



**協盛協豐控股有限公司\***  
**CO-PROSPERITY HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)  
Stock Code : 707

2007  
Interim Report

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## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in the sale of finished fabrics and the provision of fabrics dyeing and processing subcontracting services to customers.

### Operational and Financial review

The Group is pleased to announce that, with proven management expertise and the concerted effort of our staff, the Group has successfully achieved a sustainable and remarkable increase in turnover and profit for the period under review.

The first half of 2007 was full of changes and challenges for the PRC textile industry. The various export restrictions imposed by the European Union and the United States on the PRC textiles and garments, the Mainland reducing the Value-Added-Tax rebate, the continuous rising of the cost of raw materials, as well as a more stringent environmental policy in the PRC, have altogether accelerated the pace of consolidation in the industry, and at the same time have opened up more opportunities to established manufacturers like us.

### Turnover

The widespread recognition of the customers on the product and the further utilization of our production capacity contributed to the significant increase of the Group's turnover for the period under review. A notable part of the increase in turnover of trading sales came from Xiamen Tophot Trade Co., Ltd ("Xiamen Tophot") acquired in June last year. Its trading sales was fully recognized in the period under review. As a whole, for the six months ended 30 June 2007, the Group recorded a turnover of approximately RMB 498.3 million (For the six months ended 30 June 2006: RMB332.0 million), a significant increase of 50.1%.

### Profit attributable to shareholders

For the six months ended 30 June 2007, the Group's profit attributable to shareholders was approximately RMB67.0 million (For the six months ended 30 June 2006: RMB49.4 million), increased by approximately 35.7% as compared with the previous corresponding period. During the period, as a result of the full recognition of Xiamen Tophot's trading business, the overall gross profit margin decreased to approximately 22.4% (For the six months ended 30 June 2006: 23.7%). However, with effective cost control measures, the overall expenses recorded an increase of 36.8%, well below the growth in turnover for the period.

To achieve the goal of building a vertically integrated operation, the Group established a wholly-owned subsidiary, 協盛協豐(泉州)紡織實業有限公司 ("Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd.") in Shishi City, Fujian Province in March 2007. The company has secured the approval of relevant authorities to establish a textile production plant dedicated to producing high-density and high-end yarns ("Quanzhou project"). For the six months ended 30 June 2007, the Group had invested approximately RMB 111.4 million in the project. The plant is expected to be completed and ready for production in the second quarter of 2008 to supply quality textile materials for both external sales and use by the Group in production, hence allowing the reduction in production costs.

### Future Plans and Prospects

Looking forward, the market remains to be mixed with positive and negative factors. Competition remains fierce and customers have become more demanding, which will see the elimination phenomenon in the industry continue to hasten. On the other hand, the rise of the consumption power of the Mainland population as well as the steady improvement of the global economy have provided a positive stimulus to the market as a whole.

Capitalizing on the well performance in the past, the Group will continue its customer-based and quality-come-first strategy to provide customers with quality finished fabrics and related services at one stop. Moreover, the Group will continue to commit considerable resources on new product research and development and enhancement of the existing product series, with a view to fully satisfy the customers' demand throughout the production process from raw materials procurement to product packaging.

Whilst focusing on the overall steady growth of its core business, in order to become a fully vertically-integrated enterprise and enhance the overall profitability and the efficiency of its production chain, the Group will continue its pragmatic expansion approach and consider potential opportunities consistent with the Group's objectives at appropriate times. The gradual commencement of production from the Quanzhou project will further optimize the Group's profit quality.

Leveraging on its quality products, unparallel industry expertise and advanced technology, the Board is fully confident on the Group's future outlook and strongly believe that an increasing profits return will be brought to the shareholders in the future.

#### LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2007, the Group had current assets of approximately RMB548.9 million (As at 31 December 2006: RMB387.9 million) and current liabilities of approximately RMB284.3 million (As at 31 December 2006: RMB229.2 million). As at 30 June 2007, the Group's cash and bank balances was approximately RMB217.2 million (As at 31 December 2006: RMB45.6 million), while pledged bank deposits amounted to approximately RMB9.0 million (As at 31 December 2006: nil).

The Group has always adopted a prudent financial strategy, notwithstanding that the Group's business has expanded considerably during the period under review, the short-term bank loans only slightly increased to approximately RMB155.4 million, (As at 31 December 2006: RMB151.7 million).

The Group maintained a healthy liquidity position. Apart from the borrowings as referred to above, the Group financed its operations during the period under review by internally generated resources. The Group's current ratio (a ratio of total current assets to total current liabilities) was approximately 1.9 (As at 31 December 2006: 1.7). The gearing ratio (a ratio of total interest-bearing borrowings to shareholders' equity) was approximately 19.4% (As at 31 December 2006: 25.3%).

#### CAPITAL EXPENDITURES

As at 30 June 2007, the Group has capital commitments of approximately RMB4.5 million in respect of purchases of property, machinery and equipment (As at 31 December 2006: RMB13.4 million).

#### CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

As at 30 June 2007, the Group did not have any significant contingent liabilities (As at 31 December 2006: Nil). The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group does not foresee any significant exposure in exchange rate fluctuations and no financial instrument has been used for hedging purposes. The Group will consider holding forward exchange contract for hedging purposes if and when appropriate.

#### SIGNIFICANT INVESTMENT AND MATERIAL ACQUISITIONS AND DISPOSAL

The Group established a wholly-owned subsidiary, 協盛協豐(泉州)紡織實業有限公司 in Shishi City of Fujian Province in March 2007, in order to establish a textile production plant, for the purpose of producing high-density and high-end yarn. Besides that, the Group has not been involved in any material acquisitions or disposals of subsidiaries and associated companies during the period under review.

#### EMPLOYMENT

As at 30 June 2007, the Group had about 1,900 employees in Hong Kong and in the PRC (As at 31 December 2006: 1,700 employees). Remuneration packages for the employees are maintained at a competitive level of the jurisdiction within which the employees are employed to attract, retain and motivate the employees. Remuneration packages will be reviewed periodically. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION



TO THE BOARD OF DIRECTORS OF CO-PROSPERITY HOLDINGS LIMITED  
*(incorporated in the Cayman Islands with limited liability)*

Introduction

We have reviewed the interim financial information set out on pages 8 to 24, which comprises the condensed consolidated balance sheet of Co-Prosperity Holdings Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on 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 ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. 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.

### 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 enquiries, 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 HKAS 34.

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Hong Kong

19th September, 2007



## INTERIM RESULTS

The Board of Directors (the "Board") of Co-Prosperity Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 (the "period"), which were reviewed by the auditors and the audit committee of the Company, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Notes	1.1.2007 to 30.6.2007 RMB'000 (unaudited)	1.1.2006 to 30.6.2006 RMB'000 (unaudited)
Turnover	4	498,294	331,989
Cost of goods sold		(386,548)	(253,344)
Gross profit		111,746	78,645
Other income		787	2,408
Distribution and selling expenses		(5,069)	(1,769)
Administrative expenses		(19,982)	(16,226)
Finance costs		(5,558)	(4,378)
Profit before taxation		81,924	58,680
Taxation	6	(14,894)	(9,284)
Profit for the period		67,030	49,396
Dividends recognised as distribution during the period			
– interim dividends of 1 Hong Kong cent, equivalent to 1 RMB cent per share paid		–	8,000
– final dividends of 3 Hong Kong cents, equivalent to 2.94 RMB cents per share paid		23,750	–
		23,750	8,000
Interim dividends of 1.5 Hong Kong cents, equivalent to 1.46 RMB cents per share	7	14,119	–
Earnings per share	8		
– Basic		8.28 RMB cents	6.75 RMB cents
– Diluted		8.16 RMB cents	N/A

CONDENSED CONSOLIDATED BALANCE SHEET  
AT 30TH JUNE, 2007

	Notes	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	530,857	429,128
Land use rights		17,877	18,150
Deposits made on acquisition of property, plant and equipment		20,634	20,905
Deferred tax assets		–	2,558
		<u>569,368</u>	<u>470,741</u>
<b>Current assets</b>			
Inventories		172,913	174,089
Trade and other receivables	10	149,770	168,254
Pledged bank deposits		9,000	–
Bank balances and cash		217,207	45,577
		<u>548,890</u>	<u>387,920</u>
<b>Current liabilities</b>			
Trade and other payables	11	95,548	66,268
Obligations under finance leases due within one year		603	600
Amount due to a director	12	23,897	–
Taxation		8,320	10,117
Mortgage loan due within one year		524	524
Short-term bank loans		155,363	151,700
		<u>284,255</u>	<u>229,209</u>
Net current assets		<u>264,635</u>	<u>158,711</u>
Total assets less current liabilities		<u>834,003</u>	<u>629,452</u>

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

AT 30TH JUNE, 2007

	Notes	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Non-current liabilities			
Obligations under finance leases due after one year		625	955
Mortgage loan due after one year		3,596	3,958
Deferred tax liabilities		334	343
		<u>4,555</u>	<u>5,256</u>
Net assets		<u>829,448</u>	<u>624,196</u>
Capital and reserves			
Share capital	13	95,286	82,760
Reserves		<u>734,162</u>	<u>541,436</u>
Total equity		<u>829,448</u>	<u>624,196</u>

The Interim Financial Report on pages 8 to 24 was approved and authorised for issue by the Board of Directors on 19th September, 2007 and are signed on its behalf by:

**MR. SZE SIU HUNG**  
CHAIRMAN

**MR. SZE CHIN PANG**  
EXECUTIVE DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share options reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1st January, 2006	3	-	152,901	-	1,159	25,121	166,229	345,413
Exchange differences arising on translation of foreign operations, recognised directly in equity	-	-	-	-	(600)	-	-	(600)
Profit for the period	-	-	-	-	-	-	49,396	49,396
Total recognised income for the period	-	-	-	-	(600)	-	49,396	48,796
Capitalisation issue	68,274	(68,274)	-	-	-	-	-	-
Issue of shares by placing and public offer	14,483	153,520	-	-	-	-	-	168,003
Expenses incurred in connection with the issue of shares	-	(14,941)	-	-	-	-	-	(14,941)
	82,757	70,305	-	-	-	-	-	153,062
At 30th June, 2006	82,760	70,305	152,901	-	559	25,121	215,625	547,271

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	Attributable to equity holders of the Company							
	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share options reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits RMB'000	Total RMB'000
At 1st January, 2007	82,760	70,305	144,901	-	(700)	46,647	280,283	624,196
Exchange differences arising on translation of foreign operations, recognised directly in equity	-	-	-	-	(3,440)	-	-	(3,440)
Profit for the period	-	-	-	-	-	-	67,030	67,030
Total recognised income for the period	-	-	-	-	(3,440)	-	67,030	63,590
Issue of shares upon subscription	11,728	143,077	-	-	-	-	-	154,805
Issue of shares upon exercise of share options	798	6,608	-	(1,420)	-	-	-	5,986
Expenses incurred in connection with the issue of shares	-	(3,365)	-	-	-	-	-	(3,365)
Recognition of equity-settled share-based payments	-	-	-	7,986	-	-	-	7,986
Dividend	-	-	(23,750)	-	-	-	-	(23,750)
	12,526	146,320	(23,750)	6,566	-	-	-	141,662
At 30th June, 2007	95,286	216,625	121,151	6,566	(4,140)	46,647	347,313	829,448

The special reserve represents the aggregate of the differences between the nominal amount of the shares issued by the Company and the Group's former holding company, Widerlink Group Limited and the aggregate amount of paid-up capital of the subsidiaries acquired pursuant to the group reorganisation in 2005, net of subsequent distribution to shareholders.

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. Appropriation to such reserves are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

	1.1.2007 to 30.6.2007 RMB'000 (unaudited)	1.1.2006 to 30.6.2006 RMB'000 (unaudited)
Net cash from operating activities	<u>152,122</u>	<u>103,684</u>
Net cash used in investing activities		
Purchase of property, plant and equipment	(121,671)	(129,849)
Deposits paid for acquisition of property, plant and equipment	–	(20,229)
Increase in pledged bank deposits	(9,000)	(8,076)
Other investing cash flows	<u>368</u>	<u>(2,756)</u>
	<u>(130,303)</u>	<u>(160,910)</u>
Net cash from financing activities		
Proceeds from issue of shares	160,791	168,003
Expenses paid in connection with the issue of shares	(3,365)	(14,941)
Other financing cash flows	<u>(3,176)</u>	<u>(13,870)</u>
	<u>154,250</u>	<u>139,192</u>
Net increase in cash and cash equivalents	176,069	81,966
Cash and cash equivalents at 1st January	45,577	20,252
Effect of foreign exchange rate changes	<u>(4,439)</u>	<u>18</u>
Cash and cash equivalents at 30th June, represented by bank balances and cash	<u><u>217,207</u></u>	<u><u>102,236</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SIX MONTHS ENDED 30TH JUNE, 2007

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Laws of the Cayman Islands and acts as an investment holding company. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention. The principal accounting policies adopted in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2006.



### 3. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has applied, for the first time, a number of new Standard, Amendment and Interpretations ("INT"s) (new "HKFRS"s) issued by the HKICPA, which are effective for accounting periods beginning 1st January, 2007. The adoption of these new HKFRSs has had no material effect on the results or financial position for the current and prior accounting periods. Accordingly, no prior period adjustment is required.

The Group has not early applied the following new Standards and INTs that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or INTs will have no material impact on the results and financial position of the Group.

HKAS 23 (Revised)	Borrowing costs <sup>1</sup>
HKFRS 8	Operating segments <sup>1</sup>
HK(IFRIC) – INT 11	HKFRS 2: Group and treasury share transactions <sup>2</sup>
HK(IFRIC) – INT 12	Service concession arrangements <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2009.

<sup>2</sup> Effective for annual periods beginning on or after 1st March, 2007.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2008.

### 4. BUSINESS AND GEOGRAPHICAL SEGMENTS

#### *Business segments*

The Group is organised into two operating divisions, namely processing, printing and sales of finished fabrics and trading of goods. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

- Processing, printing and sales of finished fabrics
- Trading of goods: Trading of fabrics and clothing

An analysis of the Group's turnover and results by business segments is as follows:

	Turnover		Results	
	1.1.2007 to 30.6.2007 RMB'000	1.1.2006 to 30.6.2006 RMB'000	1.1.2007 to 30.6.2007 RMB'000	1.1.2006 to 30.6.2006 RMB'000
Processing, printing and sales of finished fabrics				
– external sales	427,945	326,285		
– inter-segment sales	36,254	2,960		
	<u>464,199</u>	<u>329,245</u>	97,518	66,303
Trading of goods	70,349	5,704	1,333	15
	<u>534,548</u>	<u>334,949</u>	98,851	66,318
Elimination	(36,254)	(2,960)	–	–
	<u>498,294</u>	<u>331,989</u>	98,851	66,318
Interest income			368	2,231
Unallocated corporate expenses			(11,737)	(5,491)
Finance costs			(5,558)	(4,378)
			<u>81,924</u>	<u>58,680</u>
Profit before taxation			81,924	58,680
Taxation			(14,894)	(9,284)
			<u>67,030</u>	<u>49,396</u>
Profit for the period			<u>67,030</u>	<u>49,396</u>

## 5. DEPRECIATION

During the period, depreciation of RMB18,403,000 (RMB11,075,000 for the six months ended 30th June, 2006) was charged to the consolidated income statement in respect of the Group's property, plant and equipment.

## 6. TAXATION

	1.1.2007 to 30.6.2007 RMB'000 (unaudited)	1.1.2006 to 30.6.2006 RMB'000 (unaudited)
The charge comprises:		
PRC income tax	(12,336)	(9,077)
Deferred taxation	<u>(2,558)</u>	<u>(207)</u>
	<u><u>(14,894)</u></u>	<u><u>(9,284)</u></u>

Pursuant to the relevant laws and regulations in the PRC, certain Group's PRC subsidiaries are entitled to exemption from PRC income tax for the two years commencing from their first profit making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from PRC income tax for the subsequent three years. Such tax benefit will be fully utilised in 2008.

Taxation in the PRC is calculated at the rates prevailing in the PRC jurisdiction. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong had no assessable profit for the period.

On 16th March, 2007, Mainland China (the "PRC") promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC, which will change the tax rate from 27% to 25% for the PRC subsidiaries of the Group commencing 1st January, 2008. The directors of the Company anticipate that the application of the New Law had no material impact on the results and the financial position of the Group.

## 7. DIVIDENDS

The interim dividend for the six months ended 30th June, 2007 is calculated on the basis of 965,000,000 shares in issue as at the date of this report.

## 8. EARNINGS PER SHARE

The calculation of basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	1.1.2007 to 30.6.2007 RMB'000	1.1.2006 to 30.6.2006 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	<u>67,030</u>	<u>49,396</u>
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	809,591,160	<u>731,933,702</u>
Effect of dilutive potential ordinary shares – share options	<u>12,282,053</u>	
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<u>821,873,213</u>	

No diluted earnings per share was presented in 2006 as there was no potential dilutive shares during that period.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB121,025,000 (2006: RMB152,589,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities.

## 10. TRADE AND OTHER RECEIVABLES

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Trade receivables	43,933	69,490
Deposits paid to suppliers	90,700	80,214
Other receivables	15,137	18,550
	<u>149,770</u>	<u>168,254</u>

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable within 60 to 90 days of issuance except for certain well established customers for which the credit terms are up to 180 days. The following is an aged analysis of trade receivables at the balance sheet date:

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Age		
0 to 90 days	33,025	44,837
91 to 180 days	7,671	6,642
181 to 270 days	686	7,810
271 to 365 days	1,029	9,059
Over 365 days	1,522	1,142
	<u>43,933</u>	<u>69,490</u>

## 11. TRADE AND OTHER PAYABLES

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Trade payables	12,869	22,374
Bills payables	<u>30,000</u>	<u>3,130</u>
	42,869	25,504
Customers' deposits	24,397	27,225
Payables for acquisition of property, plant and equipment	13,473	5,549
Other payables	<u>14,809</u>	<u>7,990</u>
	<u><u>95,548</u></u>	<u><u>66,268</u></u>

The following is an aged analysis of trade and bills payables at the balance sheet date:

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Age		
0 to 90 days	13,995	18,752
91 to 180 days	21,713	1,239
181 to 270 days	976	1,060
271 to 365 days	430	136
Over 365 days	<u>5,755</u>	<u>4,317</u>
	<u><u>42,869</u></u>	<u><u>25,504</u></u>

## 12. AMOUNT DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and is repayable on demand.

## 13. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Ordinary shares of HK\$0.10 each				
– at 1st January, 2007	1,000,000	100,000	800,000	80,000
– increase in authorised share capital	1,000,000	100,000	–	–
– subscription of shares	–	–	120,000	12,000
– exercise of share options	–	–	8,000	800
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
– at 30th June, 2007	<u>2,000,000</u>	<u>200,000</u>	<u>928,000</u>	<u>92,800</u>
				RMB'000
Shown in the condensed consolidated balance sheet at				
– 30th June, 2007 as				<u>95,286</u>
– 31st December, 2006 as				<u>82,760</u>

Pursuant to the ordinary resolution passed by the Company's shareholders in the annual general meeting on 30th May, 2007, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by the creation of an additional 1,000,000,000 ordinary shares of HK\$0.10 each.

On 15th June, 2007, arrangements were made for a private placement to professional and institutional investors of 120,000,000 ordinary shares of HK\$0.10 each at a price of HK\$1.32 per share by Famepower Limited ("Famepower"), the controlling shareholder of the Company. The price of HK\$1.32 per share represents a discount of approximately 9.6% to the closing market price of the Company's shares of HK\$1.46 per share as quoted on the Stock Exchange on 14th June, 2007, the last trading date prior to the placing. On the same date, the Company entered into a subscription agreement with Famepower for the subscription of 120,000,000 new ordinary shares of HK\$0.10 each at a price of HK\$1.32 per share. The subscription price is equivalent to the placing price mentioned above. The net proceeds from the subscription were used to finance its up-stream vertical integration by establishing or acquiring its own fabrics manufacturing plant for production of high quality raw fabrics for its own use to ensure production quality and timely products. The new shares were issued on 27th June, 2007 under the general mandate granted to the board of directors on 30th May, 2007.

During the period, 8,000,000 share options were exercised at a subscription price of HK\$0.75 per share, resulting in the issue of 8,000,000 ordinary shares of HK\$0.10 each in the Company.

All the shares issued during the period rank *pari passu* with the then existing shares in all respects.

#### 14. SHARE OPTIONS

The Company has a share option scheme for eligible directors of the Company and eligible employees of the Group and other participants. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1st January, 2007	–
Granted during the period	45,000,000
Exercised during the period	<u>(8,000,000)</u>
Outstanding at 30th June, 2007	<u><u>37,000,000</u></u>



The closing price of the Company's shares immediately before 17th January 2007, the date when the share options were granted was HK\$0.70 per share. On 17th January, 2007, share options were granted with an estimated fair value of RMB7,986,000.

The following assumptions were used to calculate the fair value of share options:

Grant date share price per share	HK\$0.75
Exercise price per share	HK\$0.75
Expected life	1.5 years
Expected volatility	56.36%
Dividend yield	4.3%
Risk-free interest rate	3.78%

The Black-Scholes option pricing model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

During the period, the Group recognised the total expense of RMB7,986,000 (2006: Nil) in relation to share options granted by the Company.

#### 15. CAPITAL COMMITMENTS

	30.6.2007 RMB'000 (unaudited)	31.12.2006 RMB'000 (audited)
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	<u>4,541</u>	<u>13,382</u>

#### 16. POST BALANCE SHEET EVENT

In July 2007, the remaining 37,000,000 share options were exercised.

## DISCLOSURE OF ADDITIONAL INFORMATION

### INTERIM DIVIDEND

The Board has resolved to pay interim dividend of HK1.50 cents per share for the six months ended 30 June 2007 (For the six months ended 30 June 2006: HK 1.00 cent). The interim dividend will be payable on or around 7 November 2007 to shareholders registered on the Register of Members at the close of business on Wednesday, 24 October 2007.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 22 October 2007 to Wednesday, 24 October 2007 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Tricor Investor Services Limited, not later than 4:00 p.m. on 18 October 2007. Tricor Investor Services Limited is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and/or short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken, or deemed to have taken under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, were as follows:

## The Company – Long Position:

Name of Director	Name of Corporation	Nature of Interest	Number of shares	Percentage of the Company's issued share capital (%)
Mr. Sze Siu Hung	The Company	Interest in controlled company and founder of trust (Notes 1 and 2)	600,000,000 long position	64.66%
	Famepower	Interest in controlled company and founder of trust (Notes 1 and 2)	Note 1	Note 1
Madam Cai Pei Lei	The Company	Family interest (Notes 3)	600,000,000 long position	64.66%
	Famepower	Family interest (Note 3)	Note 1	Note 1

## Notes:

- As at 30 June 2007, about 61.63% of shareholding of the Company is owned by Famepower, which is owned as to 100% by Federal Trust Company Limited, a trust company, in its capacity as the trustee of The Sze Trust which was a discretionary trust, the founder (as defined in the SFO) of which is Mr. Sze Siu Hung ("Mr. Sze") and the discretionary objects of which are family members of Mr. Sze (excluding Mr. Sze himself). Accordingly, Mr. Sze is deemed to be interested in the relevant Shares under the SFO.
- As at 30 June 2007, about 3.03% of shareholding of the Company is owned by Peilei Charitable Limited ("PCL"), a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned as to 50% by Mr. Sze and as to 50% by Madam Cai Peilei. Mr. Sze and Madam Cai Peilei intend to use the Shares held by PCL for charitable purpose.
- Madam Cai Peilei is the spouse of Mr. Sze and is deemed to be interested in 600,000,000 Shares.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2007.

## SHARE OPTION SCHEME

A Share Option Scheme (the "Share Option Scheme") was adopted by the shareholders' written resolution of the Company dated 15 March 2006. There was no change in any terms of the Share Option Scheme during the six months ended 30 June 2007. The details of the terms of the Share Option Scheme have been disclosed in the 2006 annual report.

As at 30 June 2007, details of share options granted to eligible employees under the Share Option Scheme of the Company were as follows:-

Name or category of participant	Number of share option					At 30 June 2007 (Note 5)	Date of grant (Note 4)	Exercise period	Exercise price HK\$
	At 1 January 2007	Granted during the period (Note 1 & 2)	Exercised during the period (Note 3)	Lapsed during the period	Cancelled during the period				
Eligible employees of the Company and/or its subsidiaries in aggregate	-	45,000,000	8,000,000	-	-	37,000,000	17 January 2007	17 January 2007 to 16 January 2010	0.75

*Notes:*

1. No eligible employees of the Company had been granted options conferring rights to subscribe for more than 1% of the issued share capital of the Company at the time of grant.
2. The share options vested with the eligible employees upon their acceptance.
3. The closing price of the share immediately before the date on which the options were exercised was HK\$1.13.
4. The closing price of the share on 16 January 2007, being the date immediately before the date of grant of such options, was HK\$0.70.
5. All of the 37,000,000 unexercised share options granted to eligible employees were exercised in July 2007.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of acquisitions of shares in, or debentures of the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or any had exercised any such right.

## PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

On 15 June, 2007, arrangements were made for a private placement to professional and institutional investors of 120,000,000 ordinary shares of HK\$0.10 each at a price of HK\$1.32 per share by Famepower Limited (“Famepower”), the controlling shareholder of the Company. The price of HK\$1.32 per share represents a discount of approximately 9.6% to the closing market price of the Company’s shares of HK\$1.46 per share as quoted on the Stock Exchange on 14 June 2007, the last trading date prior to the placing. On the same date, the Company entered into a subscription agreement with Famepower for the subscription of 120,000,000 new ordinary shares of HK\$0.10 each at a price of HK\$1.32 per share. The subscription price is equivalent to the placing price mentioned above. The 120,000,000 newly issued shares represented approximately 14.9% of the then existing share capital of the Company and approximately 12.9% of the enlarged share capital of the Company. The net proceeds of the subscription were used for funding the development and operation of Quanzhou Project and general working capital and project development requirements of the Group.

Save as disclosed above, during the period, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

## DIRECTORS’ INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as disclosed to the financial statements, no contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period.

## DIRECTORS’ COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period and they all confirmed having fully complied with the required standard set out in the Model Code.

## CORPORATE GOVERNANCE REPORT

The Directors are in the opinion that the Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules during the period.

## AUDIT COMMITTEE

The Board established an Audit Committee on 7 June 2005 with written terms of reference in compliance with the CG Code of the Listing Rules. The primary duties of the Audit Committee are to review the financial reporting system and internal control procedures of the Group, to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, and reviewing the financial information and accounting policies of the Group. The Audit Committee comprises three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung, who possesses a professional accounting and relevant accounting experience, is the chairman of the Audit Committee. This interim results including the accounting principles and practices adopted by the Group have been reviewed and approved by the Audit Committee.

## REMUNERATION COMMITTEE

The Board established a Remuneration Committee on 7 June 2005 with written terms of references in compliance with the CG Code of the Listing Rules. The primary duties of the Remuneration Committee are to review and determine the remuneration packages, bonuses and other compensation payable to the Directors and senior management. In fulfilling the functions, the Remuneration Committee will take into consideration factors such as salaries paid by comparable companies, respective time commitment and responsibilities of the Directors and senior management and whether the remuneration packages are competitively attractive to retain the Directors and senior management. The Remuneration Committee comprises three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung is the chairman of the Remuneration Committee. The Remuneration Committee will meet at any time when necessary and desirable to carry out the aforesaid duties and minutes of the meeting will be kept by the Company Secretary at the Company's principal place of business in Hong Kong.

## NOMINATION COMMITTEE

The Board established a Nomination Committee on 7 June 2005 with written terms of references in compliance with the CG Code of the Listing Rules. The primary duties of the Nomination Committee are to review the composition of the Board and make recommendations to the Board on the selection of individuals nominated for directorship. The Nomination Committee comprises three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung is the chairman of the Nomination Committee. The Nomination Committee will meet at any time when necessary and desirable to carry out the aforesaid duties and minutes of the meeting will be kept by the Company Secretary at the principal place of business in Hong Kong.

On behalf of the Board

**Sze Siu Hung**

*Chairman*

Hong Kong, 19 September 2007



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sze Siu Hung (*Chairman*)

Mr. Qiu Fengshou

Madam Cai Peilei

Mr. Sze Chin Pang

Independent Non-Executive Directors

Professor Zeng Qingfu

Professor Zhao Bei

Mr. Lui Siu Keung

AUDIT COMMITTEE

Mr. Lui Siu Keung (*Chairman of committee*)

Professor Zeng Qingfu

Professor Zhao Bei

REMUNERATION COMMITTEE

Mr. Lui Siu Keung (*Chairman of committee*)

Professor Zeng Qingfu

Professor Zhao Bei

NOMINATION COMMITTEE

Mr. Lui Siu Keung (*Chairman of committee*)

Professor Zeng Qingfu

Professor Zhao Bei

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Hon Hung

*BA (Hons.), CPA, FCCA, ACS, ACIS*

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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Grand Caymen KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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12 Cheung Yue Street

Lai Chi Kok

Kowloon

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Bank of Bermuda (Cayman) Limited

P.O. Box 513 GT

Strathvale House

North Church Street, George Town

Grand Cayman, British West Indies

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

26th Floor, Tesbury Centre

28 Queen's Road East

Wanchai

Hong Kong

STOCK CODE

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