CO-PROSPERITY HOLDINGS LIMITED

協盛協豐控股有限公司*

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

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2008

INTERIM RESULTS

The Board of Directors (the "Board") of Co-Prosperity Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2008 (the "period"), which were reviewed by the auditors and the audit committee of the Company, together with the comparative figures for the previous corresponding period as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

	Notes	**1.1.2008 to 30.6.2008** ***RMB'000*** **(unaudited)**	1.1.2007 to 30.6.2007 *RMB'000* (unaudited)
Turnover	3	**262,495**	498,294
Cost of goods sold		**(212,456)**	(386,548)
Gross profit		**50,039**	111,746
Other income		**992**	787
Distribution and selling expenses		**(3,198)**	(5,069)
Administrative expenses		**(16,143)**	(19,982)
Finance costs		**(8,675)**	(5,558)
Profit before taxation		**23,015**	81,924
Taxation	5	**(5,474)**	(14,894)
Profit for the period		**17,541**	67,030
Dividends recognised as distribution during the period			
– interim dividends of 1.5 Hong Kong cents, equivalent to 1.46 RMB cents per share		**–**	14,119
– 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
Earnings per share	7		
– Basic		**1.82 RMB cents**	8.28 RMB cents
– Diluted		**N/A**	8.16 RMB cents

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30TH JUNE, 2008

	Notes	**30.6.2008** *RMB'000* **(unaudited)**	31.12.2007 *RMB'000* (audited)
Non-current assets			
Property, plant and equipment	8	**657,868**	539,181
Land use rights		**159,903**	160,311
Deposits made on acquisition of property, plant and equipment		**53,641**	29,439
		871,412	728,931
Current assets			
Inventories		**156,957**	187,956
Trade and other receivables	9	**153,069**	115,943
Pledged bank deposits		**26,800**	14,440
Bank balances and cash		**110,692**	193,984
		447,518	512,323
Current liabilities			
Trade and other payables	10	**136,917**	84,370
Obligations under finance leases		**565**	597
Taxation		**7,011**	5,364
Mortgage loan		**527**	527
Short-term bank loans		**157,412**	128,200
		302,432	219,058
Net current assets		**145,086**	293,265
Total assets less current liabilities		**1,016,498**	1,022,196
Non-current liabilities			
Obligations under finance leases		**–**	298
Mortgage loan		**2,702**	3,182
Long-term bank loans		**125,370**	148,088
		128,072	151,568
Net assets		**888,426**	870,628
Capital and reserves			
Share capital		**98,855**	98,855
Reserves		**789,571**	771,773
Total equity		**888,426**	870,628

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30TH JUNE, 2008

1. GENERAL

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

The condensed consolidated financial information has 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").

The condensed consolidated interim financial information was approved for issue by the Board on 12th September, 2008.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial information has been prepared under the historical cost basis. 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, 2007.

In the current interim period, the Group has applied, for the first time, new interpretations ("new INTs") issued by the HKICPA, which are effective for the financial year beginning on 1st January, 2008.

The adoption of these new INTs had no material effect on the results or financial position for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

HKAS 1 (Revised)	Presentation of financial statements[1]
HKAS 23 (Revised)	Borrowing costs[1]
HKAS 27 (Revised)	Consolidated and separate financial statements[2]
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation[1]
HKFRS 2 (Amendment)	Vesting conditions and cancellations[1]
HKFRS 3 (Revised)	Business combinations[2]
HKFRS 8	Operating segments[1]
HK(IFRIC) – INT 13	Customer loyalty programmes[3]
HK(IFRIC) – INT 15	Agreements for the construction of real estate[1]
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation[4]

1 Effective for annual periods beginning on or after 1st January, 2009.
2 Effective for annual periods beginning on or after 1st July, 2009.
3 Effective for annual periods beginning on or after 1st July, 2008.
4 Effective for annual periods beginning on or after 1st October, 2008.

The adoption of HKFRS 3 (revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. HKAS 27 (revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that does not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of the other new or revised standards or INTs will have no material impact on the results and the financial position of the Group.

3. BUSINESS AND GEOGRAPHICAL SEGMENTS

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. The operation of the manufacture and sales of high density and high-end yarns has not commenced where 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, metallic products and other products

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

	Turnover		Results	
	1.1.2008 to 30.6.2008	1.1.2007 to 30.6.2007	**1.1.2008 to 30.6.2008**	1.1.2007 to 30.6.2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Processing, printing and sales of finished fabrics				
– external sales	**245,874**	427,945		
– inter-segment sales	**12,697**	36,254		
	258,571	464,199	**36,466**	97,518
Trading of goods	**16,621**	70,349	**(629)**	1,333
	275,192	534,548	**35,837**	98,851
Elimination	**(12,697)**	(36,254)	**–**	–
	262,495	498,294	**35,837**	98,851
Interest income			**377**	368
Unallocated corporate expenses			**(4,524)**	(11,737)
Finance costs			**(8,675)**	(5,558)
Profit before taxation			**23,015**	81,924
Taxation			**(5,474)**	(14,894)
Profit for the period			**17,541**	67,030

4. DEPRECIATION

During the period, depreciation of RMB17,232,000 (RMB18,403,000 for the six months ended 30th June, 2007) was charged to the consolidated income statement in respect of the Group's property, plant and equipment.

5. TAXATION

	1.1.2008 to 30.6.2008	1.1.2007 to 30.6.2007
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
The charge comprises:		
PRC income tax	**(5,512)**	(12,336)
Overprovision of Hong Kong Profits Tax in prior year	**38**	–
Deferred taxation	**–**	(2,558)
	(5,474)	(14,894)

Pursuant to the relevant laws and regulations in the People's Republic of China (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.

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

No liability has been recognised in respect of the temporary differences associated with undistributed earnings of subsidiaries in the PRC because the directors are of the opinion that the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

6. DIVIDENDS

The directors do not recommend the payment of an interim dividend.

7. EARNINGS PER SHARE

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

	1.1.2008 to 30.6.2008	1.1.2007 to 30.6.2007
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**17,541**	67,030
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**965,000,000**	809,591,160
Effect of dilutive potential ordinary shares – share options		12,282,053
Weighted average number of ordinary shares for the purpose of diluted earnings per share		821,873,213

No diluted earnings per share is presented in 2008 as there were no potential ordinary shares outstanding during the period.

8. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB136,456,000 (2007: RMB121,025,000) on additions to property, plant and equipment to expand and upgrade its manufacturing capabilities.

9. TRADE AND OTHER RECEIVABLES

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade receivables	**77,690**	35,719
Bill receivables	**–**	1,456
	77,690	37,175
Deposits paid to suppliers	**73,374**	73,467
Other receivables	**2,005**	5,301
	153,069	115,943

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 and bill receivables at the balance sheet date:

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 90 days	**57,573**	31,313
91 to 180 days	**8,343**	5,289
181 to 270 days	**10,001**	573
271 to 365 days	**1,701**	–
Over 365 days	**72**	–
	77,690	37,175

10. TRADE AND OTHER PAYABLES

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Trade payables	**21,451**	7,340
Bill payables	**83,810**	39,828
	105,261	47,168
Customers' deposits	**21,358**	24,630
Payables for acquisition of property, plant and equipment	**5,244**	2,611
Other payables and accruals	**5,054**	9,961
	136,917	84,370

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

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Age		
0 to 90 days	**60,991**	43,954
91 to 180 days	**35,635**	3,049
181 to 270 days	**8,450**	72
271 to 365 days	**154**	4
Over 365 days	**31**	89
	105,261	47,168

11. CAPITAL COMMITMENTS

	30.6.2008	31.12.2007
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the financial statements in respect of acquisition of property, plant and equipment	**103,059**	121,241

12. PLEDGE OF ASSETS

At 30th June, 2008 and 31st December, 2007, certain borrowings are secured by charges over all the shares of a direct wholly-owned subsidiary of the Company, Widerlink Group Limited, and certain interests of its PRC subsidiaries, and certain land use rights, buildings, plant and machinery, motor vehicles, and bank deposits of the Group.

13. RELATED PARTY TRANSACTION

The directors of the Company represented key management of the Group. During the period, directors' remuneration of RMB1,775,000 (RMB538,000 for the six months ended 30th June, 2007) was charged to the consolidated income statement.

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2008 (the "period"), the Group is principally engaged in the sale of finished fabrics and provision of fabrics processing subcontracting services ("fabrics business") and the trading of goods ("trading business") to customers.

Operational and Financial Review

The first half of 2008 continued to be a consolidating period for the whole PRC textile industry. Dampened consumer confidence caused by the global economic crisis still persisted and no immediate resurgence in the market demand is visible. Against this backdrop, global textile products market has inevitably slowed down, which seriously hit the sales performance of the Group during the period. The rise in raw material prices and manufacturing overheads and the appreciation of Renminbi also have an adverse impact on the Group's results.

Under such a tough and volatile operating environment, the revenue from both fabrics business and trading business dropped substantially, which resulted in a decline of the Group's total turnover for the period by 47.3% to approximately RMB262.5 million (2007: RMB498.3 million).

The Group registered a gross profit of around RMB50.0 million (2007: RMB111.7 million) for the period, representing an overall profit margin of 19.1% (2007: 22.4%). Distribution and selling expenses reduced by 36.9% to RMB3.2 million (2007: RMB5.1 million). 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 May 12 earthquake occurred in Sichuan Province and other needy people, the Group donated RMB3.0 million during the period. Despite the donation, with stringent cost control measures in place, administrative expenses still recorded a 19.2% drop to RMB16.1 million (2007: RMB20.0 million). Finance costs increased by 56.1% to RMB8.7 million (2007: RMB5.6 million), mainly as a result of the higher level of PRC lending interest rate and bank borrowing of the Group during the period. The Group's profit attributable to shareholders decreased by around 73.8% to RMB17.5 million (2007: RMB67.0 million).

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"). The construction of the plant of Quanzhou project has been implemented as scheduled. Phase I of the plant with an annual production capacity of 11,000 tonnes of high density and high-end yarn is expected to be completed and ready for production in the fourth quarter of 2008.

Market Outlook and Future Prospects

Undoubtedly, the remaining 2008 will still be challenging and players within the industry can hardly stay immune from the prevailing unfavourable operating condition. Such a turmoil has already caused a number of smaller and less efficient players going into the red or even forced some of them out of the market. Nevertheless, the market is not without any good news. The move by the PRC government to increase Value Added Tax rebates for certain textile and garments exports with effect from 1 August 2008 does have seen alleviation on cost pressures faced by some of the players and signaled the country's concerns on one of its pillar industries.

In the face of the current industry uncertainties, the Group firmly believes an enterprise's ultimate success hinges on the long-term survival in the market. The healthy financial position and relatively low gearing of the Group will facilitate its ability to weather the current hard times and position it well for long-term sustainable growth. Besides, the Group will continue to adopt a prudent but proactive financial strategy and react promptly to any possible changes in the external environment. The successful arrangement of a 3-year syndicated loan of HK$160 million in late 2007 and the immediate conversion of the received proceeds into Renminbi have already enabled the Group to continually enjoy both the benefits of the relatively low interest rate environment in Hong Kong and the appreciation of Renminbi during the period.

Going forward, the Group will strive to focus on improving the performance of its core businesses and closely monitor the progress and pace of its new investment with caution. In addition, the expected commencement of production of Quanzhou Project in the fourth quarter of 2008 will further strengthen the profit base of the Group in coming years.

The Board believes the Group's solid foundation and the committed focus of its management team will underpin its performance in the long run and position it well to benefit from the ultimate recovery of the market.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group had total assets of approximately RMB1,318.9 million (As at 31 December 2007: RMB1,241.3 million) which were financed by current liabilities of approximately RMB302.4 million (As at 31 December 2007: RMB219.1 million), non-current liabilities of approximately RMB128.1 million (As at 31 December 2007: RMB151.6 million) and shareholders' equity of approximately RMB888.4 million (As at 31 December 2007: RMB870.6 million).

As at 30 June 2008, the Group's cash and bank balances was approximately RMB110.7 million (As at 31 December 2007: RMB194.0 million), while pledged bank deposits amounted to approximately RMB26.8 million (As at 31 December 2007: RMB14.4 million). During the period under review, the short-term bank loans increased to approximately RMB157.4 million (As at 31 December 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 1.5 (As at 31 December 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, kept unchanged at approximately 32.3% (As at 31 December 2007: 32.3%). The Group always adopted a conservative approach in its financial management.

CAPITAL EXPENDITURES

As at 30 June 2008, the Group has capital commitments of approximately RMB103.1 million in respect of purchases of property, plant and equipment (As at 31 December 2007: RMB121.2 million).

CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

As at 30 June 2008, the Group did not have any significant contingent liabilities (As at 31 December 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 instrument has been used for hedging purposes. The Group will consider holding forward exchange contract for hedging purposes if and when appropriate.

EMPLOYMENT

As at 30 June 2008, the Group had about 1,300 employees in Hong Kong and in the PRC (As at 31 December 2007: 1,700 employees). Remuneration packages for the employees are maintained at a competitive level of the jurisdiction within which the employees are employed to attract, retain and motivate the employees. Remuneration packages will be reviewed periodically. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contribution to the Group.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2008 (For the six months ended 30 June 2007: HK 1.50 cents per share).

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

During the six months ended 30 June 2008, neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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.

REVIEW OF ACCOUNTS

This unaudited interim results including the accounting principles and practices adopted by the Group have been reviewed and approved by the Audit Committee.

By order of the Board
Co-Prosperity Holdings Limited
Sze Siu Hung
Chairman

Hong Kong, 12 September 2008

As at the date of this announcement, Mr. Sze Siu Hung, Mr. Qiu Fengshou, Madam Cai Peilei and Mr. Sze Chin Pang are the executive Directors; and Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung are the independent non-executive Directors.

* *For identification purpose only*