATED BALANCE SHEET

As at 31 December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**740,938**	796,698
Investment properties		**18,000**	14,000
Land use rights		**90,488**	93,120
Interests in associates		**566,382**	541,519
Loan to an associate		**238,125**	—
Interest in a jointly controlled entity		**2,003**	2,146
Intangible assets		**135,954**	145,080
Available-for-sale financial asset		**—**	2,093
Promissory notes	10	**71,235**	—
Entrusted loans	10	**37,019**	—
Deposit	10	**12,713**	—
Deferred income tax assets		**43,291**	41,575
		1,956,148	1,636,231
Current assets			
Inventories		**563,673**	592,193
Trade and other receivables	10	**625,968**	623,840
Tax recoverable		**2,508**	1,528
Financial assets at fair value through profit or loss		**18,736**	21,002
Cash and bank balances		**428,711**	534,926
		1,639,596	1,773,489
Total assets		**3,595,744**	3,409,720
EQUITY			
Equity attributable to equity holders of the Company			
Share capital		**209,857**	209,732
Reserves		**2,518,584**	2,425,598
Proposed dividends		**77,647**	57,676
		2,806,088	2,693,006
Non-controlling interests		**42,460**	42,679
Total equity		**2,848,548**	2,735,685

	Note	**2012** *HK$'000*	2011 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**15,665**	16,370
Current liabilities			
Trade and other payables	11	**422,423**	434,430
Bank borrowings		**293,096**	200,499
Current income tax liabilities		**16,012**	22,736
		731,531	657,665
Total liabilities		**747,196**	674,035
Total equity and liabilities		**3,595,744**	3,409,720
Net current assets		**908,065**	1,115,824
Total assets less current liabilities		**2,864,213**	2,752,055

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, as explained below.

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 amendments to standards are mandatory for the first time for the financial year beginning 1 January 2012, but do not have significant financial impact to the Group.

HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 1 (Amendment)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
HKFRS 7 (Amendment)	Disclosures — Transfers of Financial Assets

(b) The following new standards, amendments/revisions to standards and interpretation have been issued, but are not effective for the financial year beginning 1 January 2012 and have not been early adopted.

		Effective for accounting periods beginning on or after
HKAS 1 (Amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (Amendment)	Employee Benefits	1 January 2013
HKAS 27 (Revised)	Separate Financial Statements	1 January 2013
HKAS 28 (Revised)	Associates and Joint Ventures	1 January 2013
HKFRS 1 (Amendment)	First-time adoption of HKFRSs — government loans	1 January 2014
HKFRS 7 (Amendment)	Financial Instruments: Disclosure — Offsetting Financial Assets and Financial Liabilities	1 January 2013
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date and Transition Disclosures	1 January 2015
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
HKFRS 32 (Amendment)	Financial Instruments: Disclosure — Offsetting Financial Assets and Financial Liabilities	1 January 2014
HK(IFRIC) — Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Annual improvements project	Improvements to HKASs and HKFRSs 2011	1 January 2013

HKFRS 10, "Consolidated financial statements" replaces all of the guidance on control and consolidation in HKAS 27 "Consolidated and separate financial statements", and SIC — 12 "Consolidation — special purpose entities". HKAS 27 is renamed as "Separate financial statements", and it continues to be a standard dealing solely with separate financial statements. The existing guidance for separate financial statements is unchanged. HKFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control. The Group will adopt HKFRS 10 from 1 January 2013. The Group has performed an assessment and concluded the adoption of HKFRS 10 does not have a significant impact on the Group.

For the other remaining, 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 executive directors. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the Group has three reportable segments: (1) manufacturing and sale of garments on an OEM basis ("OEM"); (2) manufacturing and retailing of branded fashion apparel ("Retail"); and (3) property development in the PRC ("Property development").

The executive directors assess 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 executive directors.

Total segment assets exclude investment properties, deferred income tax assets, financial assets at fair value through profit or loss, entrusted loans 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 executive directors is measured in a manner consistent with that in the consolidated statement of comprehensive income.

	OEM	Retail	Property development	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2012				
Total revenue	**2,113,956**	**472,175**	**—**	**2,586,131**
Inter-segment revenue	**(4,091)**	**—**	**—**	**(4,091)**
Revenue (from external customers)	**2,109,865**	**472,175**	**—**	**2,582,040**
Segment profit/(loss) before income tax	**202,445**	**28,542**	**(1,632)**	**229,355**
Depreciation of property, plant and equipment	**(104,488)**	**(5,459)**	**—**	**(109,947)**
Amortisation of land use rights	**(3,164)**	**(34)**	**—**	**(3,198)**
Amortisation of intangible assets	**(4,571)**	**(4,799)**	**—**	**(9,370)**
Loss on conversion of trade receivables to promissory notes	**(10,005)**	**—**	**—**	**(10,005)**
Finance income	**26,118**	**1,651**	**—**	**27,769**
Finance costs	**(12,546)**	**—**	**—**	**(12,546)**
Share of profits/(losses) of associates	**34**	**(2,006)**	**(1,632)**	**(3,604)**
Share of loss of a jointly controlled entity	**(143)**	**—**	**—**	**(143)**
Income tax expense	**(57,967)**	**(14,149)**	**—**	**(72,116)**

	OEM *HK$'000*	Retail *HK$'000*	Property development *HK$'000*	Total *HK$'000*
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/(loss) before income tax	183,441	54,123	(1,277)	236,287
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 profits/(losses) of associates	62	—	(1,277)	(1,215)
Share of profit of a jointly controlled entity	524	—	—	524
Income tax expense	(34,971)	(21,504)	—	(56,475)

	OEM ***HK$'000***	**Retail** ***HK$'000***	**Property development** ***HK$'000***	**Total** ***HK$'000***
As at 31 December 2012				
Total segment assets	**1,989,223**	**695,927**	**790,779**	**3,475,929**
Total segment assets include:				
Interests in associates	**2,365**	**11,363**	**552,654**	**566,382**
Interest in a jointly controlled entity	**2,003**	**—**	**—**	**2,003**
Additions to non-current assets (other than financial instruments and deferred income tax assets)	**15,381**	**37,369**	**248,945**	**301,695**

	OEM *HK$'000*	Retail *HK$'000*	Property development *HK$'000*	Total *HK$'000*
As at 31 December 2011				
Total segment assets	2,195,258	592,667	539,805	3,327,730
Total segment assets include:				
Interests in associates	1,714	—	539,805	541,519
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	96,742	141,918

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

	2012	2011
	HK$'000	*HK$'000*
Total segment profit before income tax	**229,355**	236,287
Net fair value gains/(losses) of financial assets at fair value through profit or loss	**2,116**	(1,216)
Corporate overhead	**(8,779)**	(9,789)
Rental income	**630**	516
Gain on disposal of an available-for sale financial asset	**2,558**	—
Profit before income tax per consolidated statement of comprehensive income	**225,880**	225,798

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

	2012	2011
	HK$'000	*HK$'000*
Total segment assets	**3,475,929**	3,327,730
Financial assets at fair value through profit or loss	**18,736**	21,002
Corporate assets	**261**	1,792
Investment properties	**18,000**	14,000
Deferred income tax assets	**43,291**	41,575
Available-for-sale financial asset	**—**	2,093
Entrusted loans	**37,019**	—
Tax recoverable	**2,508**	1,528
Total assets per consolidated balance sheet	**3,595,744**	3,409,720

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:

	2012	2011
	HK$'000	*HK$'000*
North America	**1,630,249**	1,562,945
European Union	**200,151**	170,101
Mainland China	**644,944**	661,427
Hong Kong	**96,702**	29,960
Other countries	**9,994**	48,106
	2,582,040	2,472,539

The total of non-current assets other than interests in associates, loan to an associate, interest in a jointly controlled entity, available-for-sale financial asset, promissory notes, entrusted loans 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:

	2012	2011
	HK$'000	*HK$'000*
Mainland China	**936,111**	998,729
Hong Kong	**61,659**	49,792
North America	**323**	377
	998,093	1,048,898

For the year ended 31 December 2012, revenues of approximately HK$366,875,000 (2011: HK$286,954,000) are derived from a single external customer (2011: one). These revenues are attributable to the OEM reportable segments and accounted for greater than 10% of the Group's revenue.

3 OTHER INCOME

	2012	2011
	HK$'000	*HK$'000*
Commission income	**5,162**	3,904
Government grants	**41**	281
Rental income	**1,968**	516
Others	**6,393**	2,779
	13,564	7,480

4 OTHER GAINS/(LOSSES), NET

	2012	2011
	HK$'000	*HK$'000*
Net exchange gains/(losses)	**1,803**	(11,278)
Fair value gain on investment properties	**4,000**	6,000
Net fair value gains/(losses) of financial assets at fair value through profit or loss	**2,116**	(1,216)
Net fair value gains of foreign exchange forward contracts	**—**	612
(Loss)/gain on disposal of property, plant and equipment	**(269)**	146
Gain on deregistration of a subsidiary	**5,439**	—
Loss on conversion of trade receivables to promissory notes	**(10,005)**	—
Gain on disposal of an available-for-sale financial asset	**2,558**	—
	5,642	(5,736)

5 OPERATION PROFIT

Operating profit is stated after charging the following:

	2012	2011
	HK$'000	*HK$'000*
Amortisation of land use rights	**3,198**	2,956
Amortisation of intangible assets	**9,370**	9,370
Depreciation of property, plant and equipment	**109,947**	91,273

6 FINANCE INCOME AND COSTS

	2012	2011
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**9,793**	7,275
— amount due from an associate	**130**	125
— loan to an associate	**9,501**	—
— promissory notes	**8,345**	—
	27,769	7,400
Finance costs — interest expense on		
— bank borrowings	**(12,546)**	(12,973)
	15,223	(5,573)

7 INCOME TAX EXPENSE

	2012	2011
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax *(Note (a))*	**17,946**	19,858
— PRC enterprise income tax *(Note (b))*	**52,240**	49,241
— Over-provision in prior years	**(4)**	(363)
— PRC corporate withholding income tax *(Note (c))*	**4,236**	—
Deferred income tax	**(2,302)**	(12,261)
	72,116	56,475

Notes:

(a) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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% were offered a gradual increase of tax rate to 25% within 5 years. Certain subsidiaries of the Group established in the PRC enjoyed preferential income tax rate from 2008 to 2012 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.

(c) Under the new Corporate Income Tax Law, corporate withholding income tax is levied on the foreign investor incorporated in Hong Kong for dividend which arises from profit of foreign investment enterprises earned after 1 January 2008 at a tax rate of 5%.

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$154,919,000 (2011: HK$170,219,000) and weighted average number of ordinary shares in issue during the year of 2,097,331,661 (2011: 2,096,833,918).

(b) As there was no potential dilutive share for the year ended 31 December 2012, diluted earnings per share equal to the basic earnings per share. Diluted earnings per share for the year ended 31 December 2011 was calculated based on the profit attributable to equity holders of the Company of approximately HK$170,219,000, and the weighted average number of ordinary shares of 2,097,057,889 which was 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 deemed to be issued at no consideration if all outstanding share option granted under the Share Option Scheme had been exercised.

9 DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim		
Nil interim dividend (2011: HK2.25 cents) per ordinary share	**—**	47,190
Nil special dividend (2011: HK0.45 cent) per ordinary share	**—**	9,438
Final *(Note)*		
Proposed final dividend of HK3.70 cents (2011: HK1.64 cents) per ordinary share	**77,647**	34,396
Nil special dividend (2011: HK1.11 cents per ordinary share)	**—**	23,280
	77,647	114,304

Note:

The amount of 2012 proposed final dividend is based on 2,098,568,000 shares in issue as at 26 March 2013 (2011: 2,097,318,000 shares in issue as at 23 March 2012).

At a meeting held on 26 March 2013, the directors proposed a final dividend of HK3.70 cents per ordinary share. The proposed dividend is 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 2013.

10 TRADE AND OTHER RECEIVABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bill receivables	**457,801**	494,346
Less: Provision for impairment	**(12,837)**	(10,958)
Trade and bill receivables, net	**444,964**	483,388
Amounts due from associates	**26,179**	20,546
Amount due from a jointly controlled entity	**325**	323
Promissory notes *(Note (a))*	**86,693**	—
Entrusted loans *(Note (b))*	**37,019**	—
Other receivables, deposits and prepayments	**151,755**	119,583
	746,935	623,840
Less: Non-current portion of promissory notes, entrusted loans and deposit	**(120,967)**	—
	625,968	623,840

The amounts due from associates and a jointly controlled entity are unsecured, interest-free and repayable on demand, except for the amount due from an associate of approximately HK$2,487,000 (2011: HK$2,468,000), which bears interest at 6.65% (2011: 5.4%) per annum.

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

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**222,499**	221,250
31 to 60 days	**114,094**	103,441
61 to 90 days	**56,927**	51,874
Over 90 days	**64,281**	117,781
	457,801	494,346

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.

The carrying amounts of trade and other receivables approximate their fair values.

Notes:

(a) Promissory Notes

The promissory notes represent two senior unsecured promissory notes with principal amounting to US$12,000,000 (equivalent to approximately HK$92,820,000) converted from trade receivables due from a major customer which will be payable in various installments until the end of 2016. The promissory notes are interest bearing at 5.25% per annum. As a result of conversion of trade receivables to promissory notes on 20 January 2012, loss of approximately HK$10,005,000 has been recognised in "other gains/(losses), net" during the year.

(b) Entrusted loans

The entrusted loans represent three secured entrusted loans with total principals amounting to RMB30,000,000 (equivalent to approximately HK$37,019,000) due from a company established in the PRC through a lending agent, a commercial bank in the PRC. The entrusted loans are interest bearing at 18% per annum payable on a quarterly basis and the principal will be payable on or before 25 December 2014. Affiliates of the borrower pledged to the lending agent certain number of properties located at Yuhang District in Hangzhou as collaterals. Corporate guarantee was provided by an affiliate of the borrower in favour of the lending agent to secure the obligation of the borrower under the entrusted loan agreements.

11 TRADE AND OTHER PAYABLES

	2012	2011
	HK$'000	*HK$'000*
Trade and bill payables	**246,111**	280,160
Other payables and accruals	**172,507**	152,128
Amount due to an associate	**1,170**	1,313
Amount due to a jointly controlled entity	**2,635**	829
	422,423	434,430

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

	2012	2011
	HK$'000	*HK$'000*
0 to 30 days	**170,847**	208,001
31 to 60 days	**34,514**	44,370
61 to 90 days	**12,339**	8,645
Over 90 days	**28,411**	19,144
	246,111	280,160

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

12 EVENT AFTER THE BALANCE SHEET DATE

On 5 February 2013, the Group entered into eight entrusted loan agreements ("Agreements") with Zhongdou Group Holdings Limited ("Borrower"), a company established in the PRC. Pursuant to the Agreements, the Group provided eight entrusted loans ("Entrusted Loans") with principals amounting to RMB130,000,000 (equivalent to approximately HK$161,671,000) to the Borrower through Ningbo Bank Corporation, a PRC commercial bank.

The Entrusted Loans were for a term of 12 months commencing from 6 February 2013 with an interest rate of 18% per annum on the outstanding principal balances. The interest payable by the Borrower was on a monthly basis. Under the Entrusted Loans, affiliates of the Borrower pledged to Ningbo Bank Corporation a parcel of land with a total area of 103,945.6 square meters located at Lin'an City in Hangzhou as collateral. Corporate and personal guarantees were also provided by affiliates and shareholders of the Borrower in favour of Ningbo Bank Corporation to secure the obligation of the Borrower under the Agreements.

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Business Review

Overview

The fashion and textile industry experienced a challenging time in the second half of 2012. The Gorup's major market, the United States, which accounted for 63.1% of the turnover, was recovering but at a pace slower than expected.

Europe also continued to struggle with its unabated debts which have dampened consumers' confidence.

Meanwhile, China's economy is losing its strong growth, partly due to the sluggish global economy and continuing uncertainty in the Eurozone economy. The slow growing in the PRC economy is also attributable to its own inflation.

Its strong currency, and elevated costs of labour and raw materials are factors adversely affect the Group's competitiveness in the export business, especially when compared against countries, such as India and Vietnam, and other emerging economies. Consumers' power, today, has weakened and demand veers towards a focus on price and basics.

OEM/ODM business

The Group's OEM/ODM business, which is the major source of income of the Group, increased slightly in 2012, generating a total of HK$2,109.8 million, representing 81.7% of the Group's total revenue in 2012. The segment profit before income tax from the Group's OEM/ODM business was HK$202.4 million.

Faced with keen competition from other Asian countries in a very difficult market environment, the Group continues to focus on better quality, speed to market and improving productivity, targeting new customers especially in Europe and Asia.

Fashion Retail Business

The revenue generated from the fashion retail business in 2012 was HK$472.2 million and the segment profit before income tax was HK$28.5 million.

Due to generally unstable economic conditions, the pace of China's economic growth has slackened with a decline in consumer spending power.

Management, however, still views an important potential in its long-term retail business which has been undergoing restructuring in the past year. New strategies implemented target an upgrade of brand image to support aggressive retail network expansion.

2012 has seen a new partnership between the Group and G-III Apparel Group Ltd of the USA, for an exclusive distribution of Calvin Klein's new line — "Calvin Klein — Performance" — in China and Hong Kong. This collection of trendy active-wear designed in the USA is expected to be very popular and merchandisable across a wide range of female consumers nationwide.

(2) Financial Review

Results Performance

During the year ended 31 December 2012, the Group's revenue amounted to HK$2,582.0 million, representing an increase of 4.4% as compared with HK$2,472.5 million in 2011. The gross profit for the year ended 31 December 2012 was HK$773.2 million, representing an increase of 0.5% as compared with HK$769.7 million in 2011. The net profit attributable to equity holders was HK$154.9 million. Earnings per Share were HK7.39 cents and net asset value per share was HK$1.3.

OEM and ODM Business

During the year, the revenue derived from our OEM/ODM business recorded an increase to HK$2,109.8 million from HK$1,970.3 million in 2012. Silk, cotton and synthetic fabrics continues to be the major products which contributed HK$1,686.5 million (2011:HK$1,621.3 million), representing 79.9 % (2011: 82.3 %) of the total turnover of our OEM/ODM business.

In terms of markets, sales to the US market amounted to HK$1,630.2 million (2011: 1,562.9million), which accounted for 77.3% (2011 : 79.3%) of the OEM/ODM revenue. Sales to European Union and other markets were approximately HK$200.2 million (2011 : HK$170.1 million) and HK$279.4 million (2011 : HK$237.3 million), respectively.

Fashion Retail Business

During the year ended 31 December 2012, the retail sales decreased by 6.0% from HK$502.2 million to HK$472.2 million, which was mainly due to the increase in the operating costs, intensive competition amongst the domestic fashion brands in China and the Group's strategy to reduce the level of inventory.

In terms of retail revenue analysis by sales channel, sales from concessions amounted to HK$346.5 million (2011 : HK$352.9 million), accounting for 73.4% of total retail turnover. Sales from freestanding stores and franchisees amounted to HK$38.5 million (2011 : HK$39.8 million) and HK$87.2 million (2011 : HK$109.5 million), respectively.

Advancement to Bernard Chaus

On 20 January 2012, China Ting Fashion Group (USA), LLC, a subsidiary of the Company, entered into a 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, which was the amount due from Bernard Chaus for the goods supplied by the Group, 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.

During the year ended 31 December 2012, there was no overdue amount from Bernard Chaus under the Promissory Notes. The Directors consider that the debt restructuring agreement and the Promissory Notes are beneficial to the Group with an agreed repayment timetable from Bernard Chaus.

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 of 31 December 2012, the cash and cash equivalents were approximately HK$320.4 million, representing a decrease of approximately 11.6% from approximately HK$362.6 million as at 31 December 2012. The Group had bank borrowings of HK$293.1 million (2011 : HK$200.5 million), repayable within one year. The debt to equity ratio (total borrowings as a percentage of total equity) was 10.3% (2011 : 7.3%). The Directors are confident that the Group has adequate financial resources to support its working capital requirement and future expansion.

The sales of the Group are mainly denominated in US dollars and Renminbi and the purchase of raw materials are mainly made in Renminbi, US dollars and Hong Kong dollars. As of 31 December 2012, 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

Further economic recovery in the United States is expected in 2013 though the pace is unpredictable. This, however, does not help boost consumers' confidence in the weakened international markets where promised improvement has yet to happen.

To face the coming challenges, the Group will continue to improve its efficiency and profitability in the OEM/ODM business, with design innovation, impeccable quality and speed-to-market delivery. Emphasis will be on controlling operating expenditures, improving our services to customers and making aggressive inroads in market development.

The focus of the Group continues to be on fashion retailing despite increasing competition and a market that is expected to be without much growth in 2013. The new austerity measures currently being implemented by the new Chinese government are hitting luxury brands, notably in the watch, wine and accessory fields but also top prêt-a-porter brands which are all seeing a strong drop in business.

Our brands, which do not fall into these categories, continue to expand at a relatively healthy pace although management expects to see a possible drop in profit margins because of the evident overall slowdown in consumer spending power.

Active restructuring was initiated in 2012 with the relocation of the Group's retail headquarters to Hangzhou's new Central Business District (CBD). A streamlined but more efficient team of professionals now oversee the development of each brand, most notably "Finity" for ladies and "Riverstone" for men.

Our "Calvin Klein — Performance" partnership with GIII Apparel Group Ltd of the USA is progressing well and has seen its first store opened in the fall of 2012 performing well. The brand is set to continue its aggressive growth in China's market where trendy active wear is becoming very popular and in great demand. The focal point of our attention will be to obtain the best locations for the expansion of the brand in different tiered cities.

Overall, the forecast for the year to come is conservatively optimistic although the pace will be set by the return to health of the international markets in general.

(4) Human Resources

As of 31 December 2012, the Group had approximately 10,000 full-time employees. Staff costs (excluding share-based payments) for 2012 stand at HK$558.8 million, representing an increase of approximately 8.8% over the previous year.

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

CORPORATE GOVERNANCE

The Board is committed to enhancing the corporate governance of the Group, and the Group periodically reviews, updates and improve all such necessary measures with reference to the latest corporate governance developments in order to promote good corporate governance.

The Code on Corporate Governance Practices (the "**Old Code**") as set forth in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") was amended and revised as the Corporate Governance Code (the "**CG Code**") which became effective on 1 April 2012. We have, throughout the year ended 31 December 2012, complied with the code provisions of the Old Code and the CG Code as and when they were/are applicable and in force.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

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. Having made specific enquiries, all the Directors confirmed that they have complied with the required standard set forth in the Model Code throughout the year ended 31 December 2012.

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.

AUDIT COMMITTEE

In compliance with Rule 3.21 of the Listing Rules and the CG Code, the Board has established an audit committee (the "**Audit Committee**") to review the financial reporting procedures and internal control matters with management and our Group's auditors and provide guidance thereto. The members of the Audit Committee comprise all the three independent non-executive Directors. The annual results of the Group for the financial year ended 31 December 2012 have been reviewed by the Audit Committee.

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 ended 31 December 2012.

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

This announcement is published on the websites of the Company and the Stock Exchange. The annual report of the Company for the year ended 31 December 2012 containing all the information required by the Listing Rules will be dispatched to Shareholders and available on the websites of the Stock Exchange and the Company in due course.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held in May 2013. A notice convening the Annual General Meeting will be published on the websites of the Stock Exchange and the Company and will be despatched to the Shareholders in due cause.

SPECIAL AND FINAL DIVIDEND

At a meeting held on 26 March 2013, the Directors proposed a final dividend of HK3.70 cents per share. Upon the approval to be obtained from the forthcoming annual general meeting, the final dividend will be payable on or about 14 June 2013.

APPRECIATION

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

GENERAL INFORMATION

As at the date of this announcement, the Board comprises the following Directors:

Executive Directors:
Mr. TING Man Yi *(Chairman)*
Mr. TING Hung Yi *(Chief Executive Officer)*
Mr. DING Jianer
Mr. CHEUNG Ting Yin, Peter

Independent non-executive Directors:
Dr. CHENG Chi Pang
Mr. LEUNG Man Kit
Mr. WONG Chi Keung

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

Hong Kong, 26 March 2013