CHINA TING GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3398)

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2008

FINANCIAL HIGHLIGHTS

	2008 ***HK$ million***	2007 *HK$ million*	*% Change*
Revenue			
OEM Business	**1,105.4**	1,136.0	(2.7)
Brand Retail Business	**160.9**	119.0	35.2
	1,266.3	1,255.0	0.9
Segment profit			
OEM Business	**217.3**	245.2	(11.4)
Brand Retail Business	**27.5**	18.3	50.3
	244.8	263.5	(7.1)
Profit attributable to the equity holders of the Company	**192.2**	247.9	(22.5)
Basic earnings per share (HK cents)	**9.12**	12.00	(24.0)
Dividend per share (HK cents)	**5.24**	6.90	
Dividend payout ratio	**57.5%**	57.5%	

INTERIM RESULTS

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 2008, together with the comparative figures for the corresponding period in 2007, as follows:

Condensed Consolidated Interim Income Statement
For the six months ended 30 June 2008

		Six months ended 30 June	
		2008	2007
		(Unaudited)	*(Unaudited)*
	Note	***HK$'000***	*HK$'000*
Revenue	3	**1,266,250**	1,255,004
Cost of sales		**(846,418)**	(827,948)
Gross profit		**419,832**	427,056
Other (losses)/gains, net	4	**(7,258)**	6,680
Selling, marketing and distribution costs		**(86,020)**	(72,798)
Administrative expenses		**(117,279)**	(91,102)
Operating profit	5	**209,275**	269,836
Finance income, net	6	**2,355**	5,908
Share of (losses)/profits of associates		**(1,128)**	4,939
Profit before income tax		**210,502**	280,683
Income tax expense	7	**(18,683)**	(31,842)
Profit for the period		**191,819**	248,841
Attributable to:			
Equity holders of the Company		**192,232**	247,923
Minority interests		**(413)**	918
		191,819	248,841
Dividends	8	**110,184**	142,657
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in HK cents per share)			
— basic	9	**9.12 cents**	12.00 cents
— diluted	9	**9.12 cents**	11.95 cents

Condensed Consolidated Interim Balance Sheet
As at 30 June 2008

	Note	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**781,649**	617,299
Investment properties		**7,000**	7,000
Leasehold land and land use rights		**101,249**	84,012
Intangible assets		**131,125**	51,729
Interests in associates		**5,444**	39,170
Deferred income tax assets		**17,491**	8,596
		1,043,958	807,806
Current assets			
Inventories		**379,309**	393,496
Trade and other receivables	10	**418,713**	448,166
Tax recoverable		**1,032**	24,187
Financial assets at fair value through profit or loss		**80,766**	51,819
Pledged bank deposits		**9,621**	13,178
Cash and cash equivalents		**778,047**	734,423
		1,667,488	1,665,269
Total assets		**2,711,446**	2,473,075
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital		**210,275**	206,525
Reserves		**1,928,864**	1,691,103
Proposed dividends		**110,184**	164,790
		2,249,323	2,062,418
Minority interests		**50,658**	48,020
Total equity		**2,299,981**	2,110,438

	Note	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
LIABILITIES			
Non-current liabilities			
Licence fees payable		**2,706**	5,260
Deferred income tax liabilities		**21,057**	14,287
		23,763	19,547
Current liabilities			
Trade and other payables	11	**315,082**	301,079
Bank borrowings		**30,667**	13,154
Derivative financial instruments		**7,988**	5,447
Current income tax liabilities		**33,965**	23,410
		387,702	343,090
Total liabilities		**411,465**	362,637
Total equity and liabilities		**2,711,446**	2,473,075
Net current assets		**1,279,786**	1,322,179
Total assets less current liabilities		**2,323,744**	2,129,985

NOTES

1 Basis of preparation

This condensed consolidated interim financial information 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 ("HKICPA"). The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007.

2 Principal accounting policies

Except as described below, the accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following interpretations to existing standards are mandatory for the financial year beginning 1 January 2008 but are not currently relevant for the Group.

- HK(IFRIC) — Int 11 "HKFRS 2 — Group and Treasury Share Transactions"
- HK(IFRIC) — Int 12 "Service Concession Arrangements"
- HK(IFRIC) — Int 14 "HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

The Group has not early adopted the following new/revised standards and interpretations to existing standards that have been issued but not yet effective for the financial year beginning 1 January 2008. The Group is in the process of assessing their impact to the Group's results and financial position.

- HKAS 1 (Revised) "Presentation of Financial Statements" (effective from1 January 2009)
- HKAS 23 (Revised) "Borrowing Costs" (effective from 1 January 2009)
- HKAS 27 (Revised) "Consolidated and Separate Financial Statements" (effective from 1 July 2009)
- HKAS 32 and HKAS 1 (Amendment) "Puttable Financial Instruments and Obligation Arising on Liquidation" (effective from 1 January 2009)
- HKFRS 2 (Amendment) "Share-based Payment Vesting Conditions and Cancellations" (effective from 1 January 2009)
- HKFRS 3 (Revised) "Business Combinations" (effective from 1 July 2009)
- HKFRS 8 "Operating Segments" (effective from 1 January 2009)
- HK(IFRIC) — Int 13 "Customer Loyalty Programmes" (effective from 1 July 2008)

3 Segment information

(a) Primary reporting segment — business segments

The business segment reporting includes the following segments: (1) manufacturing and sale of garments on an OEM basis ("OEM"); and (2) manufacturing and retailing of branded fashion apparel ("Retail").

The segment revenue, results and capital expenditure for the six months ended 30 June 2008 are as follows:

		(Unaudited)	
	OEM	**Retail**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Gross segment sales	**1,107,824**	**161,014**	**1,268,838**
Elimination of inter-segment sales	**(2,455)**	**(133)**	**(2,588)**
Turnover and segment revenue	**1,105,369**	**160,881**	**1,266,250**
Segment results	**217,270**	**27,488**	**244,758**
Unallocated losses			**(35,483)**
Operating profit			**209,275**
Share of profits/(losses) of associates	**28**	**(1,156)**	**(1,128)**
Depreciation of property, plant and equipment	**32,601**	**1,171**	**33,772**
Amortisation of leasehold land and land use rights	**546**	**14**	**560**
Amortisation of intangible assets	**—**	**4,657**	**4,657**
Capital expenditure	**266,895**	**326**	**267,221**

The segment revenue, results and capital expenditure for the six months ended 30 June 2007 are as follows:

		(Unaudited)	
	OEM	Retail	Total
	HK$'000	*HK$'000*	*HK$'000*
Gross segment sales	1,136,647	120,398	1,257,045
Elimination of inter-segment sales	(629)	(1,412)	(2,041)
Turnover and segment revenue	1,136,018	118,986	1,255,004
Segment results	245,243	18,274	263,517
Unallocated gains			6,319
Operating profit			269,836
Share of profits of associates	4,939	—	4,939
Depreciation of property, plant and equipment	18,247	1,064	19,311
Amortisation of leasehold land and land use rights	661	16	677
Amortisation of intangible assets	—	3,922	3,922
Capital expenditure	39,650	14,328	53,978

(b) Secondary reporting segment — geographical segments

The Group primarily operates in Hong Kong and Mainland China. Sales are made to overseas customers as well as customers in Hong Kong and Mainland China.

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
North America	**889,418**	989,090
European Union	**55,633**	43,881
Mainland China	**298,125**	191,322
Hong Kong	**16,966**	7,585
Other countries	**6,108**	23,126
	1,266,250	1,255,004

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Mainland China	**250,815**	53,299
Hong Kong	**2,636**	566
North America	**—**	113
	253,451	53,978

4 Other (losses)/gains, net

	Six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Gain on disposal of property, plant and equipment and leasehold land and land use rights	**1,517**	43
Loss on disposal of an associate	**—**	(84)
Government grants	**27**	361
Investment tax credits (Note)	**7,695**	—
Net fair value (losses)/gains of financial assets at fair value through profit or loss	**(40,928)**	1,924
Net exchange (losses)/gains	**(481)**	2,242
Gain on deregistration of a subsidiary	**23,653**	—
Net fair value losses of foreign exchange forward contracts	**(420)**	—
Rental income	**926**	1,381
Others	**753**	813
	(7,258)	6,680

Note:

Investment tax credits represent incentives received as a result of the reinvestment of the dividend incomes from subsidiaries in the People's Republic of China ("PRC").

5 Operating profit

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

	Six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Depreciation of property, plant and equipment	**33,772**	19,311
Amortisation of leasehold land and land use rights	**560**	677
Amortisation of intangible assets	**4,657**	3,922
Employee benefit expenses	**214,703**	160,844
Provision for inventories	**8,000**	4,425
Provision for/(reversal of provision) for impairment of trade receivables	**661**	(899)

6 Finance income, net

	Six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Finance income — interest income on		
— bank deposits	**3,734**	8,586
— amount due from an associate	**138**	109
Finance costs — interest expense on		
— bank loans	**(1,143)**	(2,310)
— licence fees payable	**(374)**	(477)
	2,355	5,908

7 Income tax expense

	Six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Current income tax		
— Hong Kong profits tax	**18,012**	20,523
— PRC enterprise income tax	**21,684**	19,652
— Overprovision in prior years	**(12,240)**	—
Deferred income tax	**(8,773)**	(8,333)
	18,683	31,842

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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 these subsidiaries of the Group is 25%, except that the applicable enterprise income tax rate for Shenzhen Fuhowe Fashion Company Limited and Finity Fashion (Shenzhen) Company Limited is 18%.

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.

8 Dividends

	Six months ended 30 June	
	2008	2007
	(Unaudited)	*(Unaudited)*
	HK$'000	*HK$'000*
Interim dividend, declared, of HK4.56 cents (2007: 5.90 cents) per ordinary share	**95,885**	121,982
Special dividend, declared, of HK0.68 cent (2007: HK1.00 cent) per ordinary share	**14,299**	20,675
	110,184	142,657

Note:

At a meeting held on 9 September 2008, the directors declared a special dividend of HK0.68 cent per ordinary share in addition to an interim dividend of HK4.56 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 2008.

9 Earnings per share

(a) The calculation of basic earnings per share is based on the Group's profit attributable to equity holders of the Company of HK$192,232,000 (Six months ended 30 June 2007: HK$247,923,000) and weighted average number of ordinary shares in issue during the period of 2,106,809,426 (Six months ended 30 June 2007: 2,066,250,000).

(b) As there was no potential dilutive share for the six months ended 30 June 2008, diluted earnings per share equal to the basic earnings per share. Diluted earnings per share for the six months ended 30 June 2007 was calculated based on the profit attributable to equity holders of the Company of HK$247,923,000, and the weighted average number of ordinary shares of 2,074,671,429 which is the weighted average number of ordinary shares in issue during the period plus the weighted average number of dilutive potential ordinary shares of 8,421,429 deemed to be issued at no consideration if all outstanding share options granted under the Pre-IPO Share Option Scheme had been exercised.

10 Trade and other receivables

	As at 30 June 2008 *(Unaudited)* *HK$'000*	As at 31 December 2007 *(Audited)* *HK$'000*
Trade and bills receivables	**356,616**	341,860
Less: Provision for impairment	**(3,849)**	(3,188)
Trade and bills receivables, net	**352,767**	338,672
Amounts due from associates	**5,094**	63,509
Other receivables, deposits and prepayments	**60,852**	45,985
	418,713	448,166

The ageing analysis of gross trade and bills receivables is as follows:

	As at 30 June 2008 *(Unaudited)* *HK$'000*	As at 31 December 2007 *(Audited)* *HK$'000*
0 to 30 days	**183,934**	201,721
31 to 60 days	**92,363**	102,425
61 to 90 days	**39,697**	17,125
Over 90 days	**40,622**	20,589
	356,616	341,860

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

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

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

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

As of 30 June 2008, the provision for impairment of trade receivables amounted to HK$661,000 (2007: reversal of provision of HK$899,000). These have been included in administrative expenses in the condensed consolidated income statement.

11 Trade and other payables

	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
Trade and bills payables	**180,854**	195,555
Other payable and accruals	**128,322**	98,218
Amounts due to associates	**607**	2,267
Licence fees payable	**5,299**	5,039
	315,082	301,079

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

	As at 30 June 2008 (Unaudited) HK$'000	As at 31 December 2007 (Audited) HK$'000
0 to 30 days	**107,109**	135,655
31 to 60 days	**37,802**	38,029
61 to 90 days	**10,015**	8,813
Over 90 days	**25,928**	13,058
	180,854	195,555

INTERIM DIVIDEND

The Board recommends and declares a special dividend of HK0.68 cent for each Share in addition to an interim dividend of HK4.56 cents for each Share for the six months ended 30 June 2008 to shareholders whose names appear on the register of members of the Company on 10 October 2008. The Directors expect the interim dividend to be payable on or about 24 October 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 October 2008 to 10 October 2008, both days inclusive, during which no transfer of Shares will be registered. To qualify for the interim dividend and the special dividend (which will be payable on or about 24 October 2008), shareholders of the Company must ensure that all transfer documents accompanied by the relevant Share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration no later than 4:30 p.m. on 6 October 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

During the period under review, the operating environment for the manufacturing sector has been under a lot of pressure mainly from the appreciation of RMB as well as the persistently weak US dollar. This has been further aggravated by the increase in labour costs from new labour regulations, raw material price hikes, and the overall deterioration of the US economy.

Such unfavorable events have all contributed in hindering the Group's expected performance, causing the Group's profit before tax to drop by approximately 25.0% to HK$210.5 million for the six months ended 30 June 2008. Both the profit attributable to equity holders of the Company and earnings per share dropped by 22.5% and 24.0% to HK$ 192.2 million and HK9.12 cents respectively.

Original Equipment Manufacturer ("OEM") Business

During the period, the Group's OEM activities continued to be its major business and a solid source of revenue, contributing approximately HK$1,105.4 million (2007: approximately HK$1,136.0 million), representing approximately 87.3% of the Group's total revenue.

2008 has been a challenging year for both the manufacturing and exporting businesses in China and the stipulated reasons given hereabove have resulted in the Group's OEM business reporting a decrease in the gross profit margin from approximately 29.9% in 2007 to approximately 28.3% this current period.

However, the Group continues to forge its strategy of expanding its original design manufacturer business through new research and development as well as design to meet market needs.

Fashion Retail Business

As per the strategy put into place at the beginning of 2008, the Group shifted its focus to its retail business, achieving a steady growth in the sales performance.

During the period under review, the Group continued to apply its strategy mainly through strengthening its shop image and increasing its sales locations while renovating earlier stores or closing down underperforming ones existing in its current network.

The expansion of its stores for its four in-house brands of "FINITY", "DBNI", "ELANIE", and "RIVERSTONE" as well as its licensed brand of "MAX STUDIO" showed an increase in turnover by approximately 35.2%.

2. Financial Review

During the period under review, the Group's revenue amounted to HK$1,266.3 million, representing an increase of 0.9% as compared with HK$1,255.0 million during the same period in 2007. The gross profit margin for the period under review was 33.2% which was slightly lower than approximately 34.0% for the same period in 2007. This situation was principally due to the appreciation of RMB, the increase in labour costs and raw material prices, and overall deterioration of the US economy. The net profit attributable to equity holders was HK$192.2 million, representing a decrease of 22.5% as compared with HK$247.9 million during the same period in 2007. Earnings per Share were HK9.12 cents, representing HK2.88 cents lower as compared to HK12.00 cents for the same period last year.

OEM Business

During the period under review, the OEM revenue recorded a decrease from approximately HK$1,136.0 million for the same period in 2007 to approximately HK$1,105.4 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$441.9 million (2007: HK$ 479.2 million). The OEM revenue analysis by different kinds of product is as follows:

	January to June 2008		January to June 2007		**Period-on-Period**
	HK$ million	***%***	*HK$ million*	*%*	*% change*
Silk and silk-blended apparel	**441.9**	**40.0**	479.2	42.2	(7.8)
Linen and linen-blended apparel	**152.0**	**13.8**	208.6	18.4	(27.1)
Cotton and cotton-blended apparel	**268.8**	**24.3**	232.7	20.5	15.5
Apparel in synthetic fabrics	**90.2**	**8.2**	118.4	10.4	(23.8)
Printing and dyeing	**27.0**	**2.4**	—	—	N/A
Home textile products	**51.1**	**4.6**	37.9	3.3	34.8
Others	**74.4**	**6.7**	59.2	5.2	25.7
Total	**1,105.4**	**100.0**	1,136.0	100.0	2.7

In terms of markets, sales to the United States amounted to HK$889.4 million (2007: HK$989.1 million), which accounted for approximately 80.5% (2007: 87.1%) of the OEM revenue. Sales to Europe and other markets were approximately HK$55.6 million (2007: HK$43.9 million) and HK$160.3 million (2007: HK$102.9 million) respectively.

Fashion Retail Business

The increase in retail revenue during the period under review was driven by the expansion of the sales network and an increase in average selling price. The retail revenue surged period-on-period by approximately 35.2% to approximately HK$160.9 million for the period under review. Sales of apparel items under the brand name of "Finity" continued to be the major driver for growth accounting for approximately 51.9% of total retail revenue. Sales of "Elanie" and "Maxstudio" surged to approximately HK$21.5 million (2007: HK$15.9 million) and HK$26.5 million (2007: HK$20.8 million) respectively. The retail revenue analysis by brand name is as follows:

	January to June 2008		January to June 2007		**Period-on-Period**
	HK$ million	***%***	*HK$ million*	*%*	*% change*
In-house brands					
Finity	**83.5**	**51.9**	57.4	48.2	45.5
Dbni	**14.6**	**9.1**	16.5	13.9	(11.5)
Elanie	**21.5**	**13.3**	15.9	13.3	35.2
Riverstone	**14.6**	**9.1**	8.0	6.7	82.5
Licensed brands					
Maxstudio	**26.5**	**16.5**	20.8	17.5	27.4
Burlington House	**0.2**	**0.1**	0.4	0.4	(50.0)
Total retail turnover	**160.9**	**100**	119.0	100	35.2

In terms of retail revenue analysis by sales channel, sales from concessions amounted to approximately HK$111.4 million (2007: HK$82.2 million), accounting for approximately 69.3% of total retail turnover. Sales from free-standing stores and franchisees amounted to HK$4.2 million (2007: HK$5.1 million) and HK$45.3 million (2007: HK$31.7 million) respectively.

3. Liquidity and Financial Resources

The Group continues to retain a good and solid financial position. Net cash inflow from operations during the period under review amounted to approximately HK$236.5 million. As at 30 June 2008, the cash and cash equivalent was approximately HK$778.0 million, representing an increase of approximately HK$43.6 million as compared with approximately HK$734.4 million as at 31 December 2007. The increase was principally due to the cash inflow from operations of approximately HK$236.5 million, the cash used in investing activities of approximately HK$65.1 million, which mainly represented the acquisition of property, plant and equipment amounting to HK$97.1 million, net of proceeds from disposal of property, plant and equipment and cash proceeds from acquisition of a subsidiary, which amounted to HK$10.8 million and HK$14.2 million respectively, and the cash used in financing activities, which mainly represented the 2007 final dividend paid to equity holders during the period.

As of 30 June 2008, the Group had bank borrowings of HK$30.7 million (31 December 2007: HK$13.2 million), repayable within one year. The debt to equity ratio (total borrowings as a percentage of total equity) was 1.3% (31 December 2007: 0.6%)

The sales of the Group are mainly denominated in US dollars and Renminbi and the purchase of raw materials mainly made in Renminbi, US dollars and Hong Kong dollars. As of 30 June 2008, 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 2008.

5. Human Resources

As of 30 June 2008, the Group employed approximately 12,000 employees in the PRC, Hong Kong and the United States.

The Group recognises the importance of good relationships with its employees and has established an incentive bonus scheme for them, in which the benefits are determined based on the performance of the Group as well as individual employees and which will be reviewed regularly every year.

The Directors believe that in the present difficult market economy, the Group's human resources play a crucial part in helping the Group weather the difficulties. A solid financial background, strong career prospects, good staff remuneration and benefits as well as a pleasant working and living environment are deemed essential to convince staff that the Group is the place to be.

6. Business Outlook

OEM Business

Various factors continue to have a detrimental effect on the OEM business in China, especially the economy and sub-prime mortgage difficulties in the United States which continues to affect, adversely, the purchasing power of overseas buyers.

To reduce the impact of these factors, the Group will continue to implement cost control measures and improve its production efficiency in order to achieve a better balance between its cost and sales and to maintain its gross profit margin.

In a way, the actual weak US market prompts a call for shorter delivery lead times and a more discriminate choice of suppliers who are financially stable, vertically integrated and flexible enough to adapt to their needs — in particular to short delivery times — and this matches the Group's strength which has been the main reason for the turnover recording only a slight drop of 2.7% in the first half of 2008 despite the gloomy overall US market performance.

Product and market diversification is another strategy the Group is adopting. This shift to include more business from other potential markets expected to balance out the Group's current reliance on the US market in the long run and new developments and business are already being achieved and expected to grow. This expansion also embraces a change in the products itself, moving from current quality products in silks, linens, synthetics, cottons to wool and wool blend products allowing the Group to complement its current strengths in spring, summer and autumn seasons, giving it a complete cycle for a year round production.

The Group expects that additional business opportunities in wool through its joint venture partnership with the Italian partners will propel it to success in the creation and assembly of winter products in demand for the global market — Italian creativity and quality fabrics coupled with cost effective but good Chinese labor — to bring with it additional business opportunities in the US, Europe, and Asia.

Retail Business

Through continuous efforts of the retail teams, satisfactory results in the fashion retail business were achieved in the first five months of this year mainly through an increase in its actual selling price. However, retail sales, in general, has slowed since then and is not expected to pick up very strongly for the rest of the year.

However, the Group intends to continue with its strategy of diversifying and stimulating collections in tandem with international designers, multiplying its sales points, and investing in marketing, advertising and promotion.

Taking into consideration the current market situation, the Group is focusing on acquiring leading local and international brands that can provide strategic and supporting value to the Group.

Various measures have been adopted to strengthen the fashion retail business with an overall objective to raise its contribution to the Group's revenue within the next few years: improving its workflow, increasing its sales points, providing bigger selections and quicker turnaround times for products in stores.

In terms of the capital market activities, the Group is actively working towards earmarking and procuring local and international brands that will propel its surge in retail growth through strategic partnerships, mergers and acquisitions on a global basis.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

During the period under review, the Company repurchased a total of 9,654,000 (2007: Nil) ordinary shares of HK$0.10 each of the Company on the Stock Exchange as follows:

		Price per share		
Month	**Number of shares**	**Highest**	**Lowest**	**Total paid**
		HK$	***HK$***	***HK$***
January 2008	3,660,000	1.70	1.48	5,966,600
February 2008	1,450,000	1.31	1.27	1,876,000
June 2008	4,544,000	1.30	1.25	5,859,500
	9,654,000			13,702,100

The above repurchased shares have been cancelled. The premium paid on the shares of HK$12,736,700 (2007: Nil) has been charged to the share premium. An amount equivalent to the par value of the Shares cancelled has been transferred from the share capital of the Company to the capital redemption reserve.

The repurchase of the Shares during the period was effected by the Directors, pursuant to the mandate from Shareholders, with a view to benefiting Shareholders as a whole by enhancing the net asset value per share and earnings per Share.

Save as disclosed herein, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities for the six months ended 30 June 2008.

AUDIT COMMITTEE

The Audit Committee has reviewed with management and the independent auditor 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 independent auditor has 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 ON 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 on Corporate Governance Practices as set out in appendix 14 to 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. CHEUNG Ting Yin, Peter

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

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

Hong Kong, 9 September 2008

A detailed interim report containing all the relevant information required by Appendix 16 to the Listing Rules will be subsequently published on the Stock Exchange's website and on the Company's website in due course.