



CHINA TING GROUP HOLDINGS LIMITED

華鼎集團控股有限公司

Stock Code: 3398



INTERIM REPORT 2007

Contents

2	Corporate Information
4	Condensed Consolidated Balance Sheet
7	Condensed Consolidated Income Statement
9	Condensed Consolidated Statement of Changes in Equity
10	Condensed Consolidated Cash Flow Statement
11	Notes to the Condensed Consolidated Interim Financial Information
36	Independent Review Report
38	Management Discussion and Analysis
44	Other Information

Corporate Information

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. WONG Chi Keung
Mr. LEUNG Man Kit

Company Secretary

Mr. WONG Sin Yung *CPA*

Qualified Accountant

Mr. CHENG Ho Lung Raymond
CPA, ACCA

Authorised Representatives

Mr. TING Hung Yi
Mr. WONG Sin Yung

Audit Committee

Dr. CHENG Chi Pang (*Chairman*)
CPA (Practising), FCCA, ASA, ATiHK
Mr. WONG Chi Keung
FCCA, FCCA, FCPA (Australia), ACIS, ACMA
Mr. LEUNG Man Kit

Nomination Committee

Mr. TING Hung Yi (*Chairman*)
Dr. CHENG Chi Pang
Mr. LEUNG Man Kit

Remuneration Committee

Mr. TING Hung Yi (*Chairman*)
Dr. CHENG Chi Pang
Mr. WONG Chi Keung

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business in Hong Kong

28th Floor, Futura Plaza
111–113 How Ming Street
Kwun Tong
Kowloon
Hong Kong

Principal Banker

Nanyang Commercial Bank Limited
151 Des Voeux Road Central,
Hong Kong

Legal Advisers

Squire, Sanders & Dempsey
40th Floor
Gloucester Tower, The Landmark
15 Queen's Road Central
Central
Hong Kong

Auditor

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Principal Share Registrar

Butterfield Fund Services
(Cayman) Limited
Butterfield House, 68 Fort Street
P.O. Box 705, George Town
Grand Cayman
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar

Computershare Hong Kong Investor
Services Limited
Shops 1712–16, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	486,932	452,509
Investment properties	5	4,940	4,940
Leasehold land and land use rights	5	76,514	74,339
Interest in associates		73,922	72,250
Intangible assets	5	54,150	43,903
Deferred income tax assets		7,574	4,153
		704,032	652,094
Current assets			
Inventories		303,652	348,197
Due from associates	19	3,268	3,107
Trade and bills receivable	6	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
		1,606,937	1,569,656
Total assets		2,310,969	2,221,750

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	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	7	206,625	206,625
Reserves	8	1,746,188	1,600,609
		1,952,813	1,807,234
Minority interests		34,944	35,550
Total equity		1,987,757	1,842,784
LIABILITIES			
Non-current liabilities			
Licence fees payable	9	10,009	—
Deferred income tax liabilities		15,114	19,752
		25,123	19,752

Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Current liabilities			
Trade and bills payable	10	166,253	223,976
Other payables and accruals		98,748	113,827
Bank borrowings		11,285	2,225
Due to an associate	19	3,893	5,922
Licence fees payable	9	2,285	—
Current income tax liabilities		15,625	13,264
		298,089	359,214
Total liabilities			
		323,212	378,966
Total equity and liabilities			
		2,310,969	2,221,750
Net current assets			
		1,308,848	1,210,442
Total assets less current liabilities			
		2,012,880	1,862,536

The notes on page 11 to 35 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

	Note	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Turnover	4	1,255,004	922,792
Cost of sales		(827,948)	(576,645)
Gross profit		427,056	346,147
Other income	11	1,381	210
Other gains, net	12	5,299	12,226
Selling, marketing and distribution costs		(72,798)	(55,360)
Administrative expenses		(91,102)	(64,340)
Operating profit	13	269,836	238,883
Finance income	14	8,695	16,663
Finance costs	14	(2,787)	(1,566)
Finance income, net	14	5,908	15,097
Share of profit of associates		4,939	1,340
Profit before income tax		280,683	255,320
Income tax expense	15	(31,842)	(34,072)
Profit for the period		248,841	221,248

Condensed Consolidated Income Statement

For the six months ended 30 June 2007

	Note	Six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Attributable to:			
Equity holders of the Company		247,923	220,660
Minority interests		918	588
		248,841	221,248
Earnings per share for profit			
attributable to the equity holders			
of the Company during the period			
(expressed in HK cents per share)			
— basic	16	12.00 cents	10.69 cents
— diluted	16	11.95 cents	10.64 cents
Dividends	17	142,657	132,160

The notes on pages 11 to 35 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007

	(Unaudited)				
	Attributable to the equity holders of the Company				
	Share capital	Reserves	Total	Minority interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	206,625	1,600,609	1,807,234	35,550	1,842,784
Currency translation differences	—	41,343	41,343	1,644	42,987
Profit for the period	—	247,923	247,923	918	248,841
Employee share option scheme: — value of employee services	—	951	951	—	951
Disposal of a subsidiary	—	—	—	(590)	(590)
Dividend relating to 2006	—	(144,638)	(144,638)	—	(144,638)
Dividend to the minority shareholder of a subsidiary	—	—	—	(2,578)	(2,578)
At 30 June 2007	206,625	1,746,188	1,952,813	34,944	1,987,757
At 1 January 2006	199,000	1,241,361	1,440,361	13,979	1,454,340
Currency translation differences	—	8,083	8,083	—	8,083
Profit for the period	—	220,660	220,660	588	221,248
Contribution from a minority shareholder	—	—	—	4,641	4,641
Issue of shares	7,500	144,375	151,875	—	151,875
Share issuance costs	—	(4,898)	(4,898)	—	(4,898)
Employee share option scheme: — value of employee services	—	951	951	—	951
Dividend relating to 2005	—	(94,990)	(94,990)	—	(94,990)
At 30 June 2006	206,500	1,515,542	1,722,042	19,208	1,741,250

The notes on pages 11 to 35 form an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Net cash generated from operating activities	189,241	245,611
Net cash generated from/(used in) investing activities	96,443	(134,303)
Net cash used in financing activities	(135,578)	(8,052)
Net increase in cash and cash equivalents	150,106	103,256
Cash and cash equivalents at beginning of period	497,429	669,542
Exchange gains on cash and cash equivalents	7,901	5,070
Cash and cash equivalents at end of period	655,436	777,868

The notes on pages 11 to 35 form an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

1 GENERAL INFORMATION

China Ting Group Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 31 May 2005 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The address of its principal office is 28th Floor, Futura Plaza, 111–113 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

The Company and its subsidiaries (together the “**Group**”) are engaged in the manufacturing and sale of garments on an original equipment manufacturing (“**OEM**”) basis and retailing of branded fashion apparel.

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 15 December 2005 (the “**Listing Date**”).

This condensed consolidated interim financial information was approved for issue by the board (the “**Board**”) of directors (the “**Directors**”) on 18 September 2007.

2 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

3 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 standard, amendment to existing standard 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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

4 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:

	(Unaudited)		
	OEM garment sales HK\$'000	Retailing of branded fashion apparel HK\$'000	Total HK\$'000
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
	1,137,399	118,986	1,256,385
Segment results	246,624	18,274	264,898
Unallocated gains			4,938
Operating profit			269,836

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

4 SEGMENT INFORMATION (Continued)**(a) Primary reporting segment — business segments (Continued)**

	(Unaudited)		
	OEM garment sales HK\$'000	Retailing of branded fashion apparel HK\$'000	Total HK\$'000
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			248,841
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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

4 SEGMENT INFORMATION (Continued)**(a) Primary reporting segment — business segments (Continued)**

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

	(Unaudited)		
	OEM garment sales HK\$'000	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
	835,198	87,804	923,002
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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

4 SEGMENT INFORMATION (Continued)**(a) Primary reporting segment — business segments (Continued)**

	(Unaudited)		
	OEM garment sales HK\$'000	Retailing of branded fashion apparel HK\$'000	Total HK\$'000
Profit before income tax			255,320
Income tax expense			(34,072)
Profit for the period			221,248
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	28,131	572	28,703

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

4 SEGMENT INFORMATION (Continued)**(b) Secondary reporting segment — geographical segments**

The Group primarily operates in Hong Kong and the People's Republic of China (the "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 (Unaudited) HK\$'000	2006 (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
	1,255,004	922,792

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 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
The PRC (including Hong Kong)	53,865	28,703
North America	113	—
	53,978	28,703

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

5 CAPITAL EXPENDITURE

	(Unaudited)						
	Intangible assets						Leasehold land and land use rights
	Goodwill	Trademark	Licence right	Total	Investment properties	Property, plant and equipment	
							HK\$'000
For the six months ended 30 June 2007							
Opening net book amount at 1 January 2007	20,751	23,152	—	43,903	4,940	452,509	74,339
Exchange differences	—	—	—	—	—	14,847	2,247
Additions	—	—	14,169	14,169	—	39,204	605
Disposals	—	—	—	—	—	(317)	—
Amortisation/depreciation (Note 13)	—	(1,561)	(2,361)	(3,922)	—	(19,311)	(677)
Closing net book amount at 30 June 2007	20,751	21,591	11,808	54,150	4,940	486,932	76,514
For the six months ended 30 June 2006							
Opening net book amount at 1 January 2006	1,414	26,274	—	27,688	4,940	237,783	36,128
Exchange differences	—	—	—	—	—	2,674	339
Additions	—	—	—	—	—	28,703	—
Disposals	—	—	—	—	—	(4,368)	(7,254)
Amortisation/depreciation (Note 13)	—	(1,561)	—	(1,561)	—	(11,684)	(380)
Closing net book amount at 30 June 2006	1,414	24,713	—	26,127	4,940	253,108	28,833

Licence right represents capitalisation of the expected licence fees payable through 2009 (Note 9) under a licence agreement. It is based on a discount rate equals to the Group's weighted average borrowing rate of approximately 5.88% per annum at the date of the acquisition.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

6 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
	318,090	307,632
Less: Provision for impairment of trade receivable	(1,668)	(2,527)
	316,422	305,105

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

6 TRADE AND BILLS RECEIVABLE (Continued)

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.

7 SHARE CAPITAL

Details of share capital of the Company as at 30 June 2007 are as follows:

	Authorised ordinary shares	
	Number of shares of HK\$0.10 each (in thousands)	Total HK\$'000
At 31 December 2006 and 30 June 2007	10,000,000	1,000,000

	Issued and fully paid ordinary shares	
	Number of shares of HK\$0.10 each (in thousands)	Total HK\$'000
At 31 December 2006 and 30 June 2007	2,066,250	206,625

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

7 SHARE CAPITAL (Continued)**Share options**

Pursuant to the Pre-IPO Share Option Deed (the “Pre-IPO Share Option Scheme”) entered by the Company with an employee on 18 November 2005, the employee has been granted the option on 15 December 2005 to subscribe for up to 10,000,000 shares of HK\$0.10 each in the share capital of the Company. The option granted under the Pre-IPO Share Option Scheme may be exercised by the employee in part, during a period of eight years from 15 December 2005, representing no more than one-eighth of the total number of the option shares in each calendar year.

Details of the options granted under the Pre-IPO Share Option Scheme outstanding as at 30 June 2007 and 31 December 2006 are as follows:

	Date of grant	Expiry date	Exercise price	Number of shares subject to the options	
				30 June 2007 (Unaudited)	31 December 2006 (Audited)
Senior Management	15 December 2005	15 December 2013	HK\$0.10	8,750,000	8,750,000

During the period, no share options were granted, cancelled or exercised. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

8 RESERVES

	Share premium	Capital reserve	Contributed surplus	Statutory reserves	Share based compensation reserve	Exchange reserves	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2007	905,152	7,746	(4,624)	42,695	1,902	50,268	597,470	1,600,609
Currency translation differences	—	—	—	—	—	41,343	—	41,343
Profit for the period	—	—	—	—	—	—	247,923	247,923
Employee share option scheme:								
— value of employee services	—	—	—	—	951	—	—	951
Dividend relating to 2006	—	—	—	—	—	—	(144,638)	(144,638)
Profit appropriation	—	—	—	19,380	—	—	(19,380)	—
At 30 June 2007	905,152	7,746	(4,624)	62,075	2,853	91,611	681,375	1,746,188
At 1 January 2006	763,773	7,746	(4,624)	24,971	1,902	13,788	433,805	1,241,361
Currency translation differences	—	(6)	—	—	—	8,089	—	8,083
Profit for the period	—	—	—	—	—	—	220,660	220,660
Issue of shares	144,375	—	—	—	—	—	—	144,375
Share issuance costs	(4,898)	—	—	—	—	—	—	(4,898)
Employee share option scheme:								
— value of employee services	—	—	—	—	951	—	—	951
Dividend relating to 2005	—	—	—	—	—	—	(94,990)	(94,990)
Profit appropriation	—	—	—	17,487	—	—	(17,487)	—
At 30 June 2006	903,250	7,740	(4,624)	42,458	2,853	21,877	541,988	1,515,542

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

9 LICENCE FEES PAYABLE

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Within one year	2,285	—
In the second year	4,897	—
In the third to fifth year	5,112	—
	12,294	—
Less: Current portion	(2,285)	—
Non-current portion	10,009	—
Estimated fair value of		
Current portion	2,277	—
Non-current portion	9,859	—
	12,136	—

Licence fees payable represent the expected licence fees payable through 2009 (Note 5) under a licence agreement. They are recognised based on a discount rate equal to the Group's weighted average borrowing rate of approximately 5.88% per annum at the date of the acquisition of such obligation. Licence fees payable are denominated in US dollar.

Estimated fair values at the balance sheet date were calculated based on a discount rate of 6.68% per annum, which approximates the external borrowing rate available to the Group as at 30 June 2007.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

10 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
	166,253	223,976

11 OTHER INCOME

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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

12 OTHER GAINS, NET

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) 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
	5,299	12,226

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

13 OPERATING PROFIT

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

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) 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

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

14 FINANCE INCOME AND COSTS

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

15 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
	31,842	34,072

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

15 INCOME TAX EXPENSE (Continued)

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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

16 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)	247,923	220,660
Weighted average number of ordinary shares in issue (thousands)	2,066,250	2,063,757
Basic earnings per share (HK cents per share)	12.00	10.69

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

16 EARNINGS PER SHARE (Continued)**(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	2006
	(Unaudited)	(Unaudited)
Profit attributable to equity holders of the Company (HK\$'000)	247,923	220,660
Weighted average number of ordinary shares in issue (thousands)	2,066,250	2,063,757
Adjustments for share options (thousands)	8,421	9,545
Weighted average number of ordinary shares for diluted earnings per share (thousands)	2,074,671	2,073,302
Diluted earnings per share (HK cents per share)	11.95	10.64

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

17 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	121,982	111,510
Special dividend, declared, of HK1.0 cent (2006: HK1.0 cent) per ordinary share	20,675	20,650
	142,657	132,160

Note:

At the Board 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.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

18 COMMITMENTS**(a) Capital commitments**

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Property, plant and machinery		
Contracted but not provided for	48,175	2,183
Investment in an associate, Lee Cooper China (HK) Limited	10,220	10,220
	58,395	12,403

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

18 COMMITMENTS (Continued)**(b) Operating lease commitments**

The Group leases various retail outlets, offices, warehouses and plant and equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation claims and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Land and buildings		
— Not later than 1 year	9,939	3,259
— Later than 1 year and not later than 5 years	8,461	—
	18,400	3,259
Plant and equipment		
— Not later than 1 year	169	169
— Later than 1 year and not later than 5 years	296	381
	465	550
	18,865	3,809

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

19 SIGNIFICANT RELATED PARTY TRANSACTIONS

The Group is controlled by Longerview Investments Limited (incorporated in the British Virgin Islands), which owns approximately 72% of the Company's shares. The remaining approximately 28% of the shares are widely held.

The Directors are of the view that the following companies are related parties of the Group:

Name	Relationship with the Group
Hangzhou Huasheng Accessories Company Limited ("Huasheng Accessories")	An associate
Interfield Industrial Limited ("Interfield")	An associate

The name of Huasheng Accessories referred to in the above represents management's best efforts at translating the Chinese name of this company as no English name has been registered or available.

(a) Transactions with related parties

In the opinion of the Directors, the transactions below were conducted in the ordinary and usual course of business and the pricing of these transactions was determined based on mutual negotiation and agreement between the Group and the related parties.

	Six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest income from Huasheng Accessories	109	—
Purchases of accessories from Huasheng Accessories	5,592	4,185
Subcontracting charges paid to Interfield	21,159	13,986

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2007

19 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)**(b) Period-end balances**

	As at 30 June 2007 (Unaudited) HK\$'000	As at 31 December 2006 (Audited) HK\$'000
Receivables from associates	3,268	3,107
Payables to an associate	3,893	5,922

Note:

All amounts are unsecured, interest-free and repayable on demand, except for the amount due from an associate of HK\$4,108,000 (2006: HK\$4,984,000) which bears interest at 4.8% (2006: 4.8%) per annum.

(c) Key management compensation

	Six months ended 30 June 2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	5,647	5,749
Post-employment benefits	48	48
Share-based payments	951	951
	6,646	6,748

Independent Review Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHINA TING GROUP HOLDING LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 35, which comprises the condensed consolidated balance sheet of China Ting Group Holding Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30 June 2007 and the related condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Independent Review Report

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 18 September 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 the PRC. All retail shops were operated under the four brands of “FINITY”, “DBNI”, “ELANIE” and “RIVERSTONE” and three licensed brands of “MAX STUDIO”, “BURLINGTON HOUSE” and “LEE COOPER”. During the period under review, the Group's revenue attributable to fashion retail business increased by approximately 35.5%.

Management Discussion and Analysis

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. Such situation was principally due to increase in turnover of non-silk apparel items, which have lower gross profit margin than other items. 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
	HK\$ million	%	HK\$ million	%	% change
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

Management Discussion and Analysis

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
	HK\$ million	%	HK\$ million	%	% change
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 (Note a)	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 business of “Lee Cooper” commenced in May 2007 and its results were accounted for in the share of profit of associates.

Management Discussion and Analysis

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 were 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.

Management Discussion and Analysis

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. As a result, the Company can provide customers with professional one-stop shop production and delivery services and meet their needs 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 will 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, the construction of a new factory with an annual capacity to produce four million pieces will soon be completed. 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

Management Discussion and Analysis

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 utilisation 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 rationalise and expand its retail network. The Group plans to purchase ten premises in the 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 sales in the 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 its profits and profit margin.

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

Other Information

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2007, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions), or were required, pursuant to section 352 of the Securities and Futures Ordinance (“**SFO**”), to be entered in the register required to be maintained, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set forth in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) adopted by the Company, to be notified to the Company and the Stock Exchange, were as follows:

(a) Interests in the shares of HK\$0.10 each in the share capital of the Company (the “Shares”)

Name of Directors	Capacity	Number of Shares (Note 1)	Approximate percentage of interest in the Company
Mr. TING Man Yi	Interest of controlled corporation	1,490,000,000 (Note 1)	72.11%
Mr. TING Hung Yi	Interest of controlled corporation	1,490,000,000 (Note 2)	72.11%
Mr. DING Jianer	Interest of controlled corporation	1,490,000,000 (Note 3)	72.11%
Dr. CHENG Chi Pang	Directly beneficially owned	200,000	0.010%

Other Information

Notes:

1. Longerview Investments Limited ("**Longerview**") is owned as to 41.5% by Firmsuccess Limited ("**Firmsuccess**") which is wholly-owned by Mr. TING Man Yi. Longerview is a controlled corporation (within the meaning of the SFO) of Mr. TING Man Yi. As such, under the SFO, Mr. TING Man Yi is deemed to be interested in the 1,490,000,000 Shares held by Longerview.
2. Longerview is owned as to 40.5% by In Holdings Limited ("**In Holdings**") which is wholly-owned by Mr. TING Hung Yi. Longerview is a controlled corporation (within the meaning of the SFO) of Mr. TING Hung Yi. As such, under the SFO, Mr. TING Hung Yi is deemed to be interested in the 1,490,000,000 Shares held by Longerview.
3. Pursuant to a shareholders' agreement dated 18 November 2005 and entered into between Mr. TING Man Yi, Firmsuccess, Mr. TING Hung Yi, In Holdings, Mr. DING Jianer, Willport Investments Limited ("**Willport**") and Longerview (collectively the "**Controlling Shareholders**"), each of the Controlling Shareholders (other than Longerview) has agreed to enter into pre-emptive arrangements in respect of their shareholding in Longerview. For the purpose of Part XV of the SFO, each of Mr. TING Man Yi, Mr. TING Hung Yi and Mr. DING Jianer is therefore deemed to have effective voting power in respect of the 1,490,000,000 Shares held by Longerview. As such, under the SFO, Mr. DING Jianer is also deemed to be interested in the 1,490,000,000 Shares held by Longerview.

Other Information

(b) Interests in the shares of associated corporations

Name of Directors	Name of associated corporation	Nature of interest	Total number of ordinary shares	Approximate percentage of interest in the associated corporation
Mr. TING Man Yi	Firmsuccess	Personal interest	1	100%
	Longerview	Corporate interest	415 (Note 1)	41.5%
Mr. TING Hung Yi	In Holdings	Personal interest	1	100%
	Longerview	Corporate interest	405 (Note2)	40.5%
Mr. DING Jianer	Willport	Personal interest	1	100%
	Longerview	Corporate interest	180 (Note 3)	18.0%

Notes:

1. The 415 shares in Longerview are held by Firmsuccess, which is wholly-owned by Mr. TING Man Yi.
2. The 405 shares in Longerview are held by In Holdings, which is wholly-owned by Mr. TING Hung Yi.
3. The 180 shares in Longerview are held by Willport, which is wholly-owned by Mr. DING Jianer.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES OR DEBENTURES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2007, the persons, other than Directors and chief executive of the Company, having interests or short positions in the Shares or underlying shares or debentures of the Company, which were required to be entered into the register kept by the Company pursuant to section 336 of the SFO, were as follows:

Name of substantial Shareholders	Capacity	Number of Shares	Approximate percentage of interest in the Company
Longerview	Beneficial owner	1,490,000,000	72.11%
Firmsuccess	Interest of controlled corporation	1,490,000,000 (Note 1)	72.11%
In Holdings	Interest of controlled corporation	1,490,000,000 (Note 2)	72.11%
Willport	Interest of controlled corporation	1,490,000,000 (Note 3)	72.11%

Notes:

- Longerview is owned as to 41.5% by Firmsuccess. As such, Longerview is a controlled corporation (within the meaning of the SFO) of Firmsuccess. Firmsuccess is therefore deemed to be interested in the 1,490,000,000 Shares held by Longerview.
- Longerview is owned as to 40.5% by In Holdings. As such, Longerview is a controlled corporation (within the meaning of the SFO) of In Holdings. In Holdings is therefore deemed to be interested in the 1,490,000,000 Shares held by Longerview.
- Pursuant to a shareholders' agreement dated 18 November 2005 and entered into between the Controlling Shareholders, each of the Controlling Shareholders (other than Longerview) has agreed to enter into pre-emptive arrangements in respect of their shareholding in Longerview. For the purpose of Part XV of the SFO, each of Firmsuccess, In Holdings and Willport is therefore deemed to have effective voting power in respect of the 1,490,000,000 Shares held by Longerview. As such, Willport is also deemed to be interested in the 1,490,000,000 Shares held by Longerview.

Other Information

SHARE OPTION SCHEME AND PRE-IPO SHARE OPTION DEED

(a) Share Option Scheme

Pursuant to the written resolutions of the sole Shareholder passed on 18 November 2005, a share option scheme (the **“Share Option Scheme”**) was approved and adopted by the Company.

The purpose of the Share Option Scheme is to allow the Company to grant options to subscribe for Shares (the **“Options”**) to Participants (as defined below) as incentives or rewards for their contribution to the Group.

For the purpose of the Share Option Scheme, Participants include (i) employees of the Company (whether fulltime or part-time) or any of its subsidiaries; and (ii) Directors (whether executive Directors or non-executive Directors or independent non-executive Directors) or any director of its subsidiaries (together, the **“Participants”** and each a **“Participant”**).

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 199,000,000 Shares (the **“Scheme Mandate Limit”**), unless the Company obtains an approval from the Shareholders as set out below. Options lapsed shall not be counted for the purpose of calculating the Scheme Mandate Limit.

The Company may seek approval of the shareholders in general meeting to refresh the Scheme Mandate Limit such that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company in issue shall not exceed 10% (the **“Refreshed Limit”**) of the issued share capital of the Company as at the date of approval to refresh such limit. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised Options) shall not be counted for the purpose of calculating the Refreshed Limit.

Other Information

Notwithstanding the above, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not exceed 30% of the total number of Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised and outstanding options) in any 12-month period up to and including the date of grant of the options shall not exceed 1% of the total number of Shares in issue. Any further grant of Options to a Participant which would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue shall be subject to the shareholders' approval in general meeting with such Participant and his associates (as defined in the Listing Rules) abstaining from voting.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period of not more than 10 years to be notified by the Board to each grantee. Such period shall commence on the date on which an offer of the grant of an Option is accepted or deemed to be accepted in accordance with the terms of the Share Option Scheme and expire on the last day of such period as determined by the Board.

An amount of HK\$1.00 is payable by the Participant to the Company on acceptance of the option offer as consideration for the grant. Unless otherwise determined by the Board and specified in the offer letter to be given to the Participant at the time of the offer of the Option, there is neither any performance target that needs to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before it can be exercised.

Other Information

The subscription price in respect of each Share issued under the Share Option Scheme will be a price determined by the Board and notified to a Participant and will be no less than the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to the Participant, which must be a day on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for business of dealing in securities (a "**Trading Day**"); (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five consecutive Trading Days immediately preceding the date of offer to the Participant; and (iii) the nominal value of a Share.

The Share Option Scheme will remain valid for a period of 10 years commencing on the date on which the Share Option Scheme is conditionally adopted by the written resolutions of the sole Shareholder, after which period no further Options will be granted but in respect of all Options which remain exercisable at the end of such period, the provisions of the Share Option Scheme shall remain in full force and effect.

As at the date of this report, no option has been granted or agreed to be granted by the Company under the Share Option Scheme.

(b) Pre-IPO Share Option Deed

A share option deed was entered into between the Company and Ms. LI Yuet Mui, Xera ("**Ms. LI**"), a senior management staff of the Group, on 18 November 2005 (the "**Pre-IPO Share Option Deed**"), whereby the Company has granted Ms. LI an option to subscribe for certain number of Shares upon and subject to the terms and conditions set forth in the Pre-IPO Share Option Deed.

The purpose of the Pre-IPO Share Option Deed is to provide incentive and reward to Ms. LI for her contribution to the management and business growth of the Group.

Other Information

The principal terms of the Pre-IPO Share Option Deed, as approved by the written resolutions of the sole Shareholder passed on 18 November 2005, are substantially the same as the terms of the Share Option Scheme except that:

- (i) the subscription price for each Share subject to the option granted under the Pre-IPO Share Option Deed shall be the par value of each Share;
- (ii) the period within which Ms. LI may exercise the option under the Pre-IPO Share Option Deed is eight years from the Listing Date. During the exercise period, Ms. LI can exercise the option in each year no more than one-eighth of the total number of the option Shares granted, provided that Ms. LI cannot exercise any option granted under the Pre-IPO Share Option Deed during the period of six months immediately after the Listing Date;
- (iii) the total number of the Shares subject to the Pre-IPO Share Option Deed shall be up to 10,000,000 Shares upon full exercise of the option under the Pre-IPO Share Option Deed; and
- (iv) save for the option which has been granted, no further options will be granted under the Pre-IPO Share Option Deed.

Details of the share option outstanding as at 30 June 2007 were as follows:

	Options held at 1 January 2007	Grant during the period	Options exercised during the period	Options lapsed during the period	Options held at 30 June 2007
Ms. LI Yuet Mei, Xera	8,750,000	—	—	—	8,750,000

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.

Other Information

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 Listing Rules during the period under review.

The Company has adopted 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 period under review.