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

INTERIM REPORT 2010

* For identification purpose only

CONTENTS

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2010 (the "period"), the Group is principally engaged in the sale of finished fabrics and provision of fabrics processing subcontracting services ("fabrics business"), the trading of goods ("trading business") and the manufacture and sales of high density and high-end yarns ("yarn business") to customers.

Operational and Financial Review

Difficult operating environment continued to dampen the business performance of the Group in the first half of 2010. The overall outlook of the industry in which the group operated was rather gloomy and still clouded by various uncertainties. Under such a backdrop, the overall results of the Group inevitably went into the red in the six months ended 30 June 2010. The extent of loss was further worsened by the provision recognised in respect of onerous contracts for the acquisition of property, plant and equipment and the impairment losses recognised in respect of property, plant and equipment and prepaid lease payments of certain of the Group's business units in line with relevant accounting regulations. However, all such impairments are non-cash in nature and will not have any impact on the overall cash flow position of the Group.

In view of the current severe adversity and in order to further strengthen the capital base of the Group, on 9 March 2010, arrangements were made that 110,000,000 ordinary shares of HK$0.10 each at a price of HK$0.41 per share were placed by Famepower Limited ("Famepower"), the controlling shareholder of the Company to investors whereas 110,000,000 ordinary shares of HK$0.10 each at a price of HK$0.41 per share were subscribed by Famepower. The success of the capital raising fully underscored the investors' confidence in the management and the long-term potential of the Group.

The Group's turnover increased slightly by 4.6% to RMB214.4 million (2009: RMB204.8 million). Sales from fabrics business and trading business dropped. As yarn business only commenced its operation in March 2009, fewer sales were recorded for the first six months ended 30 June 2009 when compared with the full six-month sales contribution in the period.

The Group registered a gross profit of around RMB24.0 million (2009: RMB41.2 million), representing a decrease of around 41.7% as compared with the corresponding period last year. The gross profit margin from fabrics business fell and the yarn business recorded a gross loss. The gross profit margin of trading business improved as a result of enhanced sales mix.

Other income decreased by 37.5% to approximately RMB1.5 million (2009: RMB2.4 million), which was principally composed of government rewards of RMB1.0 million for the Group's technological advancement and an interest income of RMB0.5 million. Other expenses, gains and losses was further down by 2.98 times to net loss of around RMB3.7 million (2009: net loss of RMB0.9 million), which comprised research and development costs of RMB1.1 million, allowances for bad and doubtful debts of RMB2.9 million and exchange gain of RMB0.3 million. During the period, provision of RMB28.7 million (2009: nil) was made in respect of onerous contracts for the acquisition of property, plant and equipment. In addition, impairment losses of RMB417.2 million (2009: nil) in respect of property, plant and equipment and RMB111.3 million (2009: nil) in respect of prepaid lease payments were respectively recognized. Distribution and selling expenses rose by 10.2% to RMB2.8 million (2009: RMB2.6 million). Administrative expenses remained almost unchanged at RMB16.6 million (2009: RMB16.6 million). Finance costs declined slightly by 2.8% to RMB7.9 million (2009: RMB8.1 million).

Market Outlook and Future Prospects

As a result of extensive fiscal and monetary policies undertaken by governments in major economies, there are signs that global economy is beginning to stabilize and gradually recover from the financial tsunami that broke out in 2008. However, there are concerns whether the encouraging improvement will fade and cause the world to sink into a double-dip recession.

In view of the current challenging operating environment, the Group has been continually assessing its overall business strategies and will make necessary adjustments and monitor its resource allocation accordingly.

Looking forward, the Group will remain focused on restoring its profitability whilst maintain a healthy balance sheet and strengthen its overall financial position. With great caution, the Group will strive to identify and pursue projects with high development potentials.

The Board strongly believes the Group's pragmatic operating philosophy, together with the fully-committed efforts of its dedicated management and staff, will well equip it to overcome all short-term adversities. The Board is fully confident and optimistic about the Group's future outlook.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2010, the Group had total assets of approximately RMB930.7 million (As at 31 December 2009: RMB1,396.6 million) which were financed by current liabilities of approximately RMB513.0 million (As at 31 December 2009: RMB451.2 million), non-current liabilities of approximately RMB1.6 million (As at 31 December 2009: RMB1.9 million) and shareholders' equity of approximately RMB416.1 million (As at 31 December 2009: RMB943.5 million).

As at 30 June 2010, the Group's cash and bank balances was approximately RMB43.5 million (As at 31 December 2009: RMB59.0 million), while pledged bank deposits amounted to approximately RMB27.8 million (As at 31 December 2009: RMB45.5 million). As at 30 June 2010, the mortgage loan and long-term bank loans were variable-rate loans and were denominated in Hong Kong dollars whereas the short-term bank loans were fixed-rate loans and were denominated in Renminbi. As at 30 June, 2010, the Group's borrowings were secured by charges over the equity of some of its subsidiaries, corporate guarantees given by the Company and a subsidiary and certain land use rights, buildings, plant and machinery and bank deposits of the Group.

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.0 (As at 31 December 2009: 1.0). The gearing ratio, being a ratio of borrowings (comprising mortgage loan and short-term and long-term bank loans) to shareholders' equity, increased to approximately 77.3% (As at 31 December 2009: 31.0%), which was largely due to the significant decrease of shareholders' equity as a result of the non-cash provision recognised in respect of onerous contracts for the acquisition of property, plant and equipment and non-cash impairment losses recognised in respect of property, plant and equipment and prepaid lease payments. The Group has always been adopting a conservative approach in its financial management.

CAPITAL EXPENDITURES

As at 30 June 2010, the Group has capital commitments of approximately RMB8.4 million in respect of purchases of property, plant and equipment (As at 31 December 2009: RMB21.8 million).

CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

As at 30 June 2010, the Group did not have any significant contingent liabilities (As at 31 December 2009: 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 instrument has been used for hedging purposes. The Group will consider holding 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 period.

EMPLOYMENT

As at 30 June 2010, the Group had about 1,400 employees in Hong Kong and in the PRC (As at 31 December 2009: 1,500 employees). Remuneration packages for the employees are maintained at a competitive level of the jurisdiction within which the employees are employed to attract, retain and motivate the employees. Remuneration packages will be reviewed periodically. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contribution to the Group.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Deloitte.
德勤

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

Introduction

We have reviewed the interim financial information set out on pages 8 to 28, which comprises the condensed consolidated statement of financial position of Co-Prosperity Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30th June, 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

8th September, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2010

	NOTES	1.1.2010 to 30.6.2010 RMB'000 (unaudited)	1.1.2009 to 30.6.2009 RMB'000 (unaudited and restated)
Turnover		214,352	204,838
Cost of goods sold and services provided		(190,345)	(163,653)
Gross profit		24,007	41,185
Other income		1,503	2,404
Other expenses, gains and losses		(3,677)	(923)
Provision recognised in respect of onerous contracts	14	(28,663)	–
Impairment losses recognised in respect of	5		
– property, plant and equipment		(417,196)	–
– prepaid lease payments		(111,297)	–
Distribution and selling expenses		(2,832)	(2,569)
Administrative expenses		(16,623)	(16,624)
Finance costs		(7,864)	(8,094)
(Loss) profit before taxation	6	(562,642)	15,379
Taxation	7	(4,077)	(2,817)
(Loss) profit for the period		(566,719)	12,562
Other comprehensive income			
– exchange differences arising on translation		117	58
Total comprehensive (expense) income for the period		(566,602)	12,620
(Loss) earnings per share – Basic	8	(50.4) RMB cents	1.3 RMB cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30th June, 2010

	NOTES	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	9	351,971	754,183
Prepaid lease payments		64,055	174,875
Deposits made on acquisition of property, plant and equipment		13,776	27,433
		429,802	956,491
Current assets			
Inventories		283,920	205,112
Trade and other receivables	10	144,263	126,707
Prepaid lease payments		1,388	3,729
Pledged bank deposits		27,785	45,540
Bank balances and cash		43,547	58,995
		500,903	440,083
Current liabilities			
Trade and other payables	11	146,288	137,793
Amounts due to related parties	12	13,000	19,100
Provision for onerous contracts	14	28,663	–
Taxation		4,939	3,946
Mortgage loan		552	550
Current portion of long-term bank loans		56,646	98,221
Short-term bank loans		262,950	191,550
		513,038	451,160
Net current liabilities		(12,135)	(11,077)
Total assets less current liabilities		417,667	945,414

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AT 30th June, 2010

	NOTES	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Non-current liabilities			
Mortgage loan		1,589	1,882
Net assets		416,078	943,532
Capital and reserves			
Share capital	13	117,055	107,364
Reserves		299,023	836,168
Total equity		416,078	943,532

The interim financial information on pages 8 to 28 was approved and authorised for issue by the Board of Directors on 8th September, 2010 and are signed on its behalf by:

MR. SZE SIU HUNG
CHAIRMAN

MR. SZE CHIN PANG
EXECUTIVE DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2010

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Retained profits (deficit) RMB'000	Total RMB'000
At 1st January, 2010	107,364	271,650	98,731	1,976	87,764	376,047	943,532
Loss for the period	–	–	–	–	–	(566,719)	(566,719)
Exchange differences arising on translation	–	–	–	117	–	–	117
Total comprehensive expense for the period	–	–	–	117	–	(566,719)	(566,602)
Issue of shares	9,691	30,042	–	–	–	–	39,733
Expenses incurred in connection with the issue of shares	–	(585)	–	–	–	–	(585)
	9,691	29,457	–	–	–	–	39,148
At 30th June, 2010 (unaudited)	117,055	301,107	98,731	2,093	87,764	(190,672)	416,078
At 1st January, 2009	98,855	246,391	98,731	1,902	76,788	387,400	910,067
Loss for the period	–	–	–	–	–	12,562	12,562
Exchange differences arising on translation	–	–	–	58	–	–	58
Total comprehensive income for the period	–	–	–	58	–	12,562	12,620
At 30th June, 2009 (unaudited)	98,855	246,391	98,731	1,960	76,788	399,962	922,687

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

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. Appropriation to such 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 a capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2010

	1.1.2010 to 30.6.2010 RMB'000 (unaudited)	1.1.2009 to 30.6.2009 RMB'000 (unaudited)
Net cash from operating activities	(54,148)	57,807
Investing activities		
Purchase of property, plant and equipment	(24,764)	(41,354)
Decrease (increase) in pledged bank deposits	17,755	(4,900)
Other investing cash flows	(9,622)	642
Net cash used in investing activities	(16,631)	(45,612)
Financing activities		
Interest paid	(7,548)	(7,776)
Proceeds from issue of shares	39,733	–
Expenses paid in connection with the issue of new shares	(585)	–
Bank loans raised	188,650	137,250
Repayment of bank loans	(158,525)	(144,728)
Other financing cash flows	(6,391)	(552)
Net cash used in financing activities	55,334	(15,806)
Net decrease in cash and cash equivalents	(15,445)	(3,611)
Cash and cash equivalents at 1st January	58,995	52,961
Effect of foreign exchange rate changes	(3)	(1)
Cash and cash equivalents at 30th June	43,547	49,349
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	43,547	49,349

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30th June, 2010

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. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

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

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL INFORMATION

In preparing the condensed consolidated financial information, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the significant loss of the Group amounting to RMB566,719,000, which is mainly due to the impairment losses recognised in respect of property, plant and equipment and prepaid lease payments amounting to RMB417,196,000 and RMB111,297,000 respectively, for the six months ended 30th June, 2010 and the net current liabilities of RMB12,135,000 as well as capital commitments amounting to RMB8,380,000 detailed in note 14 as at 30th June, 2010.

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 and increase the bank credit facilities upon their maturities, where necessary, to enable the Group to carry on its operations in the foreseeable future. Also, taking into account the Group has available unutilised bank credit facilities of RMB11,716,000 (31st December, 2009: RMB9,434,000) as at 30th June, 2010, the directors of the Company are satisfied that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future and accordingly, the condensed consolidated financial information has been prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared under the historical cost convention. The principal accounting policies adopted in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2009, except as described below.

Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. When the Group has a contract that is onerous, the unavoidable costs under the contract is recognised and measured as a provision.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new or revised HKFRSs") issued by the HKICPA.

The Group applies Hong Kong Financial Reporting Standard ("HKFRS") 3 (Revised) *Business Combinations* prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in HKAS 27 (Revised) *Consolidated and Separate Financial Statements* in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

As part of the improvements to HKFRSs issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present the prepayment as leasehold land in the consolidated statement of financial position. The amendment to HKAS 17 has removed such a requirement that leasehold land must be classified as operating leases. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. After reassessment, the directors of the Company concluded that no impact to the Group and no reclassification was necessary.

The application of the other new and revised HKFRSs had no effect on the condensed consolidated financial information of the Group for the current or prior accounting periods.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs 2010[1]
HKAS 24 (Revised)	Related party disclosures[4]
HKAS 32 (Amendment)	Classification of rights issues[2]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[3]
HKFRS 9	Financial instruments[5]
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a minimum funding requirement[4]
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments[3]

1 Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate.
2 Effective for annual periods beginning on or after 1st February, 2010.
3 Effective for annual periods beginning on or after 1st July, 2010.
4 Effective for annual periods beginning on or after 1st January, 2011.
5 Effective for annual periods beginning on or after 1st January, 2013.

HKFRS 9 *Financial Instruments* introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

4. SEGMENT INFORMATION

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. The aforesaid three divisions are the basis on which the Group reports its segment information.

The Group's operating segments under HKFRS 8 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

The following is an analysis of the Group's turnover and results by operating segment for the period under review:

Information regarding these segment is presented below.

	Turnover		Results	
	1.1.2010 to 30.6.2010 RMB'000	1.1.2009 to 30.6.2009 RMB'000	1.1.2010 to 30.6.2010 RMB'000	1.1.2009 to 30.6.2009 RMB'000
Processing, printing and sales of finished fabrics				
– external sales	172,716	194,336		
– inter-segment sales	1,726	6,982		
	174,442	201,318	(165,863)	30,966
Manufacture and sales of high density and high-end yarns	35,606	1,936	(382,583)	(4,004)
Trading of goods	6,030	8,566	(3,621)	(955)
	216,078	211,820	(552,067)	26,007
Elimination	(1,726)	(6,982)	–	–
	214,352	204,838	(552,067)	26,007
Interest income			466	605
Unallocated corporate expenses			(3,177)	(3,139)
Finance costs			(7,864)	(8,094)
(Loss) profit before taxation			(562,642)	15,379

Segment results represent the result of each segment without allocation of interest income, unallocated corporate expenses and finance costs. This is the measure reported to the chief operating decision maker, the Board of Directors, for the purposes of resource allocation and performance assessment.

5. IMPAIRMENT LOSSES

During the period, the Group's performance was deteriorating due to the market has not yet recovered, and there are significant drops in sales orders and profit margins comparing with what the directors expected. The directors of the Company considered these were impairment indicators. Thus, the directors of the Company conducted a review of the Group's property, plant and equipment, prepaid lease payments, and non-cancellable commitments for acquisition of property, plant and equipment (including deposits paid) and determined that they were impaired. Accordingly, with reference to the valuation reports issued by an independent external valuer, American Appraisal China Limited, the directors have made impairment losses of RMB417,196,000, RMB111,297,000 and RMB28,663,000 in respect of property, plant and equipment, prepaid lease payments, and non-cancellable commitments for acquisition of property, plant and equipment respectively. The impairment losses are recognised for the cash-generating units ("CGUs") for which the recoverable amounts are less than the carrying amounts. The recoverable amounts of the relevant assets are the higher of their fair value less costs to sell and their value in use. There are totally six CGUs under the impairment assessment. The impairment losses for one CGU are based on fair value less costs to sell, while the impairment losses for other five CGUs are based on value in use.

The significant changes in the cash flow forecast as at 30th June, 2010 comparing with the forecast as at 31st December, 2009 are mainly due to some key assumption changes. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, gross profit margins and the projected periods. Management estimates the discount rate that reflects return of assets and the risks specific to the CGUs. The growth rates and gross profit margins are based on the operation growth forecasts. The projected periods are based on, rather than any new purchases, the conditions and expectations of future utilisation of the existing property, plant and equipment.

During the period, the Group performed impairment review for the CGUs based on cash flow forecast derived from the respective most recent financial budget approved by management and the projected periods ranged from 3.5 to 18.5 years for respective CGUs. The cash flow forecast is using a discount rate of 9.5% which reflects the return on assets and the risks specific to the CGUs. In light of the intensive competition and uncertain outlook for market, the growth rates remain flat and gross profit margins ranged from 8.3% to 25.6%. These growth rates and gross profit margins are based on the best estimates by the directors of the Company.

6. PROFIT BEFORE TAXATION

	1.1.2010 to 30.6.2010 RMB'000 (unaudited)	1.1.2009 to 30.6.2009 RMB'000 (unaudited)
Profit before taxation has been arrived at after charging:		
Depreciation on property, plant and equipment		
– owned by the Group	33,501	27,446
– held under finance lease	–	191
	33,501	27,637
Less: Depreciation included in research and development costs	(258)	(260)
	33,243	27,377
Allowance for doubtful debts	2,895	1,069
Allowance for inventories*	7,300	–

* The allowance for inventories is mainly due to decrement of the net realisable value during the period.

7. TAXATION

The charge represents Mainland China (the "PRC") income tax calculated at the rates prevailing in the PRC jurisdiction. No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's operations in Hong Kong had no assessable profit for the period.

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 which commenced in 2008. For the subsidiaries under this exemption, such exemption is still applicable under the transitional arrangement of the PRC Law on Enterprise Income Tax.

At the end of the reporting period, the Group has deductible temporary differences of RMB628,571,000 (31st December, 2009: RMB57,905,000). No deferred tax asset has been recognised in relating to deductible temporary difference because it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Deferred taxation has not been provided for in the financial statements in respect of temporary differences attributable to accumulated profits earned by PRC subsidiaries, from 1st January, 2008 onwards, amounting to RMB81,930,000 (30th June, 2009: RMB91,273,000) 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.

8. (LOSS) EARNINGS PER SHARE

The calculation of the basic (loss) earnings per share for the period is based on the consolidated (loss) profit for the period of RMB566,719,000 (2009: profit of RMB12,562,000) and the weighted average number of 1,124,704,420 (2009: 965,000,000) shares in issue during the period.

No diluted (loss) earnings per share is presented as there were no potential ordinary shares in issue during the period.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB48,513,000 (2009: RMB65,083,000) on additions to property, plant and equipment.

10. TRADE AND OTHER RECEIVABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Trade receivables	20,984	21,365
Deposits paid to suppliers	110,776	102,386
Other receivables and prepayments	12,503	2,956
	144,263	126,707

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

The following is an aged analysis of trade receivables presented based on the invoice date at the end of the reporting period:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Age		
0 to 90 days	16,211	16,272
91 to 180 days	1,760	2,515
181 to 270 days	1,867	919
271 to 365 days	1,146	191
Over 365 days	–	1,468
	20,984	21,365

11. TRADE AND OTHER PAYABLES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Trade payables	30,462	27,295
Bill payables		
– secured	34,985	45,540
– unsecured	11,714	17,160
	77,161	89,995
Customers' deposits	54,690	27,978
Payables for acquisition of property, plant and equipment	4,560	109
Advances from third parties*	4,650	14,100
Other payables and accruals	5,227	5,611
	146,288	137,793

* The amounts are unsecured, interest-free and are repayable on demand.

The following is an aged analysis of trade and bill payables presented based on the invoice date at the end of the reporting period:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Age		
0 to 90 days	39,717	50,146
91 to 180 days	25,736	31,157
181 to 270 days	5,851	4,184
271 to 365 days	2,343	1,591
Over 365 days	3,514	2,917
	77,161	89,995

The normal credit periods on purchases of goods are from 90 days to 180 days.

12. AMOUNTS DUE TO RELATED PARTIES

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Name of related party:		
Mr. Sze Siu Hung [(1)]	–	4,000
Mr. Cai Chaodun [(2)]	–	2,100
漳州泰景房地產開發有限公司 (Zhang Zhou Tai Jing Real Estate Development Company Limited) ("ZZTJ") [(3)]	13,000	13,000
	13,000	19,100

(1) Mr. Sze Siu Hung is the Chairman and executive director of the Company.

(2) Mr. Cai Chaodun is the deputy general manager of the Group and a brother-in-law of Mr. Sze Siu Hung.

(3) ZZTJ is owned as to 40% by Mr. Sze Siu Bun, the Chief Executive Officer of the Company and the younger brother of Mr. Sze Siu Hung.

The amounts are unsecured, interest-free and are repayable on demand.

13. 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, 2009	2,000,000	200,000	965,000	96,500
– private placement of shares	–	–	96,500	9,650
– balance at 31st December, 2009	2,000,000	200,000	1,061,500	106,150
– private placement of shares	–	–	110,000	11,000
– balance at 30th June, 2010	2,000,000	200,000	1,171,500	117,150

	RMB'000
Shown in the consolidated statement of financial position at	
– 30th June, 2010 as	117,055
– 31st December, 2009 as	107,364

On 9th March, 2010, a placing arrangement was entered into, under which 110,000,000 ordinary shares of HK$0.10 each at a price of HK$0.41 (equivalent to RMB0.361) per share were privately placed to investors by Famepower Limited ("Famepower"), the controlling shareholder of the Company, through a placing agent. The price of HK$0.41 per share represents a discount of approximately 7.87% to the closing market price of the Company's shares of HK$0.445 per share as quoted on the Stock Exchange on 8th March, 2010, the last trading date prior to the entering into the placing agreement. On the same date, the Company entered into a subscription agreement with Famepower for the subscription of 110,000,000 new ordinary shares of HK$0.10 each at a price of HK$0.41 per share. The subscription price is equivalent to the placing price mentioned above. The new shares were issued on 19th March, 2010 under the general mandate granted to the Board of Directors on 23rd February, 2010. The Company applied the net proceeds of HK$44,400,000 (equivalent to RMB39,148,000) for the repayment of bank loans of the Group and for working capital purpose.

14. CAPITAL COMMITMENTS AND PROVISION FOR ONEROUS CONTRACTS

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Capital expenditure contracted for but not provided in the financial information in respect of the acquisition of property, plant and equipment*	8,380	21,831

* A provision amounting to RMB28,663,000 is recognised in respect of onerous contracts for the capital expenditure contacted for but not provided in the financial information in respect of the acquisition of property, plant and equipment. The amount of RMB8,380,000 presented above represents capital expenditure contracted net of provision for onerous contract and deposits paid.

15. RELATED PARTY TRANSACTIONS

The directors of the Company represented key management of the Group. During the period, directors' remuneration of RMB706,000 (2009: RMB1,725,000) was charged to the profit or loss.

At the end of the reporting period, certain of the short-term bank loans are guaranteed by the following related parties for maximum guarantees:

	30.6.2010 RMB'000 (unaudited)	31.12.2009 RMB'000 (audited)
Mr. Sze Siu Hung	28,000	28,000
Mr. Cai Chaodun	30,000	30,000
Mr. Qiu Fengshou[(1)]	80,000	80,000
Joint guarantee*	28,700	28,700
	166,700	166,700

* The credit facility was jointly guaranteed by Mr. Cai Chaodun, Mr. Qiu Fengshou and Mr. Fu Jianhua[(2)].

(1) Mr. Qiu Fengshou is the Vice Chairman and executive director of the Company.

(2) Mr. Fu Jianghua is the deputy general manager of the Group.

16. COMPARATIVE FIGURES

Certain comparative figures of the condensed consolidated statement of comprehensive income have been reclassified to conform with the current period's presentation. Details are set out as follows:

	As previously report RMB'000	Reclassification RMB'000	As restated RMB'000
Cost of goods sold and services provided[(1)]	(164,680)	1,027	(163,653)
Other income[(2)]	3,577	(1,173)	2,404
Administrative expenses[(3)]	(17,693)	1,069	(16,624)
Other expenses, gains and losses[(1)(2)(3)]	–	(923)	(923)

(1) The restatement represents reclassification of research and development costs including staff cost, depreciation charge and others from cost of goods sold and services provided to other expenses, gains and losses.

(2) The restatement represents reclassification of exchange gain from other income to other expenses, gains and losses.

(3) The restatement represents reclassification of allowances for bad and doubtful debts to other expenses, gains and losses.

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2010 (For the six months ended 30 June 2009: Nil).

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

As at 30 June 2010, 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	48.82
	Corporate interest *(Note 2)*	28,051,280 long position	2.40
	Beneficial interest *(Note 3)*	2,000,000 long position	0.17
Madam Cai Peilei	Corporate interest and beneficiary of trust *(Note 1)*	571,948,720 long position	48.82
	Corporate interest *(Note 2)*	28,051,280 long position	2.40
	Family interest *(Note 3)*	2,000,000 long position	0.17

Notes:

1. As at 30 June 2010, about 48.82% 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 30 June 2010, about 2.40% 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 30 June 2010, 2,000,000 Shares, representing 0.17% 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2010.

SHARE OPTION SCHEME

A Share Option Scheme (the "Share Option Scheme") was adopted on 15 March 2006.

Upon approval by shareholders by ordinary resolution at the extraordinary general meeting (the "EGM") on 23 February 2010, the total number of shares in respect of which options may be granted under the Share Option Scheme was refreshed and increased to 106,150,000 shares which are equivalent to 10% of the shares of the Company in issue as at the date of the EGM.

There was no change in any terms of the Share Option Scheme during the six months ended 30 June 2010. The details of the terms of the Share Option Scheme have been disclosed in the 2009 annual report.

No share options were granted, exercised, cancelled or lapsed during the period. There were no outstanding share options as at 30 June 2010.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

On 9 March 2010, a placing agreement was entered into, under which 110,000,000 ordinary shares of HK$0.10 each at a price of HK$0.41 per share were privately placed to investors by Famepower Limited ("Famepower"), the controlling shareholder of the Company, through a placing agent. The price of HK$0.41 per share represents a discount of approximately 7.87% to the closing price of HK$0.445 per share as quoted on the Stock Exchange on 8 March 2010, being the last trading date prior to the entering into the placing agreement. On the same date, the Company entered into a subscription agreement with Famepower for the subscription of 110,000,000 new ordinary shares of HK$0.10 each at a price of HK$0.41 per share. The subscription price is equivalent to the aforesaid placing price. After deducting all costs and expenses borne by the Company, the net proceeds from the subscription were approximately HK$44.4 million, which translated into net subscription price of approximately HK$0.40 per ordinary share. The aforesaid placing represented an opportunity to raise capital for the Group and the Company applied the net proceeds from the subscription for the repayment of bank loans of the Group and for working capital purpose.

Save as disclosed above, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2010.

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 or at any time during the period.

DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

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 period under review.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the period.

AUDIT COMMITTEE REVIEW

The Group's audit committee comprises three members, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung, who are independent non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Lui Siu Keung. 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 auditor, to approve the remuneration and terms of engagement of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and to review the financial information and accounting policies of the Group. This unaudited interim results including the accounting principles and practices adopted by the Group have been reviewed and approved by the Audit Committee.

On behalf of the Board
Sze Siu Hung
Chairman

Hong Kong, 8 September 2010

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

HSBC Trustee (Cayman) Limited
P.O. Box 484
HSBC House
68 West Bay Road
Grand Cayman, KY1-1106
Cayman Islands

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