



CHINA TING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3398)

UNAUDITED INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 2007

The board (the “**Board**”) of directors (the “**Directors**”) of China Ting Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006, as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	3	1,255,004	922,792
Cost of sales		<u>(827,948)</u>	<u>(576,645)</u>
Gross profit		427,056	346,147
Other income	4	1,381	210
Other gains, net	5	5,299	12,226
Selling, marketing and distribution costs		(72,798)	(55,360)
Administrative expenses		<u>(91,102)</u>	<u>(64,340)</u>
Operating profit	6	269,836	238,883
Finance income	7	8,695	16,663
Finance costs	7	<u>(2,787)</u>	<u>(1,566)</u>
Finance income, net	7	5,908	15,097
Share of profit of associates		<u>4,939</u>	<u>1,340</u>
Profit before income tax		280,683	255,320
Income tax expense	8	<u>(31,842)</u>	<u>(34,072)</u>
Profit for the period		248,841	221,248

		Six months ended 30 June	
	<i>Note</i>	2007	2006
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
Attributable to:			
Equity holders of the Company		247,923	220,660
Minority interests		918	588
		<u>248,841</u>	<u>221,248</u>
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
— basic	9	<u>12.00 cents</u>	<u>10.69 cents</u>
— diluted	9	<u>11.95 cents</u>	<u>10.64 cents</u>
Dividends	10	<u>142,657</u>	<u>132,160</u>

CONDENSED CONSOLIDATED BALANCE SHEET

	<i>Note</i>	As at 30 June 2007 <i>(Unaudited)</i> HK\$'000	As at 31 December 2006 <i>(Audited)</i> HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		486,932	452,509
Investment properties		4,940	4,940
Leasehold land and land use rights		76,514	74,339
Interest in associates		73,922	72,250
Intangible assets		54,150	43,903
Deferred income tax assets		7,574	4,153
		<u>704,032</u>	<u>652,094</u>
Current assets			
Inventories		303,652	348,197
Due from associates		3,268	3,107
Trade and bills receivable	11	316,422	305,105
Other receivables, deposits and prepayments		54,326	70,391
Tax recoverable		55,854	5,288
Financial assets at fair value through profit or loss		5,191	—
Pledged bank deposits		12,968	12,310
Term deposits with initial term of over three months		199,820	327,829
Cash and cash equivalents		655,436	497,429
		<u>1,606,937</u>	<u>1,569,656</u>
Total assets		<u><u>2,310,969</u></u>	<u><u>2,221,750</u></u>

	<i>Note</i>	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		206,625	206,625
Reserves		<u>1,746,188</u>	<u>1,600,609</u>
		1,952,813	1,807,234
Minority interests		<u>34,944</u>	<u>35,550</u>
Total equity		<u>1,987,757</u>	<u>1,842,784</u>
LIABILITIES			
Non-current liabilities			
Licence fees payable		10,009	—
Deferred income tax liabilities		<u>15,114</u>	<u>19,752</u>
		25,123	19,752
Current liabilities			
Trade and bills payable	12	166,253	223,976
Other payables and accruals		98,748	113,827
Bank borrowings		11,285	2,225
Due to an associate		3,893	5,922
Licence fees payable		2,285	—
Current income tax liabilities		<u>15,625</u>	<u>13,264</u>
		298,089	359,214
Total liabilities		<u>323,212</u>	<u>378,966</u>
Total equity and liabilities		<u>2,310,969</u>	<u>2,221,750</u>
Net current assets		<u>1,308,848</u>	<u>1,210,442</u>
Total assets less current liabilities		<u>2,012,880</u>	<u>1,862,536</u>

NOTES

1. Basis of preparation

This condensed consolidated interim financial information has been prepared in accordance with applicable provision of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” and other relevant Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2006.

2. Principal accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2006, except for the adoption of the new standard, amendment to existing standard and interpretations issued by the HKICPA which are mandatory for annual periods beginning on or after 1 January 2007.

The following new standards, amendments to existing standards and interpretations are mandatory for financial year ending 31 December 2007.

HKAS 1 (Amendment)	Presentation of Financial Statements — Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) — Int 7	Applying the Restatement Approach under HKAS 29, “Financial Reporting in Hyperinflationary Economies”
HK(IFRIC) — Int 8	Scope of HKFRS 2
HK(IFRIC) — Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) — Int 10	Interim Financial Reporting and Impairment

The adoption of the above new standard, amendment to existing standard and interpretations does not have any significant financial impact to the Group.

The Group has not early adopted the following new/revised standards and interpretations that have been issued but not yet effective for the financial year ending on 31 December 2007. The Group is in the process of assessing their impact to the Group’s results and financial position.

HKAS 23 (Revised)	Borrowing Costs ¹
HKFRS 8	Operating Segments ¹
HK(IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions ²
HK(IFRIC) — Int 12	Service Concession Arrangements ³

¹ Effective for annual periods beginning on or after 1 January 2009

² Effective for annual periods beginning on or after 1 March 2007

³ Effective for annual periods beginning on or after 1 January 2008

3. Segment information

(a) Primary reporting segment — business segments

At 30 June 2007, the Group is organised into two main business segments:

- (1) Manufacturing and sale of garments on an OEM basis; and
- (2) Retailing of branded fashion apparel.

The segment results for the six months ended 30 June 2007 are as follows:

	OEM garment sales <i>HK\$'000</i>	(Unaudited) Retailing of branded fashion apparel <i>HK\$'000</i>	Total <i>HK\$'000</i>
Gross segment sales	1,136,647	120,398	1,257,045
Elimination of inter-segment sales	(629)	(1,412)	(2,041)
Turnover	1,136,018	118,986	1,255,004
Other income	1,381	—	1,381
	<u>1,137,399</u>	<u>118,986</u>	<u>1,256,385</u>
Segment results	246,624	18,274	264,898
Unallocated gains			4,938
Operating profit			269,836
Finance income			8,695
Finance costs			(2,787)
Finance income, net			5,908
Share of profit of associates	4,939	—	4,939
Profit before income tax			280,683
Income tax expense			(31,842)
Profit for the period			<u>248,841</u>
Amortisation of leasehold land and land use rights	661	16	677
Amortisation of licence right	—	2,361	2,361
Amortisation of trademark	—	1,561	1,561
Depreciation of property, plant and equipment	18,247	1,064	19,311
Reversal of provision for impairment of trade receivables	—	(899)	(899)
Provision for inventories	4,425	—	4,425
Capital expenditure	39,650	14,328	53,978

The segment results for the six months ended 30 June 2006 are as follows:

	OEM garment sales HK\$'000	(Unaudited) Retailing of branded fashion apparel HK\$'000	Total HK\$'000
Gross segment sales	837,371	88,895	926,266
Elimination of inter-segment sales	(2,383)	(1,091)	(3,474)
Turnover	834,988	87,804	922,792
Other income	210	—	210
	<u>835,198</u>	<u>87,804</u>	<u>923,002</u>
Segment results	206,561	21,079	227,640
Unallocated gains			11,243
Operating profit			238,883
Finance income			16,663
Finance costs			(1,566)
Finance income, net			15,097
Share of profit of associates	1,340	—	1,340
Profit before income tax			255,320
Income tax expense			(34,072)
Profit for the period			<u>221,248</u>
Amortisation of leasehold land and land use rights	363	17	380
Amortisation of trademark	—	1,561	1,561
Depreciation of property, plant and equipment	10,624	1,060	11,684
Provision for impairment of trade receivables	—	154	154
Reversal of provision for inventories	—	(3,174)	(3,174)
Capital expenditure	<u>28,131</u>	<u>572</u>	<u>28,703</u>

(b) *Secondary reporting segment — geographical segments*

The Group primarily operates in Hong Kong and the People's Republic of China ("PRC"). Sales are made to overseas customers as well as customers in the PRC.

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

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
North America	989,090	721,844
The PRC (including Hong Kong)	198,906	143,846
European Union	43,881	34,672
Other countries	23,127	22,430
	<u>1,255,004</u>	<u>922,792</u>

The Group's capital expenditure, based on where the assets are located, are located in the following geographical areas:

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
The PRC (including Hong Kong)	53,865	28,703
North America	113	—
	<u>53,978</u>	<u>28,703</u>

4. **Other income**

	Six months ended 30 June	
	2007	2006
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Rental income	<u>1,381</u>	<u>210</u>

5. Other gains, net

	Six months ended 30 June	
	2007	2006
	<i>(Unaudited)</i> HK\$'000	<i>(Unaudited)</i> HK\$'000
Gain on disposal of property, plant and equipment and leasehold land and land use rights	43	9,373
Loss on disposal of an associate	(84)	—
Government grants	361	983
Gain on disposal of financial assets at fair value through profit or loss	1,924	—
Exchange gains	2,242	368
Others	813	1,502
	<u>5,299</u>	<u>12,226</u>

6. Operating profit

The following items have been charged/(credited) to the operating profit during the interim period:

	Six months ended 30 June	
	2007	2006
	<i>(Unaudited)</i> HK\$'000	<i>(Unaudited)</i> HK\$'000
Amortisation of leasehold land and land use rights	677	380
Amortisation of licence right	2,361	—
Amortisation of trademark	1,561	1,561
Depreciation of property, plant and equipment	19,311	11,684
Employee benefit expenses	160,844	129,614
Provision for/(reversal of provision for) inventories	4,425	(3,174)
(Reversal of)/provision for impairment of trade receivables	(899)	154

7. Finance income and costs

	Six months ended 30 June	
	2007	2006
	<i>(Unaudited)</i> HK\$'000	<i>(Unaudited)</i> HK\$'000
Interest income from		
— bank deposits	8,586	16,663
— amount due from an associate	109	—
	<u>8,695</u>	<u>16,663</u>
Finance income	8,695	16,663
Interest expense on		
— bank borrowings	(2,310)	(1,566)
— licence fees payable	(477)	—
	<u>(2,787)</u>	<u>(1,566)</u>
Finance costs	(2,787)	(1,566)
Net finance income	<u>5,908</u>	<u>15,097</u>

8. Income tax expense

The amount of income tax expense charged to the condensed consolidated income statement represents:

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current income tax		
— Hong Kong profits tax	20,523	19,139
— PRC enterprise income tax	19,652	14,391
Deferred income tax	(8,333)	542
	<u>31,842</u>	<u>34,072</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 17.5%) on the estimated assessable profit for the period.

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 the 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, Jiangsu Fuze Textile 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.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. Among the different changes introduced by the New Corporate Income Tax Law, there is a change in relation to the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. This change will reduce the income tax expense of certain PRC subsidiaries of the Group from 2008 onwards.

9. Earnings per share

(a) Basic

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>247,923</u>	<u>220,660</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,066,250</u>	<u>2,063,757</u>
Basic earnings per share (HK cents per share)	<u>12.00</u>	<u>10.69</u>

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	<u>247,923</u>	<u>220,660</u>
Weighted average number of ordinary shares in issue (thousands)	<u>2,066,250</u>	<u>2,063,757</u>
Adjustments for share options (thousands)	<u>8,421</u>	<u>9,545</u>
Weighted average number of ordinary shares for diluted earnings per share (thousands)	<u>2,074,671</u>	<u>2,073,302</u>
Diluted earnings per share (HK cents per share)	<u>11.95</u>	<u>10.64</u>

10. Dividends

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interim dividend, declared, of HK5.9 cents (2006: HK5.4 cents) per ordinary share	<u>121,982</u>	<u>111,510</u>
Special dividend, declared, of HK1.0 cent (2006: HK1.0 cent) per ordinary share	<u>20,675</u>	<u>20,650</u>
	<u>142,657</u>	<u>132,160</u>

Note:

At a meeting held on 18 September 2007, the directors declared a special dividend of HK1.0 cent per ordinary share in addition to an interim dividend of HK5.9 cents per ordinary share. The declared dividends are not reflected as a dividend payable in the interim financial information, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2007.

11. Trade and bills receivable

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

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
0 to 30 days	198,485	221,304
31 to 60 days	78,992	62,059
61 to 90 days	31,814	17,343
Over 90 days	8,799	6,926
	<u>318,090</u>	<u>307,632</u>
Less: Provision for impairment of trade receivable	<u>(1,668)</u>	<u>(2,527)</u>
	<u><u>316,422</u></u>	<u><u>305,105</u></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 customers 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 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 receivable are with average maturity dates of within 2 months.

As of 30 June 2007, the reversal of provision for impairment of trade receivables amounted to HK\$899,000 (2006: provision of HK\$154,000). These have been included in administrative expenses in the condensed consolidated income statement.

12. Trade and bills payable

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

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
0 to 30 days	93,839	172,735
31 to 60 days	42,678	31,367
61 to 90 days	12,098	6,299
Over 90 days	17,638	13,575
	<hr/> 166,253 <hr/>	<hr/> 223,976 <hr/>

INTERIM DIVIDEND

In light of the good performance of the Group, the Board recommends and declares a special dividend of HK1.0 cent for each Share in addition to an interim dividend of HK5.9 cents for each Share for the six months ended 30 June 2007 to shareholders whose names appeared on the register of members of the Company on 10 October 2007. The Directors expect the interim dividend to be payable on or about 16 October 2007.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 October 2007 to 10 October 2007, both days inclusive, during which no transfer of Shares will be registered. To qualify for the interim dividend (which will be payable on or about 16 October 2007), shareholders of the Company must ensure that all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's share registrar, 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 5 October 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

Original Equipment Manufacturer ("OEM") Business

During the period under review, the annual production capacity of the Group's OEM increased from approximately 16.3 million pieces to approximately 20.0 million pieces. Hence, the Group's revenue attributable to its OEM business increased by approximately 36.0% to approximately HK\$1,136.0 million. In addition to silk or silk-blended garment, the Group diversified its OEM product mix by producing apparel items in cotton, cotton-blended or synthetic fabrics. During the six months ended 30 June 2007, the Group's turnover derived from OEM sales of non-silk apparel items, i.e. apparel items in cotton, cotton-blended or synthetic fabrics, amounted to approximately HK\$351.1 million, representing approximately 30.9% of the total OEM turnover (2006: 13.2%).

Fashion Retail Business

The Group continued to focus on and achieved steady growth in the sales derived from its retail business. During the period under review, the Group rationalised some underperformed shops and renovated and strengthened the shop image. The Group also expanded the retail network in response to the increasingly keen competition in the apparel retail market in China. All retail shops were operated under the five brands of “FINITY”, “DBNI”, “ELANIE”, “RIVERSTONE” and “LEE COOPER” and two licensed brands of “MAX STUDIO” and “BURLINGTON HOUSE”. During the period under review, the Group’s revenue attributable to fashion retail business increased by approximately 35.5%.

2. Financial Review

During the period under review, the Group’s revenue amounted to HK\$1,255.0 million, representing an increase of 36.0% as compared with HK\$922.8 million during the same period in 2006. The gross profit margin for the period under review was 34.0% which was slightly lower than 37.5% for the same period in 2006, principally due to increase in turnover attributable to non-silk apparel item, which have lower gross profit margin. The net profit attributable to equity holders was HK\$247.9 million, representing an increase of 12.4% as compared with HK\$220.7 million during the same period in 2006. Earnings per share were HK12.00 cents, representing HK1.31 cents higher as compared to HK10.69 cents of the same period last year.

OEM Business

During the period under review, the OEM revenue recorded an increase from approximately HK\$835.0 million for the same period in 2006 to approximately HK\$1,136.0 million. A significant part of the OEM sales continued to be derived from the sales of silk and silk-blended apparel items, which increased to approximately HK\$479.2 million (2006: HK\$ 431.4 million). The OEM revenue analysis by different kinds of product is as follows:

	January to June 2007		January to June 2006		Period-on- Period
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>	<i>% change</i>
Silk and silk-blended apparel	479.2	42.2	431.4	51.7	11.1
Linen and linen-blended apparel	208.6	18.4	219.5	26.3	(5.0)
Cotton and cotton-blended apparel	232.7	20.5	82.2	9.9	183.1
Apparel in synthetic fabrics	118.4	10.4	27.9	3.3	324.4
Others	59.2	5.2	35.1	4.2	68.7
Home textile products	37.9	3.3	38.9	4.6	(2.6)
Total	1,136.0	100.0	835.0	100.0	36.0

In terms of markets, sales to the United States amounted to HK\$989.1 million (2006: HK\$721.8 million), which accounted for approximately 87.1% (2006: 86.4%) of the OEM revenue. Sales to Europe and other markets were approximately HK\$43.9 million (2006: HK\$34.7 million) and HK\$103.0 million (2006: HK\$78.5 million), respectively.

Fashion Retail Business

The increase in retail revenue during the period under review was driven by the expansion of sale network and the improvement in same store sales performance. The retail revenue surged period-on-period by approximately 35.5% to approximately HK\$119.0 million for the period under review. Sales of apparel items under the brand name of “Finity” continued to be the major growth driver accounting for approximately 48.2% of total retail revenue. Sales of “Elanie” and “Maxstudio” surged to approximately HK\$15.9 million (2006: HK\$11.6 million) and HK\$20.8 million (2006: HK\$15.1 million), respectively. The retail revenue analysis by brand name is as follows:

	January to June 2007		January to June 2006		Period-on- Period
	<i>HK\$ million</i>	<i>%</i>	<i>HK\$ million</i>	<i>%</i>	<i>% change</i>
In-house brands					
Finity	57.4	48.2	40.6	46.2	41.4
Dbni	16.5	13.9	15.3	17.5	7.8
Elanie	15.9	13.4	11.6	13.2	37.1
Riverstone	8.0	6.7	5.2	5.9	53.8
Licensed brands					
Maxstudio	20.8	17.5	15.1	17.2	37.7
Burlington House (<i>Note a</i>)	0.4	0.3	—	—	N/A
Total retail turnover	119.0	100.0	87.8	100.0	35.5

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

Note b) The results of “Lee Cooper” commenced in May 2007 and included in share of profit of associates

In terms of retail revenue analysis by sales channel, sales from concessions amounted to approximately HK\$82.2 million (2006: HK\$63.4 million), accounting for approximately 69.1% (2006: 72.2%) of total retail turnover. Sales from free-standing stores and franchisees amounted to HK\$5.1 million (2006: HK\$3.7 million) and HK\$31.7 million (2006: HK\$20.7 million), respectively.

3. Liquidity and Financial Resources

The Group continues to have good and solid financial position. Net cash inflow from operations during the period under review amounted to approximately HK\$189.2 million. As at 30 June 2007, cash and cash equivalents approximately HK\$655.4 million, representing an increase of approximately HK\$158.0 million as compared with approximately HK\$497.4 million as at 31 December 2006. The increase was principally due to the increase in sales, i.e. cash inflow from operations of approximately HK\$189.2 million, and the decrease in fixed deposits of approximately HK\$128.0 million. The Group spent HK\$39.2 million on acquisition of fixed assets; and the dividend paid to equity holders was HK\$144.6 million.

At 30 June 2007, the Group had bank borrowings of HK\$11.3 million (31 December 2006: HK\$2.2 million), which was repayable within one year. The debt to equity ratio (total borrowings as a percentage of total equity) was 0.6% (31 December 2006: 0.1%)

The sales of the Group are mainly denominated in US dollars and Renminbi and the purchase of raw materials is mainly made in Renminbi, US dollars and Hong Kong dollars. As at 30 June 2007, 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.

4. Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2007.

5. Human Resources

As at 30 June 2007, the Group employed approximately 12,000 employees in the PRC, Hong Kong, the United States and France.

The Group recognises the importance of good relationships with its employees. 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, and will be reviewed regularly every year. 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.

6. Business Outlook

In response to certain unfavourable macro-economic factors that affected the OEM business in China, the Group will continue to strengthen marketing management, broaden the product mix, strengthen and accelerate the automatic production process with the objective to promote scientific production management, in order to provide customers with professional one-stop shop production and delivery services and meet their need in the fast-moving fashion business environment. In return, the Group will enhance its competitiveness and capability to maintain a high profit margin.

Market diversification is another growth strategy of the Group. This is expected to reduce the Group's reliance on the US market. In this connection, the Group intends to cooperate with a well-established wool fabric maker in Europe to explore the wool fabrics apparel market.

The Group expects that additional business opportunities will arise in this regard. A company is also to be established in Europe with that wool fabric maker for this purpose. The purpose of this plan is to expand the customer base for European fashion of the Group to European markets. The Group also explores additional business opportunities in Japan.

On the expansion of production capacity, construction of a new factory with an annual capacity to produce four million pieces is in its advanced stage of completion. Production is expected to commence as early as January 2008. The aggregate annual production capacity of the OEM apparel items is expected to increase to approximately 24 million pieces per annum. In addition, a plan has been drawn up for the construction of wool fabric mill. Construction of factory premises will be carried out in late 2007. Commercial production of the plan is expected to commence in early 2009 with an annual production capacity of five million meters. By then, the Group would build up another vertically integrated supply chain for fall/winter apparel, which would help the Group use its utilization evenly throughout the year.

Through continuous efforts of the retail teams, satisfactory results in the fashion retail business were achieved for the six months ended 30 June 2007. Leveraging this strong foundation, the Group expects to accelerate the growth for the remaining months in 2007. The Group will continue to strengthen the brand image of its retail brands. To achieve a high growth in the fashion retail business, the Group will continue to rationalize and expand its retail network. It is planned to purchase ten premises in PRC's major cities as flagship retail shops for the Group's own brands. It can enhance the brand recognition and strengthen its impact in the fashion market. In addition, the Group has already cooperated with international designers to enhance the brand image and style and fashion sense of the apparel items under the Group's brands. The Group will continue to invest in marketing, advertising and promotion. In order to strengthen the sales in PRC market and capture the rapid economic growth of the country, the Group is planning to acquire leading fashion brands with strategic value. The Group believes that the above-mentioned measures can help to increase the contribution from retail sales to 30% and to increase both our profits and profit margin.

In terms of the capital market activities, the Group will actively seek opportunities to surge in its market capitalization through strategic partnerships and mergers and acquisitions on a global basis.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007. On 17 August 2007, the Company repurchased 12,000 Shares at the price of HK\$1.99. The share repurchase was made pursuant to the general mandate granted to the Board at the annual general meeting of the Company held on 8 May 2007.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the external auditors the accounting principles and practices adopted by the Group and discussed auditing, internal controls, and financial reporting matters including the review of the unaudited interim financial information. In addition, the Group's external auditors have carried out a review of the unaudited interim results in accordance with the Hong Kong Standard on Review Engagements 2410 "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA.

THE CODE OF CORPORATE GOVERNANCE PRACTICES

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 of Best Practice as set out in Appendix 14 to The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the period under review.

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 code and upon specific enquiry, no Director is aware of any non-compliance with the Model Code throughout the period under review.

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
TING Hung Yi
Chief Executive Officer

Hong Kong, 18 September 2007

A detailed interim results announcement containing all the information required by Appendix 16 to the Listing Rules will be subsequently published on the Hong Kong Stock Exchange's website in due course.