CHINA TING GROUP HOLDINGS LIMITED

華鼎集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3398)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2006

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 2006, together with the unaudited comparative figures for the corresponding period in 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
		2006	2005
		Unaudited	*Unaudited*
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**922,792**	1,021,479
Cost of goods sold	6	**(576,645)**	(605,108)
Gross profit		**346,147**	416,371
Other income	4	**16,873**	1,164
Other gains, net	5	**12,226**	7,015
Selling, marketing and distribution costs	6	**(55,360)**	(45,354)
Administrative expenses	6	**(64,340)**	(83,929)
Operating profit		**255,546**	295,267
Finance costs	7	**(1,566)**	(4,233)
Share of profit of associates		**1,340**	6,183
Profit before income tax		**255,320**	297,217
Income tax expense	8	**(34,072)**	(48,929)
Profit for the period		**221,248**	248,288
Attributable to:			
Equity holders of the Company		**220,660**	240,259
Minority interests		**588**	8,029
		221,248	248,288

	Notes	For the six months ended 30 June 2006 Unaudited HK$'000	2005 Unaudited HK$'000
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
— Basic	9	**10.69 cents**	16.12 cents
— Diluted	9	**10.64 cents**	N/A
Dividend	10	**132,160**	15,270

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	As at 30 June 2006 Unaudited HK$'000	As at 31 December 2005 Audited HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**253,108**	237,783
Investment properties		**4,940**	4,940
Leasehold land and land use rights		**28,833**	36,128
Interest in associates		**60,880**	59,540
Intangible assets		**26,127**	27,688
Deferred income tax assets		**3,817**	4,321
		377,705	370,400
Current assets			
Inventories		**222,109**	218,140
Due from associates		**—**	1,104
Trade and bills receivable	11	**153,656**	230,924
Other receivables, deposits and prepayments		**46,427**	62,643
Tax recoverable		**326**	2,097
Pledged bank deposits		**3,621**	1,128
Term deposits with initial term of over three months		**425,305**	300,000
Bank balances and cash		**777,868**	669,542
		1,629,312	1,485,578
Total assets		**2,007,017**	1,855,978

	Notes	As at 30 June 2006 *Unaudited* *HK$'000*	As at 31 December 2005 *Audited* *HK$'000*
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**206,500**	199,000
Retained earnings		**541,988**	433,805
Other reserves		**973,554**	807,556
		1,722,042	1,440,361
Minority interests		**19,208**	13,979
Total equity		**1,741,250**	1,454,340
LIABILITIES			
Non-current liabilities			
Borrowings		**—**	4,368
Deferred income tax liabilities		**779**	779
		779	5,147
Current liabilities			
Trade and bills payables	12	**125,867**	182,719
Other payables and accruals		**71,391**	103,486
Borrowings		**3,748**	59,420
Due to associates		**2,999**	7,541
Taxation payable		**60,983**	43,325
		264,988	396,491
Total liabilities		**265,767**	401,638
Total equity and liabilities		**2,007,017**	1,855,978
Net current assets		**1,364,324**	1,089,087
Total assets less current liabilities		**1,742,029**	1,459,487

NOTES

1. Basis of preparation and accounting policies

This unaudited condensed consolidated financial information ("Interim Financial Report") of China Ting Group Holdings Limited and its subsidiaries (the "Group") has been prepared in accordance with 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 (the "HKICPA") as well as the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Interim Financial Report has not been audited, but has been reviewed by the Group's audit committee.

This Interim Financial Report should be read in conjunction with the 2005 annual report.

2. Changes in accounting policies

(a) *Effect of adopting new HKFRS*

The accounting policies and methods of computation used in the preparation of this Interim Financial Report are consistent with those used in the annual financial statements for the year ended 31 December 2005 except for changes in accounting policies made thereafter in adopting certain new standards, amendments to standards and interpretations which are relevant to the Group's operations as follows:

HKAS 21 (Amendment)	Net Investment in a Foreign Operation
HKAS 39 (Amendment)	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 (Amendment)	The Fair Value Option
HKAS 39 and HKFRS 4 (Amendment)	Financial Guarantee Contracts
HKFRS-Int 4	Determining whether an Arrangement contains a Lease
HKFRS-Int 5	Rights to interests arising from Decommissioning, Restoration and Environmental Rehabilitation funds
HK(IFRIC)-Int 6	Liabilities rising from Participating in a Specific Market — Waste Electrical and Electronic Equipment

The adoption of the above new/revised HKFRSs, HKASs and interpretations has no material impact on the Group's results.

The Group has not early adopted any new/revised HKFRSs, HKASs and interpretations which have been issued on or before 30 June 2006 but are not effective for the financial year ending 31 December 2006. The Group is in the process of assessing their impact on the Group's results and operations.

3. Sales and segment information

(a) *Primary reporting segment — business segment*

The Group is principally engaged in the manufacture and sale of garments on an original equipment manufacturing ("OEM") basis and retailing of branded fashion apparel.

The business segment analysis of the Group's turnover and contribution to operating results is presented below:

	For the six months ended 30 June 2006		
	OEM garment sales	**Retailing of branded fashion apparel** *(Unaudited)*	**Total**
	HK$'000	*HK$'000*	*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	**16,794**	**79**	**16,873**
	851,782	**87,883**	**939,665**
Segment results	**201,802**	**24,645**	**226,447**
Unallocated gains			**29,099**
Operating profit			**255,546**
Finance costs	**(1,026)**	**(540)**	**(1,566)**
Share of profit of associates	**1,340**	**—**	**1,340**
Profit before income tax			**255,320**
Income tax expense			**(34,072)**
Profit for the period			**221,248**
Other segment terms included in the condensed consolidated income statement are as follows:			
Depreciation	**10,624**	**1,060**	**11,684**
Amortisation	**1,924**	**17**	**1,941**
Provision for impairment of receivables	**—**	**154**	**154**
Reversal of provision for inventory	**—**	**(3,174)**	**(3,174)**

	For the six months ended 30 June 2005		
	OEM garment sales	Retailing of branded fashion apparel	Total
		(Unaudited)	
	HK$'000	*HK$'000*	*HK$'000*
Gross segment sales	948,915	82,453	1,031,368
Elimination of inter-segment sales	(9,889)	—	(9,889)
Turnover	939,026	82,453	1,021,479
Other income	1,092	72	1,164
	940,118	82,525	1,022,643
Segment results	287,154	(66)	287,088
Unallocated gain			8,179
Operating profit			295,267
Finance costs	(4,012)	(221)	(4,233)
Share of profit of associates	6,183	—	6,183
Profit before income tax			297,217
Income tax expense			(48,929)
Profit for the period			248,288
Other segment terms included in the condensed consolidated income statement are as follows:			
Depreciation	11,098	960	12,058
Amortisation	2,328	11	2,339
Provision for impairment of receivables	240	1,341	1,581
Provision for inventory	—	21,309	21,309

(b) *Secondary reporting segment — geographical segments*

The Group primarily operates in Hong Kong and 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:

	For the six months ended 30 June	
	2006	2005
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
North America	**721,844**	847,404
European Union	**34,672**	45,823
The PRC (including Hong Kong)	**143,846**	103,924
Other countries	**22,430**	24,328
	922,792	1,021,479

4. Other income

	For the six months ended 30 June	
	2006	2005
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Interest income	**16,663**	934
Rental income	**210**	230
	16,873	1,164

5. Other gains, net

	For the six months ended 30 June	
	2006	2005
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment	**9,373**	—
Fair value gain on investment properties	**—**	360
Government grants	**983**	3,299
Exchange gain	**368**	1,558
Others	**1,502**	1,798
	12,226	7,015

6. Operating profit

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

	For the six months ended 30 June	
	2006	2005
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Amortisation of leasehold land and land use rights	**380**	519
Amortisation of trademark	**1,561**	1,820
Depreciation of property, plant and equipment	**11,684**	12,058
Employee benefit expenses	**129,614**	108,160
Reversal of provision/(provision) for inventory	**(3,174)**	21,309
Provision for impairment of receivables	**154**	1,581

7. Finance costs

	For the six months ended 30 June	
	2006	2005
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,566**	4,233

8. Income tax expenses

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits for the period. Taxation on profits arising from other jurisdictions has been calculated on the estimated assessable profits for the period at the rates prevailing in the relevant jurisdictions.

	For the six months ended 30 June	
	2006	2005
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Hong Kong profits tax	**19,139**	35,410
PRC enterprise income tax	**14,391**	15,556
Deferred income tax expense/(credit)	**542**	(2,037)
Income tax expenses	**34,072**	48,929

9. Earnings per share

The calculation of basic and diluted earnings per share for the six months period ended 30 June 2006 are based on the profit attributable to equity holders of the Company for the period of HK$220,660,000 (2005: HK$240,259,000). The basic earnings per share is based on the weighted average of 2,063,756,906 (2005: 1,490,000,000) shares in issue during the period.

In determining the weighted average number of ordinary shares in issue for 2005, a total of 1,490,000,000 ordinary shares were deemed to be in issue since 1 January 2005 after taking into consideration of the effect of the group reorganisation and capitalisation issue. The 1,490,000,000 ordinary shares comprised of 100,000,000 shares to be issued pursuant to the group reorganisation, which was completed on 18 November 2005 and 1,390,000,000 shares to be issued pursuant to the capitalisation issue, which were issued by the Company on 18 November 2005 at par value to the then existing shareholders of the Company in proportion to the respective shareholding by the capitalisation of HK$139,000,000 from the share premium account.

The diluted earnings per share is based on 2,073,301,916 (2005: N/A) shares, which is the weighted average number of shares in issue during the period plus the weighted average number of shares deemed to be issued at no consideration if all outstanding options had been exercised. No disclosure of diluted earnings per share for the six months period ended 30 June 2005 has been made as there were no potential dilutive ordinary shares outstanding.

10. Dividend

	For the six months ended 30 June	
	2006	2005
	Unaudited	*Unaudited*
	HK$'000	*HK$'000*
Interim dividend, paid *(Note (i))*	**—**	15,270
Declared interim dividend of 6.4 HK cents (2005: Nil) per ordinary share *(Note (ii))*	**132,160**	—
	132,160	15,270

Notes:

(i) *Interim dividend*

Dividend for the six months ended 30 June 2005 represented the dividend declared and paid by Zhejiang Huading Group Company Limited to its then shareholders.

(ii) *Declared interim dividend*

At a meeting held on 7 September 2006, the directors declared a special dividend of 1.0 HK cents per ordinary shares in addition to an interim dividend of 5.4 HK cents per ordinary share. These declared dividends are not reflected as dividend payable in the Interim Financial Report.

11. Trade and bills receivable

	As at 30 June 2006	As at 31 December 2006
	Unaudited	*Audited*
	HK$'000	*HK$'000*
Trade and bills receivable	**157,142**	235,479
Less: Provision for impairment of receivable	**(3,486)**	(4,555)
	153,656	230,924

Aging analysis of trade and bills receivable is as follows:

	As at 30 June 2006 *Unaudited* *HK$'000*	As at 31 December 2005 *Audited* *HK$'000*
0 to 30 days	**81,889**	167,341
31 to 60 days	**56,108**	49,356
61 to 90 days	**14,723**	11,750
Over 90 days	**4,422**	7,032
	157,142	235,479

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 less 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.

12. Trade and bills payable

Aging analysis of trade and bills payable is as follows:

	As at 30 June 2006 *Unaudited* *HK$'000*	As at 31 December 2005 *Audited* *HK$'000*
0 to 30 days	**67,374**	108,996
31 to 60 days	**29,871**	49,702
61 to 90 days	**8,005**	8,359
Over 90 days	**20,617**	15,662
	125,867	182,719

INTERIM AND SPECIAL DIVIDEND

The Directors have declared an interim and a special dividend in aggregate of HK$132.2 million for the six months ended 30 June 2006 to the shareholders (the "Shareholders") of the Company whose names appeared on the register of members of the Company on 21 September 2006. The interim dividend will be paid on or about 9 October 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 22 September 2006 to 29 September 2006, both days inclusive, during which no transfer of shares (the "Shares") of the Company will be registered. To qualify for the interim dividend (which will be paid on or about 9 October 2006), Shareholders must ensure that all transfer documents accompanied by the relevant Share certificate(s) 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 4:00 p.m. on 21 September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

Original Equipment Manufacturing ("OEM") Business

The Group experienced a period of unprecedented increase in the raw silk prices with a record high of approximately RMB330,000 for each tonne. Despite this, the Group have taken all necessary measures to control the production costs and to fully utilize the benefits of the scale of operations, vertically and horizontally. We are pleased seeing that the gross profit margin during the period did not decrease substantially, as compared with the same period in 2005. This demonstrated our strong capability, throughout the period since its establishment, to maximize the profit with good return of investment to the Shareholders. We also made use of the period under review to explore new and quality customers and to strengthen the relationship with the existing customers, so as to pave the foundation for our future business development.

Retail Business

The Group continued to record steady sales growth in the retail business. During the period under review, the Group rationalized some underperformed stores, strengthened the brand image and further expanded the sales network to respond to the keen competition in retail market in China. As at 30 June 2006, the Group's total number of retail outlets reached 317, representing an increase of 15 when compared with 302 as at 31 December 2005. The 317 retail outlets comprised 167 concessions and four free-standing stores directly operated by the Group and 146 retail outlets operated by franchisees, spanning over 26 provinces and municipalities in China.

Home Textile OEM Business

An increase of approximately 480.6% in the OEM sales of home textile products, achieving HK$38.9 million, for the period under review, was mainly driven by the strong demand for home textile fabric and accessories, such as pillow cases, bed sheets and duvet covers, from the United States. With the success of the home textile OEM business, we aim to expand further into the retail business of home textile products in China. The first home textile retail store under the "BURLINGTON HOUSE" brand was opened in July this year and we plan to open 5 additional home textile retail stores by the end of 2006. Going forward, the sales and the profit contribution from home textile OEM and retail businesses will continue to grow and are expected to form an important part of the business of the Group.

2. Financial Review

During the period under review, the Group's revenue amounted to approximately HK$922.8 million, representing a decrease of approximately 9.7% when compared with approximately HK$1,021.5 million for the same period in the last year. The gross profit margin for the period under review was approximately 37.5%, which is 3.3% lower than 40.8% for the same period in the last year. The net profit attributable to the equity holders of the Company was approximately HK$220.7 million, representing a decrease of approximately 8.2% when compared with approximately HK$240.3 for the same period in the last year. Earnings per Share were 10.69 HK cents, representing 5.43 HK cents lower than 16.12 HK cents for the same period in the last year.

OEM Business

During the period under review, the OEM sales (including home textile OEM sales) recorded a decline from approximately HK$939.0 million for the same period in the last year to approximately HK$835.0 million for the period under review. A majority of the OEM sales was derived from the sales of silk and silk-blended apparel even though its sales decreased to approximately HK$431.4 million (the same period of 2005: HK$613.3 million). The OEM sales analysis by product is as follows:

	January to June 2006		January to June 2005	
	HK$ million	***%***	*HK$ million*	*%*
Silk and silk-blended apparel	**431.4**	**51.7**	613.3	65.3
Linen and linen-blended apparel	**219.5**	**26.3**	113.8	12.1
Other apparel	**145.2**	**17.4**	205.2	21.9
Home textile products	**38.9**	**4.6**	6.7	0.7
Total	**835.0**	**100.0**	939.0	100.0

In terms of geographical distribution, sales to the United States amounted to approximately HK$721.8 million (the same period of 2005: HK$847.4 million), which accounted for approximately 86.4% (the same period of 2005: 90.2%) of the OEM sales. Sales to Europe and other markets were approximately HK$34.7 million (the same period of 2005: HK$45.8 million) and approximately HK$78.5 million (the same period of 2005: HK$45.8 million), respectively.

Retail Business

The increase in the retail revenue was driven by the expansion of our retail network and the improvement in store sales performance. The retail revenue surged period-on-period by approximately 6.4% to approximately HK$87.8 million for the period under review. Sales under the "Finity" brand name continued to contribute a majority of the retail revenue, which accounted for approximately 46.2% of total retail revenue. Sales of "Elanie" and "Maxstudio" surged to approximately HK$11.6 million (the same period of 2005: HK$8.9 million) and approximately HK$15.1 million (the same period of 2005: HK$10.9 million), respectively. The retail revenue analysis by brand name is as follows:

	January to June 2006		January to June 2005	
	HK$ million	***%***	*HK$ million*	*%*
In-house brands				
Finity	**40.6**	**46.2**	42.1	51.0
Dbni	**15.3**	**17.5**	16.6	20.1
Elanie	**11.6**	**13.2**	8.9	10.8
Riverstone *(Note a)*	**5.2**	**5.9**	—	—
Licensed brands				
Maxstudio	**15.1**	**17.2**	10.9	13.2
Springfield *(Note b)*	**—**	**—**	4.0	4.9
Total	**87.8**	**100.0**	82.5	100.0

Notes

(a) The retail business of "Riverstone" commenced in October 2005.

(b) The Group terminated the retail business of "Springfield" in October 2005.

In terms of the retail revenue analysis by sales channel, sales from concessions amounted to approximately HK$63.4 million (the same period of 2005: HK$62.2 million), accounting for approximately 72.2% of the total retail revenue (the same period of 2005: 75.4%). Sales from free-standing stores and franchisees amounted to approximately HK$3.7 million (the same period of 2005: HK$2.5 million) and approximately HK$20.7 million (the same period of 2005: HK$17.8 million), respectively.

Operations

The Group was affected by the increase in the market prices of raw silk during the period under view. Because of the changing market conditions, the rising price of the principal raw materials and the appreciation of the value of RMB against the US dollar, we enhanced our knowledge on the latest market information through scientific and system study, so as to obtain the most accurate business information, for the purpose of monitoring and controlling the costs of our principal raw materials and steamlining the production process. The purpose of all these arrangements is to strengthen the integration of our production process and monitor the level of production cost, through the increasing use of advanced production facilities and reducing the reliance of labour. All of these have resulted in an overall decrease in the production cost. As a result, the gross profit margin of the OEM business decreased slightly from approximately 38.9% for the same period in 2005 to approximately 34.8% for the period under review. The gross profit margin of the retail business increased from approximately 61.8% for the same period in 2005 to approximately 63.2% for the period under review.

During the period under review, the Group disposed of an investment property in May 2006 and recorded a net gain of HK$9.4 million, which has been included in the other income.

We managed to maintain effective cost control and to improve operating efficiency. As a result, the selling, marketing and distribution costs and the administrative expenses, as percentages of turnover for the period under review, were only 6.0% (the same period 2005: 4.4%) and 7.0% (the same period 2005: 8.2%), respectively.

The net profit margin (net profit attributable to equity holders as a percentage of turnover) for the period under review was approximately 23.9% which is 0.4% higher than 23.5% in the same period last year.

3. Liquidity and Financial Resources

The Group is in sound financial position. Net cash inflow from operations during the period under review amounted to approximately HK$245.6 million (the same period 2005: HK$320.0 million). As at 30 June 2006, the cash and cash equivalent was approximately HK$777.9 million, representing an increase of HK$107.9 million when compared with approximately HK$670.0 million as at 31 December 2005. The increase was primarily due to the net proceeds of approximately HK$146.9 million raised from the over allotment arrangement in connection with the listing of the Company's Shares, the net cash inflow from operations of approximately HK$245.6 million, the net repayment of bank loan of HK$60.0 million, the acquisition of fixed assets of approximately HK$28.7 million, the dividend paid to equity holders of HK$95.0 million and increase in fixed deposit of HK$125.3 million.

As at 30 June 2006, the Group had bank borrowings of approximately HK$3.7 million (31 December 2005: HK$63.8 million) which was repayable within one year. The debt to equity ratio (total borrowings as a percentage of total equity) was approximately 0.2% (31 December 2005: 4.4%).

4. Treasury Policy and Exposure to Fluctuations in Exchange Rates

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 2006, 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.

5. Capital Expenditure

During the period under review, the Group invested approximately HK$28.7 million on acquisition of property, plant and machinery being part of the net proceeds from the initial public offering of the Shares. The Group also used approximately HK$4.6 million for the expansion of new retail stores in China.

6. Contingent Liabilities

The Group had no material contingent liabilities as at 30 June 2006.

7. Human Resources

As at 30 June 2006, the Group employed approximately 11,000 employees in China, Hong Kong, the United States and France.

The Group recognizes the importance of good relationship with its employees. The Group has established an incentive bonus scheme for its employees, in which the benefits are based on the performance of the Group and the individual employee, and will be reviewed regularly every year. The Directors believe that a competitive remuneration scheme, a safe and comfortable workplace and appropriate career development opportunities are incentives for employees to excel in their areas of responsibilities.

8. Prospects

We have already received increasing number of silk and silk-blended apparel orders for the second half of 2006 since the raw silk price has returned to approximately RMB230,000 per tonne in May 2006, which reflected the good harvest result in March and April 2006. In view of the production capacity, a new production plant (with an estimated annual production capacity of approximately two million pieces) adjacent to the China Ting Industrial Complex will commence its production in the second half of 2006. The Directors are optimistic about the OEM business in the second half of this year.

In a medium-term prospect, the Group will expand its production capacity by constructing new factories and acquiring advanced plant and machinery to catch up the business opportunity arising from the elimination of all textile-specific safeguard measures against China's export under the WTO from 1 January 2009.

Given a consistent economic growth and modest inflation in China, the Directors are positive on our the retail business in China. The Group will continue to strengthen the existing brands in China through a number of initiatives including the opening of flagship stores, the stepping up stores opening in the first and second tier cities, the renovation of retail outlets, the expansion of in-house design teams and the participation in fashion shows and other promotional events. We expect that the number of retail stores will reach approximately 345 by the end of September 2006.

On the other hand, the Group will cautiously seek business opportunities to co-operate with international fashion brands, with the support of existing sale networks, to further expand the retail business in China.

Based on the interim results and the current assessments, we are optimistic on the Group's performance in the second half of this year.

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 2006.

SUBSEQUENT EVENT

On 5 September 2006, Concept Creator Fashion Limited, a wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement in respect of a proposed acquisition of 92% of the equity interest of Zhejiang Huading Group Company Limited at a consideration of approximately RMB174.3 million (equivalent to approximately HK$169.2 million). The proposed acquisition constitutes a connected and discloseable transaction for the Company and will be subject to the approval of the independent Shareholders. The Company issued an announcement on 6 September 2006 on the details of this proposed acquisition.

AUDIT COMMITTEE

The audit committee of the Board has reviewed with the management 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 Report. In addition, the Group's auditors have carried out a review of the unaudited Interim Financial Report in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" 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 (the "Listing Rules") 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

Mr. CHEUNG Ting Yin, Peter has been appointed as an executive Director effective from 3 August 2006.

By Order of the Board of
CHINA TING GROUP HOLDINGS LIMITED
TING Hung Yi
Executive Director and Chief Executive Officer

Hong Kong, 7 September 2006