*For identification purpose only

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

ANNUAL REPORT 2008

CONTENTS

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, ACA, FCCA, ACS, ACIS

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Comweb Plaza
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

707

On behalf of the board of directors (the "Board" or the "Directors") of Co-Prosperity Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2008 (the "year").

RESULTS HIGHLIGHTS

The Group's consolidated turnover for the year amounted to RMB593.7 million, representing an decrease of approximately 35.3% as compared with that of last year. Gross profit for the year dropped 38.8% to RMB105.2 million. Profit attributable to the shareholders for the year fell by 49.4% to RMB46.1 million while basic earnings per share dropped by 53.5% to RMB4.78 cents.

The Board does not recommend any payment of final dividend (2007: HK1 cent) for the year.

BUSINESS REVIEW

The deepening of the US subprime mortgage crisis and credit crunch since September 2008 has evolved rapidly into a financial tsunami sweeping across the globe. Consumer confidence and economic sentiment have unavoidably deteriorated at an unprecedented speed. Under such an unfavourable operating environment, the whole textile industry continually suffered from substantial decline in consumer spending, which translated into serious blow to the Group's business performance as well. The relatively higher raw material prices and manufacturing overheads and the appreciation of Renminbi during the year also dragged down the Group's results.

As reported previously, to vertically integrate its operation and tap the potential of the upstream yarn market, 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 ("Quanzhou project"). Phase I of the plant with an annual production capacity of 11,000 tonnes of high density and high-end yarn was originally scheduled to be completed and ready for production in the fourth quarter of 2008. However, in view of the volatile and uncertain market in the second half of 2008, the Group has reassessed its overall risk exposures and finally decided to re-adjust its pace of developing the project. As a result, Quanzhou project was postponed to commence production in March 2009.

Strictly adhering to its prudent and focused management principle, the Board is pleased to report that, during the year, the Group has not invested or made speculations in any structured investment products, foreign exchange contracts and listed securities.

With its proactive financial management measures in place, the Group successfully arranged a 3-year syndicated loan of HK$160 million in late 2007 and the immediate conversion of the received proceeds into Renminbi has enabled the Group to capture both the benefits of the relatively low interest rate environment in Hong Kong and the appreciation of Renminbi during the year.

Corporate social responsibility has always been considered by the Group as one of the important elements of its corporate culture for long-term sustainable development. Thus, in order to help those victims of the earthquake occurred in Sichuan Province in May last year and other needy people, the Group donated RMB3.0 million during the year.

FUTURE PROSPECTS

The year of 2009 has emerged in an environment of drastic slowdown in business activities, with most of the major economies of the world suffering from negative economic growth. Looking ahead to the remaining 2009, the Group considers the market environment to remain acute and challenging.

Given the severity and the widespread influence of the current economic downturn across the world, it would be early to expect any imminent recovery. The dismal economic environment will continue to overshadow, among others, the whole textile industry. Such a turbulence will also expedite the process of eliminating under-performed industry players.

Yet there are still good news to the existing economic strain. After all, central banks around the world have been flooding financial markets with cash and governments, including China, have launched their own monumental fiscal spending programmes in order to revive their economies. Besides, the several moves by the PRC government to increase Value Added Tax rebates for certain textile and garment exports since August 2008 and the softening of raw material prices in the second half of the year have eased the cost pressures faced by some of the industry players. The current low interest rate environment globally will also benefit and facilitate the future economic recovery. All these actions, however, will take time to have an impact.

Facing the current economic uncertainties, the Group firmly believes an enterprise's ultimate success hinges on the long-term survival in the market. The Group's healthy financial position and relatively low gearing will enable it to live through the current hard times and be poised for long-term sustainable growth.

Going forward, the Group will continue to work tirelessly on improving its business performance. The Board believes the Group's solid foundation and the committed focus of its management team will underpin its performance in the long run. The Group is well-prepared for the challenges and opportunities ahead and remains confident on its future outlook.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, investors and business partners for their support and to our staff for their contribution. We will continue to enhance our corporate transparency and strengthen our corporate governance and internal control. We will keep a close eye on the ever changing business environment and will take every opportunity to optimize our business to enrich shareholders' value.

Sze Siu Hung
Chairman

Hong Kong, 17 April 2009

OPERATIONAL AND FINANCIAL REVIEW

In 2008, the Group is principally engaged in the sale of finished fabrics ("fabrics sales business'), the provision of fabrics processing subcontracting services ("processing business") and trading of goods ("trading business") to customers.

The Group's total turnover dropped by 35.3% to approximately RMB593.7 million for the year (2007: RMB917.4 million). During the year, the revenue from processing business rose whereas those from fabrics sales business and trading business fell. Taking advantage of its relatively advanced production technology, the Group achieved an encouraging growth in its processing business with increases in both sales quantity and average unit price.

The Group registered a gross profit of approximately RMB105.2 million for the year (2007: RMB171.9 million), representing a decrease of approximately 38.8% as compared with last year. The Group's overall gross profit margin for the year was approximately 17.7% (2007: 18.7%), which was lower than that of last year. During the year, the gross profit margin from fabrics sales business and processing business declined whereas that from trading business rose. For both fabrics sales business and processing business, the rising material and manufacturing costs ate into the margins, hence causing a fall in gross profit margin. For trading business, the enhancement in sales mix with higher margins during the year led to the increase in gross profit margin.

Other income increased by 2.8 times to approximately RMB9.5 million (2007: RMB 2.5 million) which was primarily composed of an exchange gain of around RMB7.2 million (2007: RMB1.1 million) and an interest income of RMB1.4 million (2007: RMB1.0 million) for the year.

Distribution and selling expenses reduced by 28.4% to approximately RMB7.0 million (2007: RMB9.8 million). Administrative expenses fell by 10.9% to approximately RMB35.3 million (2007: RMB39.6 million), which included RMB3.0 million (2007: Nil) donated to those victims of earthquake occurred in Sichuan Province in May last year and other needy people. Excluding the effect of aforesaid donation, administrative expenses effectively dropped by 18.5% during the year on account of stringent cost control measures in place. Finance costs for the year were up by 57.4% to RMB19.1 million (2007: 12.2 million) as a result of the higher level of average bank borrowings of the Group during the year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2008, the Group had total assets of approximately RMB1,356.6 million (2007: RMB1,241.3 million) which were financed by current liabilities of approximately RMB346.2 million (2007: RMB219.1 million), non-current liabilities of approximately RMB100.3 million (2007: RMB151.6 million) and shareholders' equity of approximately RMB910.1 million (2007: RMB870.6 million).

As at 31 December 2008, the Group's cash and bank balances was approximately RMB53.0 million (2007: RMB194.0 million), while pledged bank deposits amounted to approximately RMB53.0 million (2007: RMB14.4 million). During the year, the aggregate of short-term bank loans and the current portion of long-term bank loan increased to approximately RMB194.3 million (2007: RMB128.2 million).

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.1 (2007: 2.3). The gearing ratio, being a ratio of borrowings (comprising obligations under finance leases, mortgage loan and short-term and long-term bank loans) to shareholders' equity, slightly increased to approximately 32.5% (2007: 32.3%). The Group always adopted a conservative approach in its financial management.

CHARGES ON GROUP ASSETS

As at 31 December 2008, the Group's borrowings were secured by certain land use rights, buildings, plant and machinery, motor vehicles, bank deposits of the Group with a total carrying value of approximately RMB187.9 million (2007: RMB170.6 million), corporate guarantees given by the Company and a subsidiary and charges over the equity of some of its subsidiaries.

CAPITAL EXPENDITURES

As at 31 December 2008, the Group has capital commitments of approximately RMB50.0 million (2007: RMB121.2 million) in respect of purchases of property, plant and equipment.

CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

As at 31 December 2008, the Group did not have any significant contingent liabilities (2007: Nil).

The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group does not foresee significant risk in exchange rate fluctuations and no financial instruments have been used for hedging purposes. The Group will consider to have forward exchange contract for hedging purposes if and when appropriate.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group has no significant investment held and has not been involved in any material acquisitions or disposals of subsidiaries and associated companies during the year.

EMPLOYMENT

As at 31 December 2008, the Group had about 1,600 employees (2007: 1,700 employees) in Hong Kong and in the PRC.

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 and are 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.

EXECUTIVE DIRECTORS

Mr. Sze Siu Hung (施少雄), aged 44, is an executive Director and the Chairman of the Group. He is in charge of the overall operation and development of the Group. Mr. Sze has joined the Group since 1996.

Mr. Sze Siu Hung is the vice-chairman of the Textile Association of the Fujian Province, vice chairman of the Entrepreneur Association of Quanzhou City, member of the Chinese People's Political Consultative Conference of Shishi City, honorary chairman of the Business Association of Shishi City, and chairman of Shishi Printing and Dyeing Association. Mr. Sze has over 20 years' experience in the textile industry. Mr. Sze Siu Hung is the spouse of Madam Cai Peilei, an executive Director, brother in law of Mr. Cai Chaodun, the deputy general manager of the Group and the elder brother of Mr. Sze Siu Bun, the chief executive officer of the Group. Save as disclosed herein and save for (i) Mr. Sze beneficially owning 0.20% of the issued share capital of the Company; (ii) Mr. Sze owning 50% beneficial interest in Peilei Charitable Limited which holds approximately 2.91% of the issued share capital of the Company; and (iii) Mr. Sze being the sole director of Famepower Limited which holds approximately 59.27% of the issued share capital of the Company and is wholly owned by Federal Trust Company, a trust company, in its capacity as the trustee of The Sze Trust, a discretionary trust established on 31 May 2005 with the founder and discretionary objects of which being respectively Mr. Sze and direct family members of Mr. Sze (excluding Mr. Sze himself), Mr. Sze Siu Hung has no relationship with other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Sze presently holds directorships in some of the subsidiaries of the Group.

Mr. Qiu Fengshou (邱豐收), aged 54, is an executive Director and the vice-chairman of the Group. Mr. Qiu is responsible for overall production management of the Group. Mr. Qiu has joined the Group since 1996.

Mr. Qiu has about 19 years' experience in printing and dyeing industry. Mr. Qiu also holds directorships in some of the subsidiaries of the Group.

Madam Cai Peilei (蔡蓓蕾), aged 41, is an executive Director. Madam Cai is responsible for the financial management of the Group. Before joining the Group in 1999, Madam Cai had worked in China Agriculture Bank, Shishi branch for about five years. Madam Cai is also a director of a subsidiary of the Group.

Madam Cai is the spouse of Mr. Sze Siu Hung, an executive Director and the Chairman of the Group, sister in law of Mr. Sze Siu Bun, the chief executive officer of the Group and the elder sister of Mr. Cai Chaodun, the deputy general manager of the Group. Save as disclosed herein and save for Madam Cai owning the remaining 50% beneficial interest in Peilei Charitable Limited and being a discretionary object to The Sze Trust, Madam Cai has no relationship with other Directors, senior management, substantial or controlling shareholders of the Company.

Mr. Sze Chin Pang (施展鵬), aged 51, is an executive Director. Mr. Sze Chin Pang is in charge of the Group's operation in Hong Kong. Before joining the Group in 2004, he had been a sales and administration manager of a private company in Hong Kong since 1991 and has about 18 years' experience in fabrics trading. Mr. Sze is also a director of a subsidiary of the Group. Mr. Sze Chin Pang has no relationship with Mr. Sze Siu Hung.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Zeng Qingfu (曾慶福教授), aged 46, has been appointed as an independent non-executive Director since 2005. Professor Zeng obtained his Doctor's degree of Philosophy in the Leeds University, United Kingdom and his Master's degree of Engineering in Tianjin Textile Engineering Institute (天津紡織工學院). He obtained his professor qualification in dyeing engineering in 1997. He was awarded Young and Middle-aged Experts for his significant contribution to Hubei Province (湖北省有突出貢獻中青年專家) in 2002. Professor Zeng was nominated as "10 Outstanding Youth of Hubei Province" (湖北省十大傑出青年) in 2000. In addition, in 2003, Professor Zeng was awarded "10 Outstanding Patented Inventors in Wuhan region" (十大專利發明者). For recognising his contribution in natural science, the State Council of the PRC granted special government subsidies to Professor Zeng in 1997. Besides, Professor Zeng has obtained various science and technology awards including "Certificate of Sangma Trust Fund Textile Science and Technology Award" (桑麻基金會紡織科技獎證書) granted by the Sangma Trust Fund in 2004.

Professor Zeng is also a director of Wuhan Fangyuan Environmental Technology Co., Ltd., a company established in Wuhan, the PRC, carrying on the business of investment holdings. Professor Zeng has been a director of the aforesaid company since 1998.

Professor Zhao Bei (趙蓓教授), aged 51, has been appointed as an independent non-executive Director since 2005. Professor Zhao graduated from the Department of International Trade, School of Economics of Xiamen University in 1982 and was awarded a Bachelor's degree of Economics. She obtained her Doctor's degree of Philosophy in the University of Hong Kong in 2003. Professor Zhao was appointed as an assistant professor in the Department of Business Administration of a university in Canada from 1990 to 1994. She specialises in the research of corporate strategy planning, marketing and corporate finance management and has published several research papers in those areas. She was granted research funds and awards by universities in Canada and Hong Kong.

Mr. Lui Siu Keung (呂小強), aged 37, has been appointed as an independent non-executive Director since 2005. Mr. Lui graduated from the Hong Kong Polytechnic University with a Bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui has approximately eleven years' experience in corporate finance, auditing and accounting. He is now the Chief Financial Officer and an executive Director of Zhongyu Gas Holdings Limited (stock code: 8070), a company listed on the Growth Enterprise Market of the Stock Exchange.

SENIOR MANAGEMENT

Mr. Sze Siu Bun (施少斌), aged 41, is the chief executive officer of the Group. He is responsible for assisting the Directors in the overall management of the Group and overseeing daily management of the Hong Kong office. He has joined the Group since 2005. He has about 15 years' experience in printing and dyeing industry. He is also a director of a subsidiary of the Group. Mr. Sze Siu Bun is the younger brother of Mr. Sze Siu Hung, an executive Director and the Chairman of the Group.

Mr. Ji Congming (季從明), aged 47, is the general manager of the Group. Mr. Ji is responsible for assisting the Directors in the overall management and overseeing daily operation of the Group. Mr. Ji graduated from Xiamen University (廈門大學) with a diploma in statistics. He has joined the Group since 1999. Mr. Ji has over 21 years' experience in printing and dyeing industry.

Mr. Fu Jianhua (傅建華), aged 50, is the deputy general manager of the Group. Mr. Fu is responsible for the production planning and operation of the Group. Mr. Fu graduated from China Textile Politics Open College (中國紡織政治函授學院) with a diploma in management. He has joined the Group since 2001. Mr. Fu has over 21 years' experience in printing and dyeing industry.

Mr. Cai Chaodun (蔡朝敦), aged 37, is the deputy general manager of the Group. Mr. Cai is responsible for the marketing affairs of the Group. He has joined the Group since 1999. Mr. Cai has about 13 years' experience in marketing. He is the younger brother of Madam Cai Peilei, an executive Director of the Group.

Mr. Xu Yunchang (徐運昌), aged 37, is the manager of the research and development department of the Group. Mr. Xu is responsible for research and development activities of the Group. Mr. Xu graduated from Wuhan Textile Engineering Institute (武漢紡織工學院) with a Bachelor's degree in dyeing engineering. He is a registered engineer in the PRC. Mr. Xu has joined the Group since 2001. He has about 13 years' experience in research and development in the printing and dyeing industry.

Mr. Huang Xinchun (黃新春), aged 44, is the finance manager of the Group. He is responsible for the accounting and financial affairs of the Group. Mr. Huang graduated from Fujian Televisions University (福建廣播電視大學) with a diploma in accounting. He is a registered accountant in the PRC. Mr. Huang has joined the Group since 2002. Mr. Huang has about 23 years' experience in accounting and finance.

Ms. Zhengfang (鄭芳), aged 52, is the manageress of the quality control department of the Group. Ms. Zheng is responsible for the quality control matters of the Group. She has joined the Group since 2000. She has about 18 years' experience in fabrics quality control.

Mr. Zhang Bingcheng (張炳成), aged 50, is the procurement manager of the Group. Mr. Zhang is responsible for daily procurement activities of the Group. He has joined the Group since 2002. Mr. Zhang has over 26 years' experience in the printing and dyeing industry.

Mr. Chan Hon Hung (陳漢雄), aged 39, is the financial controller and company secretary of the Group. He is responsible for overseeing the Group's accounting and financial affairs. Mr. Chan holds a bachelor degree in Accountancy. Mr. Chan is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a Chartered Accountant of the Institute of Chartered Accountants in England and Wales, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Chan joined the Group in 2007. Mr. Chan has about 17 years' experience in accounting, financial management and auditing. Mr. Chan is a full time employee and the qualified accountant of the Group.

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2008 (the "year").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 27 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated income statement on page 25.

No interim dividend (2007: HK1.5 cent) was paid during the year and the directors do not recommend any payment of final dividend (2007: HK1 cent) for the year.

TRADING RESULTS

The Group's consolidated profit for the year amounted to RMB46,121,000.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 22 to the financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 28 and 29.

At 31 December 2008, the Company's reserve available for distribution to its shareholders comprising contributed surplus amounted to approximately RMB325,653,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to RMB3,011,000.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

The aggregate purchases attributable to the Group's largest supplier and five largest suppliers taken together accounted for 17.7% and 38.3% respectively of the Group's total purchases for the year.

None of the Directors, their respective associates or, so far as the Directors are aware, any Shareholder who owns more than 5% of the issued share capital of the Company has any interest in any of the top five suppliers of the Group for the year.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. Sze Siu Hung *(Chairman and Managing Director)*
Mr. Qiu Fengshou *(Vice-Chairman)*
Madam Cai Peilei
Mr. Sze Chin Pang

Independent non-executive directors:
Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung

All directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

In accordance with the Company's Articles of Association, Madam Cai Peilei, Professor Zeng Qingfu and Professor Zhao Bei will retire and being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors has entered into a service contract with the Company for a term of two years commencing on 1 January 2008. The service contracts will be renewable automatically for successive terms of one year until terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the independent non-executive directors has been appointed by the Company by way of a letter of appointment for a term of two years commencing 1 June 2007. The appointments will be renewable automatically for successive terms of one year until terminated by either party giving not less than three months' prior notice in writing to the other.

None of the directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

The Company has received confirmation of independence from each of the independent non-executive director and the Company considered all independent non-executive directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 7 to 10 of the annual report.

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

As at 31 December 2008, the interests and/or short positions of the Directors and their associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Name of Director	**Nature of Interest**	**Total number of Shares held**	**Approximate percentage of the issued share capital of the Company** *(%)*
Mr. Sze Siu Hung	Corporate interest and founder of trust *(Note 1)*	571,948,720 long position	59.27
	Corporate interest *(Note 2)*	28,051,280 long position	2.91
	Beneficial interest *(Note 3)*	2,000,000 long position	0.20
Madam Cai Peilei	Corporate interest and beneficiary of trust *(Note 1)*	571,948,720 long position	59.27
	Corporate interest *(Note 2)*	28,051,280 long position	2.91
	Family interest *(Note 3)*	2,000,000 long position	0.20

Notes:

1. As at 31 December 2008, about 59.27% of shareholding of the Company is owned by Famepower Limited, 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 (including Madam Cai Peilei and excluding Mr. Sze himself). Accordingly, Mr. Sze and Madam Cai Peilei are both deemed to be interested in the relevant Shares under the SFO.

2. As at 31 December 2008, about 2.91% 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.

3. As at 31 December 2008, 2,000,000 Shares, representing 0.20% of shareholding of the Company, are beneficially owned by Mr. Sze. Madam Cai Peilei is the spouse of Mr. Sze and is deemed to be interested in 2,000,000 Shares.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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 the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors have an interest in any business constituting a competing business to the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2008, 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 31 December 2008.

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. The purpose of the Share Option Scheme is to enable the Company to grant options to directors, eligible employees and other outside third parties under the Share Option Scheme, in the sole discretion of the directors of the Company, who have contributed or will contribute to the growth and development of the Group. The Share Option Scheme shall continue in force for the period commencing from the adoption date of the Share Option Scheme and expiring at the close of business on the tenth anniversary thereof, after such period no further options will be granted. There was no change in any terms of the Share Option Scheme during the year ended 31 December 2008. The details of the terms of the Share Option Scheme have been disclosed in note 23 to the financial statements.

No share option was granted, exercised, cancelled or lapsed during the year. There was no outstanding share option at both 1 January 2008 and 31 December 2008.

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.

DIRECTORS' REMUNERATION

Details of directors' emoluments on a named basis are set out in note 9 to the financial statements.

There were no compensation paid during the financial year or receivable by directors or past directors for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments.

RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the "MPF") in Hong Kong.

The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, to the best knowledge of the directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the year.

CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December, 2008, the Group sold fabrics and provided fabrics processing services (together, the "Transactions") for an aggregate consideration amounting to RMB2,524,000 (2007: RMB838,000) to 協盈(福建)服飾有限公司 (Xueying (Fujian) Dress Co., Ltd.) ("Fujian Xueying"). Fujian Xueying is legally and beneficially owned by Mr. Sze Siu Bun, the Chief Executive Officer of the Group and the younger brother of Mr. Sze Siu Hung, an executive Director and the Chairman of the Group. Pursuant to Chapter 14A of the Listing Rules, the Transactions have constituted continuing connected transactions which are required to be disclosed in this Annual Report.

The Transactions were entered into by the Group with Fujian Xueying for the purposes of carrying out its ordinary and usual course of business. The terms of the Transactions were determined on normal commercial terms through arm's length negotiation with Fujian Xueying and were in terms not more favourable than other existing non-related customers of the Group. The Directors (including the independent non-executive Directors) consider the terms of the Transactions were fair and reasonable and the Transactions were in the interests of the Company and the Shareholders as a whole. Information relating to the Transactions had been announced by the Company on 1 April 2009.

The Independent Non-executive Directors had reviewed the Transactions for the financial years ended 31 December 2007 and 2008 and were of the opinion that the Transactions for the financial years ended 31 December 2007 and 2008 had been entered into:

(i) in the ordinary and usual course of business of the Company and its subsidiaries;

(ii) either on normal commercial terms or on terms no less favourable to the Company than terms available from independent third parties; and

(iii) on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole

As disclosed in the announcement of the Company dated 1 April 2009, as no cap had previously been set or announced by the Company nor any agreement had been entered into by the Group with Fujian Xueying in respect of the cap of the Transactions, it would not be feasible for the auditors of the Group to provide confirmation as required under Rule 14A.38 of the Listing Rules.

The Transactions also constituted related party transactions as set out in note 26 to the financial statements.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

Reference is made to a HK$160 million 3-year syndicated loan agreement ("loan agreement") signed on 25 October 2007. There is a provision ("provision")in the loan agreement requiring the Company to ensure that Mr. Sze Siu Hung ("Mr. Sze"), an executive Director and chairman of the Company, to remain as the chairman and managing director of the Company and to maintain management control of the Company and that Mr. Sze and his family members shall jointly maintain, directly or indirectly, not less than 50% of the issued voting share capital of the Company. The provision has been duly complied with for the year ended 31 December 2008.

DIVIDEND

The Board does not recommend any payment of final dividend (2007: HK1 cent) for the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 1 June 2009 to Friday, 5 June 2009 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, 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 4:30 p.m. on 29 May 2009. Tricor Investor Services Limited is located at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under company laws in the Cayman Islands.

AUDITOR

A resolution to re-appoint Deloitte Touche Tohmatsu as auditor of the Company will be submitted at the forthcoming annual general meeting of the Company.

On behalf of the Board

SZE SIU HUNG
Chairman

17 April 2009

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in the interest of its shareholders. The corporate governance principles of the Company emphasize a quality board, transparency and accountability to all shareholders of the Company.

The Company has adopted the code provisions set out in Appendix 14, Code on Corporate Governance Practices ("CG Code"), of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Directors are in the opinion that the Company has complied with the CG Code throughout the year ended 31 December 2008.

DIRECTORS' 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 Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("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 year and they all confirmed having fully complied with the required standard set out in the Model Code throughout the year ended 31 December 2008.

BOARD OF DIRECTORS

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently consists of seven members including four executive Directors and three independent non-executive 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

Mr. Sze Siu Hung is the spouse of Madam Cai Peilei, an executive Director, brother in law of Mr. Cai Chaodun, the deputy general manager of the Group and the elder brother of Mr. Sze Siu Bun, the chief executive officer of the Group. Save as disclosed herein, the Board members have no financial and/or other material/relevant relationships with each other. Such board composition is formed to ensure independence exists across the Board and to meet the recommended practice under the CG Code for the Board to have at least one-third of its members comprising independent non-executive Directors. The biographical information of the Directors are set out on pages 7 to 10 under the section headed "Directors' & Senior Management's Biographies".

The Board is principally responsible for formulating business strategies, and monitoring the performance of the business of the Group. The Board decides on corporate strategies, approves overall business plans, evaluates the Group's financial performance and management and reviews the financial and internal control system. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal controls procedures and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

The Board have at least four meetings in a financial year and to discuss at other times as and when required to review financial and internal control, risk management, company strategy and operating performance of the Group. Minutes of the Board meetings are kept by the Company Secretary for record and are available for inspection by the Directors and auditors of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company is of the view that all the independent non- executive directors are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules.

Each of the independent non-executive directors has been appointed by the Company by way of a letter of appointment for a term of two years commencing 1 June 2007. The appointments will be renewable automatically for successive terms of one year until terminated by either party giving not less than three months' prior notice in writing to the other.

All independent non-executive directors are subject to retirement by rotation in accordance with the Articles of Association of the Company.

BOARD MEETINGS

During the year ended 31 December 2008, the Board held eleven Board meetings. The attendance of each member at the Board meetings are set out below:

Name of Directors	Number of meetings attended/Total
Executive Directors	
Mr. Sze Siu Hung *(Chairman)*	11/11
Mr. Qiu Fengshou	10/11
Madam Cai Peilei	10/11
Mr. Sze Chin Pang	11/11
Independent Non-Executive Directors	
Professor Zeng Qingfu	10/11
Professor Zhao Bei	10/11
Mr. Lui Siu Keung	10/11

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 annual and interim financial statements 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. The Audit Committee meets at least twice a year to carry out the aforesaid primary duties and minutes of the meeting are kept by the Company Secretary at the principal place of business of the Company in Hong Kong.

During the year ended 31 December 2008, the Audit Committee held two meetings to review the Group's interim results for the six months ended 30 June 2008 and final results for the year ended 31 December 2007, to review with the external auditors on the financial reporting of the Group and to review the effectiveness of internal control system of the Group. The attendance records of the Audit Committee are as below:

Member of Audit Committee	Number of meetings attended/Total
Professor Zeng Qingfu	2/2
Professor Zhao Bei	2/2
Mr. Lui Siu Keung *(Chairman)*	2/2

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 meets at any time when necessary and desirable to carry out the aforesaid duties and minutes of the meeting are kept by the Company Secretary at the Company's principal place of business in Hong Kong. During the year ended 31 December 2008, the Remuneration Committee held two meetings to review the remuneration of Directors and all the committee members attended the meetings.

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 meets at any time when necessary and desirable to carry out the aforesaid duties and minutes of the meeting are kept by the Company Secretary at the principal place of business in Hong Kong. During the year ended 31 December 2008, the Nomination Committee held two meetings to make recommendations to the Board in respect of the re-election and the re-appointment of directors and all the committee members attended the meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of the Chairman and the Chief Executive Officer (the "CEO") of the Group are separately held by Mr. Sze Siu Hung and Mr. Sze Siu Bun respectively for the year to ensure a clear distinction between the Chairman's responsibility to lead the Board and the CEO's responsibility to manage the Company's business affairs. The Company intends to continue having the role of the Chairman and CEO assumed by different individuals.

AUDITOR'S REMUNERATION

During the financial year ended 31 December 2008, the Group was charged HK$1,850,000 for auditing services and a total of HK$385,000 for non-auditing services by the Company's auditor, Deloitte Touche Tohmatsu. Details of the non-auditing fees are as follows:

Review of interim results	HK$370,000
Review of annual preliminary announcement of results	HK$15,000

INTERNAL CONTROL

The Board reviews the effectiveness of the internal control system on an on-going basis and this includes identifying, evaluating and managing the significant risks faced by the Group and updating the internal control system when needed. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The Board is of the view that the internal control system in place for the year under review and up to the date of the issuance of the annual report is sound and is sufficient to safeguard the interests of shareholders and the Group's assets.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensuring that the financial statements are prepared in accordance with the statutory requirements and applicable accounting standards. It is also the responsibility of the Directors to ensure the timely publication of the financial statements of the Group.

The statement of the external auditor of the Company, Deloitte Touche Tohmatsu, on its reporting responsibilities in respect of the financial statements of the Group is set out on pages 23 and 24. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

Deloitte.
德勤

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

We have audited the consolidated financial statements of Co-Prosperity Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 65, which comprise the consolidated balance sheet as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of the Group's affairs as at 31st December, 2008 and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

17th April, 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	NOTES	2008 RMB'000	2007 RMB'000
Turnover	6	593,684	917,394
Cost of goods sold and service provided		(488,466)	(745,488)
Gross profit		105,218	171,906
Other income		9,481	2,480
Distribution and selling expenses		(7,015)	(9,804)
Administrative expenses		(35,270)	(39,582)
Finance costs	7	(19,145)	(12,164)
Profit before taxation	8	53,269	112,836
Taxation	10	(7,148)	(21,699)
Profit for the year		46,121	91,137
Dividends			
– interim dividends of 1.5 Hong Kong cents, equivalent to 1.44 RMB cents per share, paid		–	13,920
– final dividends of 1 Hong Kong cent, equivalent to 0.88 RMB cent (2007: 3 Hong Kong cents, equivalent to 2.94 RMB cents) per share, paid		8,500	23,750
		8,500	37,670
– final dividends of 1 Hong Kong cent, equivalent to 0.94 RMB cent per share, proposed		–	9,047
Earnings per share	11		
– Basic		4.78 RMB cents	10.29 RMB cents
– Diluted		N/A	10.21 RMB cents

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	NOTES	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	12	735,252	539,181
Prepaid lease payments	13	178,604	159,494
Deposits made on acquisition of property, plant and equipment		61,194	29,439
		975,050	728,114
Current assets			
Inventories	14	145,532	187,956
Trade and other receivables	15	126,306	115,943
Prepaid lease payments	13	3,729	817
Pledged bank deposits	16	53,000	14,440
Bank balances and cash	16	52,961	193,984
		381,528	513,140
Current liabilities			
Trade and other payables	17	145,460	84,370
Obligations under finance leases	18	281	597
Taxation		5,548	5,364
Mortgage loan	19	539	527
Current portion of long-term bank loans	20	42,456	–
Short-term bank loans	21	151,891	128,200
		346,175	219,058
Net current assets		35,353	294,082
Total assets less current liabilities		1,010,403	1,022,196

	NOTES	2008 RMB'000	2007 RMB'000
Non-current liabilities			
Obligations under finance leases	18	–	298
Mortgage loan	19	2,440	3,182
Long-term bank loans	20	97,896	148,088
		100,336	151,568
Net assets		910,067	870,628
Capital and reserves			
Share capital	22	98,855	98,855
Reserves		811,212	771,773
Total equity		910,067	870,628

The consolidated financial statements on pages 25 to 65 were approved and authorised for issue by the Board of Directors on 17th April, 2009 and are signed on its behalf by:

SZE SIU HUNG
Chairman

SZE CHIN PANG
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2008

	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 and net income recognised directly in equity	–	–	–	–	784	–	–	784
Profit for the year	–	–	–	–	–	–	91,137	91,137
Total recognised income for the year	–	–	–	–	784	–	91,137	91,921
Issue of shares upon subscription	11,728	143,077	–	–	–	–	–	154,805
Issue of shares upon exercise of share options	4,367	36,374	–	(7,986)	–	–	–	32,755
Expenses incurred in connection with the issue of shares	–	(3,365)	–	–	–	–	–	(3,365)
Recognition of equity-settled share-based payments	–	–	–	7,986	–	–	–	7,986
Transfers	–	–	–	–	–	17,823	(17,823)	–
Distribution to shareholders	–	–	(37,670)	–	–	–	–	(37,670)
	16,095	176,086	(37,670)	–	–	17,823	(17,823)	154,511

For the year ended 31st December, 2008

	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 31st December, 2007	98,855	246,391	107,231	–	84	64,470	353,597	870,628
Exchange differences arising on translation of foreign operations and net income recognised directly in equity	–	–	–	–	1,818	–	–	1,818
Profit for the year	–	–	–	–	–	–	46,121	46,121
Total recognised income for the year	–	–	–	–	1,818	–	46,121	47,939
Transfers	–	–	–	–	–	12,318	(12,318)	–
Distribution to shareholders	–	–	(8,500)	–	–	–	–	(8,500)
	–	–	(8,500)	–	–	12,318	(12,318)	(8,500)
At 31st December, 2008	98,855	246,391	98,731	–	1,902	76,788	387,400	910,067

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 and the aggregate amount of paid-up capital of 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 reserve is 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.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2008

	2008 RMB'000	2007 RMB'000
Operating activities		
Profit before taxation	53,269	112,836
Adjustments for:		
Interest income	(1,444)	(1,024)
Finance costs	19,145	12,164
Depreciation	39,563	36,823
Loss on disposal of property, plant and machinery	–	36
Share-based payments	–	7,986
Operating lease rentals in respect of prepaid lease payments	2,273	801
Operating cash flows before movements in working capital	112,806	169,622
Decrease (increase) in inventories	42,424	(13,867)
(Increase) decrease in trade and other receivables	(10,694)	51,474
Increase in trade and other payables	61,423	21,926
Effect of foreign exchange rate changes on inter-company balances	(6,333)	3,023
Cash from operations	199,626	232,178
Tax paid	(6,964)	(24,224)
Net cash from operating activities	192,662	207,954
Investing activities		
Interest received	1,444	1,024
Purchase of property, plant and equipment	(210,783)	(150,580)
Proceeds from disposal of property, plant and equipment	–	369
Prepaid lease payments made	(24,295)	(122,328)
Deposits paid on acquisition of property, plant and equipment	(56,677)	(29,439)
Increase in pledged bank deposits	(38,560)	(14,440)
Net cash used in investing activities	(328,871)	(315,394)

For the year ended 31st December, 2008

	2008 RMB'000	2007 RMB'000
Financing activities		
Interest paid	(18,489)	(12,048)
Dividends paid	(8,500)	(37,670)
Proceeds from issue of shares	–	187,560
Expenses paid in connection with the issue of new shares	–	(3,365)
Repayment of obligations under finance leases	(580)	(563)
Bank loans raised	151,891	313,300
Expenses paid in connection with bank loans raised	–	(2,092)
Repayment of bank loans	(128,200)	(186,800)
Repayment of mortgage loan	(700)	(493)
Net cash (used in) from financing activities	(4,578)	257,829
(Decrease) increase in cash and cash equivalents	(140,787)	150,389
Cash and cash equivalents at 1st January	193,984	45,577
Effect of foreign exchange rate changes	(236)	(1,982)
Cash and cash equivalents at 31st December	52,961	193,984
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	52,961	193,984

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 27. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" of the annual report. Its ultimate holding company is Federal Trust Company Limited, a company which was incorporated in the British Virgin Islands.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s)

In the current year, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") have applied, for the first time, the following new Standard, Amendment and Interpretations ("INTs") ("new HKFRS"s) issued by the Hong Kong Institute of Certified Public Accountants, which are effective for the Group's financial year beginning 1st January, 2008.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
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 adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRS"s) (Continued)

The Group has not early applied the following new and revised Standards or INTs that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs [1]
HKAS 1 (Revised)	Presentation of financial statements [2]
HKAS 23 (Revised)	Borrowing costs [2]
HKAS 27 (Revised)	Consolidated and separate financial statements [3]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation [2]
HKAS 39 (Amendment)	Eligible hedged items [3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate [2]
HKFRS 1 (Revised)	First-time adoption of HKFRSs [3]
HKFRS 2 (Amendment)	Vesting conditions and cancellations [2]
HKFRS 3 (Revised)	Business combinations [3]
HKFRS 7 (Amendments)	Improving disclosures about financial instruments[2]
HKFRS 8	Operating segments [2]
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives [4]
HK(IFRIC) – INT 13	Customer loyalty programmes [5]
HK(IFRIC) – INT 15	Agreements for the construction of real estate [2]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation [6]
HK(IFRIC) – INT 17	Distribution of non-cash assets to owners [3]
HK(IFRIC) – INT 18	Transfers of assets from customers [7]

1 Effective for annual periods beginning on or after 1st January, 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1st July, 2009.

2 Effective for annual periods beginning on or after 1st January, 2009.

3 Effective for annual periods beginning on or after 1st July, 2009.

4 Effective for annual periods ending on or after 30th June, 2009.

5 Effective for annual periods beginning on or after 1st July, 2008.

6 Effective for annual periods beginning on or after 1st October, 2008.

7 Effective for transfers on or after 1st July, 2009.

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1st July, 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or INTs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost convention and in accordance with HKFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-group transactions, balances, income and expenses are eliminated on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts.

Sales of goods is recognised when goods are delivered and title has passed while service revenue is recognised when the services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including land and buildings held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year in which the item is derecognised.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

For the leasehold land and buildings in Hong Kong where the cost of leasehold land cannot be reliably separated from the cost of leasehold land and buildings, the cost of leasehold land and buildings is depreciated over the shorter of the lease term and their estimated useful lives of 50 years on a straight line basis.

The cost of buildings in Mainland China (the "PRC") is depreciated over their estimated useful lives of 30 years using the straight line method.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20%
Plant and machinery	10%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

Prepaid lease payments

Payment for obtaining land use right is considered as operating lease payment and charged to income statement over the period of the right using the straight line method except for the lease payments that cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss of loans and receivables below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at each balance sheet date. Loans and receivables are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been impacted.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount of trade receivables is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The Group's financial liabilities are classified as other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Equity instruments

Equity instruments issued by the Company are recorded as the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade and other payables, obligations under finance leases, mortgage loan and bank loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Research and development costs

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life, and carried at cost less subsequent accumulated amortisation and any accumulated impairment losses.

Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit and loss in the period in which it is incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Renminbi ("RMB"), which is the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currency) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share options reserve).

At the time when the share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium.

4. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the obligations under finance leases, mortgage loan, long-term bank loans and short-term bank loans disclosed in notes 18, 19, 20 and 21 respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and raising of bank loans.

5. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2008 RMB'000	2007 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	142,479	245,599
Financial liabilities		
Amortised costs	403,728	330,671

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, obligations under finance leases, mortgage loan and bank loans. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate bank deposits and borrowings and cash flow interest rate risk in relation to variable rate bank deposits and bank loans (see notes 16, 20 and 21). The management of the Group monitors the related interest rate risk exposure closely to minimise these interest rate risks.

The interest rate risk on bank deposits is limited because of the short maturity.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offer Rate and People's Bank of China lending rate arising from the Group's borrowings which are denominated in Hong Kong dollar ("HKD") and Renminbi ("RMB") respectively.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. The directors consider that the exposure to interest rate risk on bank deposits is insignificant. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended 31st December, 2008 would decrease/increase by RMB1,863,000 (2007: decrease/increase by RMB735,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

(ii) Currency risk

The functional currency of the group entities is mainly RMB in which most of the transactions are denominated. The directors consider that the long-term bank loans denominated in HKD are the major monetary liabilities which expose the Group to currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the loan-term bank loans denominated in HKD at the balance sheet date are as follows:

	2008	2007
	RMB'000	RMB'000
Long-term bank loans	140,352	148,088

The following table details the Group's sensitivity to a 5% increase in RMB, the functional currency of the group entity, against HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at balance sheet date for a 5% change in foreign currency rate. A positive number below indicated an increase in profit where the functional currency of the group entity strengthens 5% against the HKD. For 5% weakening of the functional currency of the group entity against HKD, this would be an equal and opposite impact on the profit.

If RMB strengthens against HKD by 5%:

	HKD impact	
	2008	2007
	RMB'000	RMB'000
Profit	7,076	7,500

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

As at 31st December, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the balance sheet.

In order to minimise the credit risk, the Group has policies in place for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and PRC stated-owned banks with good reputation.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Based on the good working relationship with its banks and to optimise the use of the Group's liquid funds, the Group will consider to renew the bank loans upon their maturities. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

As at 31st December, 2008, the Group has available unutilised banking facilities of approximately RMB34,305,000 (2007: RMB53,900,000).

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

5. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2008
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2008						
Non-derivative financial liabilities						
Trade and other payables*	–	55,160	53,065	–	108,225	108,225
Obligations under finance leases	6.00	149	137	–	286	281
Mortgage loan	2.93	135	414	2,512	3,061	2,979
Bank loans						
– fixed rate	8.07	44,012	115,336	–	159,348	151,891
– variable rate**	4.01	14,294	29,155	101,822	145,271	140,352
		113,750	198,107	104,334	416,191	403,728

	Weighted average effective interest rate	Less than 3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31.12.2007
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2007						
Non-derivative financial liabilities						
Trade and other payables*	–	43,951	5,828	–	49,779	49,779
Obligations under finance leases	6.15	148	472	317	937	895
Mortgage loan	5.10	131	413	3,344	3,888	3,709
Bank loans						
– fixed rate	7.19	41,736	36,675	–	78,411	75,800
– variable rate**	6.89	15,157	39,439	158,296	212,892	200,488
		101,123	82,827	161,957	345,907	330,671

* The amount includes trade payables, bills payables and payables for acquisition of property, plant and equipment.

** The interest rates applied to projected undiscounted cash flows of variable rate bank loans are the interest rates at the balance sheet date.

5. FINANCIAL INSTRUMENTS (Continued)

c. Fair value

The fair value of financial assets and financial liabilities are determined based on discounted cash flow analysis using prices or rates from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

6. TURNOVER AND SEGMENT INFORMATION

Turnover

Turnover represents the fair value of the consideration received or receivable from third parties and is summarised as follows:

	2008 RMB'000	2007 RMB'000
Sales of goods from		
– sales of finished fabrics	457,165	781,233
– trading of goods	30,555	69,197
	487,720	850,430
Subcontracting services	105,964	66,964
	593,684	917,394

Business segments

The Group is organised into three operating divisions, namely processing, printing and sales of finished fabrics, manufacture and sales of high density and high-end yarns and trading of goods. As at 31st December, 2008, the operation of the manufacture and sales of high density and high-end yarns segment has not commenced and the factory under that segment is still under construction. The aforesaid three 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

– Manufacture and sales of high density and high-end yarns

– Trading of goods: Trading of fabrics and clothing

6. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

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

	Turnover		Results	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Processing, printing and sales of finished fabrics				
– external sales	563,129	781,701		
– inter-segment sales*	20,794	66,496		
	583,923	848,197	78,020	140,200
Trading of goods	30,555	135,693	(1,680)	1,327
	614,478	983,890	76,340	141,527
Elimination	(20,794)	(66,496)	–	–
	593,684	917,394	76,340	141,527
Interest income			1,444	1,024
Exchange gain			7,238	1,112
Unallocated corporate expenses			(12,608)	(18,663)
Finance costs			(19,145)	(12,164)
Profit before taxation			53,269	112,836
Taxation			(7,148)	(21,699)
Profit for the year			46,121	91,137

* Inter-segment sales are charged at the prevailing market rates.

6. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

(ii) Analysis of the Group's balance sheet by business segments is as follows:

	2008 RMB'000	2007 RMB'000
ASSETS		
Segment assets		
– processing, printing and sales of finished fabrics	770,675	820,668
– manufacture and sales of high density and high-end yarns	454,162	187,285
– trading of goods	18,226	17,312
	1,243,063	1,025,265
Unallocated corporate assets	113,515	215,989
	1,356,578	1,241,254
LIABILITIES		
Segment liabilities		
– processing, printing and sales of finished fabrics	128,793	73,353
– manufacture and sales of high density and high-end yarns	7,575	14
– trading of goods	7,314	7,793
	143,682	81,160
Taxation	5,548	5,364
Unallocated corporate liabilities	297,281	284,102
	446,511	370,626

6. TURNOVER AND SEGMENT INFORMATION (Continued)

Business segments (Continued)

(iii) Other information

	2008 RMB'000	2007 RMB'000
Capital additions		
– processing, printing and sales of finished fabrics	22,145	131,211
– manufacture and sales of high density and high-end yarns	237,843	159,579
– trading of goods	12	85
	260,000	290,875
Depreciation		
– processing, printing and sales of finished fabrics	38,657	35,960
– trading of goods	631	694
– corporate level	275	169
	39,563	36,823

Geographical segments

The Group's turnover is derived from customers located in the PRC and overseas including Hong Kong.

The following table provides an analysis of the Group's sales based on geographical location of customers:

	Turnover 2008 RMB'000	Turnover 2007 RMB'000
The PRC	565,884	781,950
Hong Kong and overseas	27,800	135,444
	593,684	917,394

6. TURNOVER AND SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

The following is an analysis of the carrying amount of segment assets, and capital additions, analysed by the geographical areas in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
The PRC	1,225,137	1,017,641	259,989	290,807
Hong Kong and overseas	17,926	7,624	11	68
	1,243,063	1,025,265	260,000	290,875

7. FINANCE COSTS

	2008 RMB'000	2007 RMB'000
Interest on bank loans		
– wholly repayable within five years	(18,367)	(11,840)
– not wholly repayable within five years	(122)	(208)
	(18,489)	(12,048)
Amortised transaction costs in relation to long-term bank loans	(656)	(116)
	(19,145)	(12,164)

8. PROFIT BEFORE TAXATION

	2008 RMB'000	2007 RMB'000
Profit before taxation has been arrived at after charging:		
Directors' remuneration *(note 9)*	3,757	1,175
Other staff's retirement benefits scheme contributions	552	891
Other staff's share-based payments	–	7,986
Other staff costs	24,832	30,520
	29,141	40,572
Less: Staff costs included in research and development costs	(595)	(919)
	28,546	39,653
Depreciation on property, plant and equipment		
– owned by the Group	39,132	36,364
– held under finance leases	431	459
	39,563	36,823
Less: Depreciation included in research and development costs	(724)	(1,037)
	38,839	35,786
Auditor's remuneration	1,685	1,695
Loss on disposal of property, plant and equipment	–	36
Operating lease rentals in respect of		
– prepaid lease payments	2,273	801
– rented premises	140	148
Research and development costs	2,905	4,180
and after crediting:		
Exchange gain	7,238	1,112
Interest income	1,444	1,024

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to the directors are as follows:

	2008				2007			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors								
Mr. Sze Siu Hung	–	2,332	11	2,343	–	168	12	180
Mr. Qiu Fengshou	–	355	–	355	–	189	–	189
Madam Cai Peilei	–	355	–	355	–	126	–	126
Mr. Sze Chin Pang	–	474	11	485	–	436	12	448
Independent non-executive directors								
Professor Zeng Qingfu	55	–	–	55	58	–	–	58
Professor Zhao Bei	55	–	–	55	58	–	–	58
Mr. Lui Siu Keung	109	–	–	109	116	–	–	116
	219	3,516	22	3,757	232	919	24	1,175

In 2008, the five highest paid individuals included three directors of the Company, details of whose emoluments are set out above. In 2007, all the five highest paid individuals were employees. The emoluments of the remaining two (2007: five) highest paid employees are as follows:

	2008	2007
	RMB'000	RMB'000
Employees		
– basic salaries and allowances	1,243	258
– share-based payments	–	7,099
– retirement benefits scheme contributions	22	10
	1,265	7,367

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The emoluments of the employees were within the following bands.

	Number of employees	
	2008	2007
Up to HK$1,000,000	2	–
HK$1,500,001 – HK$2,000,000	–	5

During the year, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

10. TAXATION

	2008	2007
	RMB'000	RMB'000
The charge comprises:		
PRC income tax	(7,186)	(19,473)
Hong Kong Profits Tax	38	–
	(7,148)	(19,473)
Deferred taxation	–	(2,226)
	(7,148)	(21,699)

On 16th March, 2007, the People's Republic of China promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations changed the tax rate to 25% for the Company's certain PRC subsidiaries since 1st January, 2008.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Group 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 following three years. There are three PRC subsidiaries entitled to this exemption commenced in 2008, while this exemption to another PRC subsidiary expired at the end of 2008. For the subsidiaries under this exemption, such exemption is still applicable under transitional arrangement of the New Law.

10. TAXATION (Continued)

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 year.

The credit in 2008 represents overprovision of Hong Kong Profits Tax made in prior years.

The charge for the year is reconciled to profit before taxation as follows:

	2008		2007	
	RMB'000	%	RMB'000	%
Profit before taxation	53,269		112,836	
Tax at the applicable income tax rate	(13,317)	(25.0)	(37,236)	(33.0)
Tax effect of income not taxable for tax purposes	1,772	3.3	–	–
Tax effect of expenses not deductible for tax purposes	(6,812)	(12.7)	(8,574)	(7.6)
Effect of tax exemption granted to PRC subsidiaries	11,502	21.6	27,049	24.0
Effect of different tax rates of subsidiaries operating in other jurisdictions	(418)	(0.8)	446	0.4
Tax effect of tax loss not recognised	–	–	(504)	(0.5)
Others	125	0.2	(2,880)	(2.5)
Tax charge and effective tax rate for the year	(7,148)	(13.4)	(21,699)	(19.2)

Under the New Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. 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:

	2008 RMB'000	2007 RMB'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	46,121	91,137
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	965,000,000	885,487,671
Effect of dilutive potential ordinary shares – share options		7,033,120
Weighted average number of ordinary shares for the purpose of diluted earnings per share		892,520,791

No diluted earnings per share was presented in 2008 as there were no potential dilutive shares during the year.

12. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1st January, 2007	196,142	4,160	2,606	278,513	50,471	531,892
Currency realignment	(549)	(69)	(118)	–	–	(736)
Additions	–	85	505	2,705	144,618	147,913
Disposals	–	–	–	(2,738)	–	(2,738)
Transfers	19,838	–	–	74,561	(94,399)	–
At 31st December, 2007	215,431	4,176	2,993	353,041	100,690	676,331
Currency realignment	–	(60)	(100)	–	–	(160)
Additions	–	3,054	170	7,945	224,536	235,705
Transfers	–	–	–	12,550	(12,550)	–
At 31st December, 2008	215,431	7,170	3,063	373,536	312,676	911,876
DEPRECIATION						
At 1st January, 2007	14,677	1,228	672	86,187	–	102,764
Currency realignment	(36)	(46)	(22)	–	–	(104)
Provided for the year	6,534	541	552	29,196	–	36,823
Eliminated on disposals	–	–	–	(2,333)	–	(2,333)
At 31st December, 2007	21,175	1,723	1,202	113,050	–	137,150
Currency realignment	–	(48)	(41)	–	–	(89)
Provided for the year	7,075	806	626	31,056	–	39,563
At 31st December, 2008	28,250	2,481	1,787	144,106	–	176,624
NET BOOK VALUES						
At 31st December, 2008	187,181	4,689	1,276	229,430	312,676	735,252
At 31st December, 2007	194,256	2,453	1,791	239,991	100,690	539,181

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of the Group's properties which are situated on land under medium-term leases is analysed as follows:

	2008 RMB'000	2007 RMB'000
Land and buildings in Hong Kong	7,397	7,557
Buildings in the PRC	179,784	186,699
	187,181	194,256

The net book value of motor vehicles includes an amount of RMB742,000 (2007: RMB1,230,000) in respect of assets held under finance leases.

The Group has pledged certain of its buildings and plant and machinery with an aggregate net book value of RMB95,999,000 (2007: RMB115,971,000) to certain banks to secure the credit facilities granted to the Group.

13. PREPAID LEASE PAYMENTS

	2008 RMB'000	2007 RMB'000
CARRYING VALUE		
At 1st January	160,311	18,150
Additions during the year	24,295	142,962
Charged to income statement for the year	(2,273)	(801)
At 31st December	182,333	160,311
Analysed as:		
Current asset	3,729	817
Non-current asset	178,604	159,494
At 31st December	182,333	160,311

The amount represents the prepayment of rentals for land use rights situated in the PRC for a period of 50 years.

The Group has pledged certain of its land use rights with an aggregate carrying value of RMB38,136,000 (2007: RMB38,984,000) to certain banks to secure the credit facilities granted to the Group.

14. INVENTORIES

	2008 RMB'000	2007 RMB'000
Raw materials	37,447	117,177
Finished goods	108,085	70,779
	145,532	187,956

15. TRADE AND OTHER RECEIVABLES

	2008 RMB'000	2007 RMB'000
Trade receivables		
– a related company	1,383	–
– others	35,135	35,719
	36,518	35,719
Bills receivables	–	1,456
	36,518	37,175
Deposits paid to suppliers	87,357	73,467
Other receivables and prepayments	2,431	5,301
	126,306	115,943

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable by 90 days of issuance.

15. TRADE AND OTHER RECEIVABLES (Continued)

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

	2008 RMB'000	2007 RMB'000
Age		
0 to 90 days	24,126	31,313
91 to 180 days	5,390	5,289
181 to 270 days	1,444	573
271 to 365 days	4,448	–
Over 365 days	1,110	–
	36,518	37,175

Management closely monitors the credit quality of trade and other receivables and considers trade and other receivables that are neither past due nor impaired to be of a good credit quality.

Included in the Group's trade receivable balances are debtors with aggregate carrying amount of RMB12,392,000 (2007: RMB5,862,000) which are past due at the reporting date for which the Group has not provided for allowance. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired:

	2008 RMB'000	2007 RMB'000
Age		
91 to 180 days	5,390	5,289
181 to 270 days	1,444	573
271 to 365 days	4,448	–
Over 365 days	1,110	–
	12,392	5,862

Based on the historical experience of the Group, trade receivables that are past due are generally recoverable and as a result, no allowance was made for trade receivables at the balance sheet date.

16. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits represent deposits pledged to banks to secure bills payables utilised by the Group and are classified as current assets. The pledged bank deposits will be released upon the settlement of relevant bills payables. The pledged deposits carry fixed interest rates ranging from 0.36% to 3.78% (2007: 2.88% to 3.42%) per annum.

Bank balances carry interest at market rates ranging from 0.01% to 4.37% (2007: 0.72% to 5.08%) per annum.

17. TRADE AND OTHER PAYABLES

	2008 RMB'000	2007 RMB'000
Trade payables	3,350	7,340
Bills payables		
– secured	53,000	14,440
– unsecured	36,940	25,388
	93,290	47,168
Customers' deposits	28,093	24,630
Payables for acquisition of property, plant and equipment	14,935	2,611
Other payables and accruals	9,142	9,961
	145,460	84,370

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

	2008 RMB'000	2007 RMB'000
Age		
0 to 90 days	53,897	43,954
91 to 180 days	38,114	3,049
181 to 270 days	254	72
271 to 365 days	431	4
Over 365 days	594	89
	93,290	47,168

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

18. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term is 3 years. Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 5.34% to 6.18% per annum. No arrangements have been entered into for contingent rental payments.

	Minimum lease payments		Present value of minimum lease payments	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Amounts payable under finance leases:				
Within one year	286	633	281	597
Between one to two years	–	305	–	298
	286	938	281	895
Less: Future finance charges	5	43		
Present value of lease obligations	281	895		
Less: Amount due within one year shown under current liabilities			281	597
Amount due after one year			–	298

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

19. MORTGAGE LOAN

	2008 RMB'000	2007 RMB'000
The mortgage loan is secured and repayable as follows:		
Within one year	539	527
Between one to two years	552	550
Between two to five years	1,738	1,806
After five years	150	826
	2,979	3,709
Less: Amount due within one year shown under current liabilities	539	527
Amount due after one year	2,440	3,182

The mortgage loan carries interest at a fixed rate of 2.40% (2007: 4.40%) per annum and is denominated in Hong Kong dollars which is the functional currency of the relevant group entity.

20. LONG-TERM BANK LOANS

	2008 RMB'000	2007 RMB'000
The long-term bank loans are secured and repayable as follows:		
Within one year	42,456	–
Between one to two years	99,152	45,000
Between two to five years	–	105,000
	141,608	150,000
Less: Unamortised transaction costs	1,256	1,912
	140,352	148,088
Less: Amount due within one year shown under current liabilities	42,456	–
Amount due after one year	97,896	148,088

The long-term bank loans are variable-rate bank loans which carry interest at Hong Kong Interbank Offer Rate ("HIBOR") plus 1.25% (2007: HIBOR plus 1.25%) per annum and is denominated in Hong Kong dollars while the functional currency of the relevant group entity is RMB.

At 31st December, 2008, the bank loans are secured by charges over all the shares of a direct wholly-owned subsidiary of the Company, Widerlink Group Limited, and certain of its PRC subsidiaries.

21. SHORT-TERM BANK LOANS

	2008 RMB'000	2007 RMB'000
Short-term bank loans		
– secured	104,391	101,900
– unsecured	47,500	26,300
	151,891	128,200

The carrying amounts of the Group's short-term bank loans are denominated in RMB which is the functional currency of the relevant group entities.

Included in short-term bank loans, amounts of RMB151,891,000 (2007: RMB75,800,000) are fixed-rate bank loans which carry interest at the range of 4.74% to 9.71% (2007: 6.42% to 7.65%) per annum. The remaining bank loans in 2007 carried variable interest rates at 115% to 130% of the lending rate offered by the People's Bank of China.

22. SHARE CAPITAL

	Authorised		Issued and fully paid	
	Number of shares	Amount	Number of shares	Amount
	'000	HK$'000	'000	HK$'000
Ordinary shares of HK$0.10 each				
– balance 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	–	–	45,000	4,500
– balance at 31st December, 2007 and 31st December, 2008	2,000,000	200,000	965,000	96,500

	RMB'000
Shown in the consolidated balance sheet at	
– 31st December, 2007 and 31st December, 2008 as	98,855

23. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme (the "Share Option Scheme") was adopted by the shareholders' written resolution of the Company dated 15th March, 2006. The purpose of the Share Option Scheme is to enable the Company to grant options to directors, eligible employees and other outside third parties under the Share Option Scheme, in the sole discretion of the directors of the Company, who have contributed or will contribute to the growth and development of the Group.

Unless refreshed and approved by shareholders, the total number of shares in respect of which options may be granted under the Share Option Scheme is not permitted to exceed 80,000,000 shares which are equivalent to 10% of the shares of the Company in issue upon its listing on the Stock Exchange in 2006.

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the directors of the Company is empowered to impose its discretion any such minimum period at the time of grant of any particular option. The period during which the options may be exercised will be notified by the board of directors to each grantee upon grant of each option, provided that it shall commence on a date not earlier than the date of the grant of an option and not be more than ten years from the date of grant of the option. An offer of grant of an option must be accepted being a date not more than twenty-one days after the date of grant. The amount payable on acceptance of an option is HK$1.

23. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The subscription price for the shares under the Share Option Scheme shall be a price determined by the board of directors at its absolute discretion and shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

In 2007, 45,000,000 share options were granted and exercised.

In 2007, the Group recognised RMB7,986,000 in relation to the Share Option Scheme.

There was no share option granted, exercised, cancelled or lapsed during 2008. There is no outstanding share option as at 31st December, 2008.

As at the date of the annual report, the maximum number of shares issuable pursuant to the grant of further share options are 35,000,000 shares which represented 3.63% of the shares of the Company in issue at that date.

24. CAPITAL COMMITMENTS

	2008 RMB'000	2007 RMB'000
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	49,960	121,241

25. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the Mandatory Provident Fund (the "MPF") in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

26. RELATED PARTY TRANSACTIONS

During the year, the Group sold fabrics and provided fabrics processing services for an aggregate consideration amounted to RMB2,524,000 (2007: RMB838,000) to 協盈(福建)服飾有限公司 (Xueying (Fujian) Dress Co., Ltd.), a company legally and beneficially owned by Mr. Sze Siu Bun, the Chief Executive Officer of the Company and the younger brother of Mr. Sze Siu Hung, the Chairman and an executive director of the Company.

27. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at the balance sheet date are as follows:

Name of subsidiary	Place of incorporation/ establishment/operations	Nominal value of issued and fully paid share capital/registered capital	Principal activity
Co-Prosperity (Hong Kong) Limited	Hong Kong	Ordinary shares – HK$2	Trading of fabrics
福建協盛協豐印染有限公司 (Shasing Shapheng Dyeing Co., Ltd.)	PRC for a term of 50 years commencing 20th June, 2003 as a wholly-owned foreign investment enterprise	Paid-up capital – HK$100,000,000	Processing, printing and sales of finished fabrics
協盛協豐(泉州)紡織實業有限公司 (Shasing Shapheng (Quanzhou) Textile Industrial Co., Ltd.)	PRC for a term of 30 years commencing 13th March, 2007 as a wholly-owned foreign investment enterprise	Paid-up capital – HK$225,000,000	Factory under construction for manufacture of high density and high-end yarns
協豐(福建)印染實業有限公司 (Xiefeng (Fujian) Printing & Dyeing Co., Ltd.)	PRC for a term of 50 years commencing 26th May, 1999 as a wholly-owned foreign investment enterprises	Paid-up capital – US$10,000,000	Processing, printing and sales of finished fabrics
協盛(石獅市)染織實業有限公司 (Xuesheng (Shishi) Printing & Knitting Industry Co., Ltd.)	PRC for a term of 50 years commencing 16th September, 1993 as a wholly-owned foreign investment enterprise	Paid-up capital – US$5,000,000	Processing, printing and sales of finished fabrics
廈門拓浩貿易有限公司 (Xiamen Tophot Trade Co., Ltd.)	PRC For a term of 30 years commencing 13th June, 2006 as a wholly-owned foreign investment enterprise	Paid-up capital – RMB8,000,000	Import and export trading of fabrics and clothing
新協豐(福建)印染實業有限公司 (Xiefeng (Fujian) Printing & Dyeing Industrial Co., Ltd.)	PRC for a term of 30 years commencing 24th May, 2006 as a wholly-owned foreign investment enterprise	Paid-up capital – HK$10,000,000	Processing, printing and sales of finished fabrics
新協盛(石獅市)染織實業有限公司 (Xuesheng (Shishi) Printing & Knitting Industrial Co., Ltd.)	PRC for a term of 30 years commencing 15th December, 2006 as a wholly-owned foreign investment enterprise	Paid-up capital – HK$15,000,000	Processing, printing and sales of finished fabrics

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

FINANCIAL SUMMARY

	Year ended 31st December,				
	2004	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Turnover	452,865	599,916	902,508	917,394	593,684
Profit before taxation	76,789	114,503	159,509	112,836	53,269
Taxation	(2,599)	(3,990)	(23,929)	(21,699)	(7,148)
Profit for the year	74,190	110,513	135,580	91,137	46,121

	As at 31st December,				
	2004	2005	2006	2007	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	414,544	579,237	858,661	1,241,254	1,356,578
Total liabilities	(250,803)	(233,824)	(234,465)	(370,626)	(446,511)
Net assets	163,741	345,413	624,196	870,628	910,067

The results and summary of assets and liabilities for each of the two years ended 31st December, 2005, which were extracted from the Company's prospectus dated 21st March, 2006, have been prepared on a combined basis to indicate the results of the Group as if the group structure, at the time when the Company's shares were listed on The Stock Exchange of Hong Kong Limited, had been in existence throughout those years.