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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

The Board of Directors (the "Board") of Co-Prosperity Holdings Limited (the "Company") is pleased to present the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009, together with the comparative figures for the corresponding year in 2008 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTES	2009 RMB'000	2008 RMB'000
Turnover	3	**429,740**	593,684
Cost of goods sold and services provided		**(370,983)**	(485,561)
Gross profit		**58,757**	108,123
Other income		**3,409**	2,243
Other expenses, gains and losses	4	**(5,151)**	4,333
Distribution and selling expenses		**(5,618)**	(7,015)
Administrative expenses		**(32,081)**	(35,270)
Finance costs	5	**(15,198)**	(19,145)
Profit before taxation	6	**4,118**	53,269
Taxation	7	**(4,495)**	(7,148)
(Loss) profit for the year		**(377)**	46,121
Other comprehensive income			
– exchange differences arising on translation		**74**	1,818
Total comprehensive (expense) income for the year		**(303)**	47,939
(Loss) earnings per share	8		
– Basic		**(0.04) RMB cents**	4.78 RMB cents

* *For identification purposes only*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**2009** *RMB'000*	2008 *RMB'000*
Non-current assets			
Property, plant and equipment		**754,183**	735,252
Prepaid lease payments		**174,875**	178,604
Deposits made on acquisition of property, plant and equipment		**27,433**	61,194
		956,491	975,050
Current assets			
Inventories		**205,112**	145,532
Trade and other receivables	9	**126,707**	126,306
Prepaid lease payments		**3,729**	3,729
Pledged bank deposits		**45,540**	53,000
Bank balances and cash		**58,995**	52,961
		440,083	381,528
Current liabilities			
Trade and other payables	10	**137,793**	145,460
Obligations under finance leases		**–**	281
Amounts due to related parties		**19,100**	–
Taxation		**3,946**	5,548
Mortgage loan		**550**	539
Current portion of long-term bank loans		**98,221**	42,456
Short-term bank loans		**191,550**	151,891
		451,160	346,175
Net current (liabilities) assets		**(11,077)**	35,353
Total assets less current liabilities		**945,414**	1,010,403
Non-current liabilities			
Mortgage loan		**1,882**	2,440
Long-term bank loans		**–**	97,896
		1,882	100,336
Net assets		**943,532**	910,067
Capital and reserves			
Share capital		**107,364**	98,855
Reserves		**836,168**	811,212
Total equity		**943,532**	910,067

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements have been prepared under the historical cost convention and in accordance with all applicable Hong Kong Financial Reporting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the net current liabilities of the Group amounting to approximately RMB11,077,000 as at 31st December, 2009.

Taking into account the Group has available unutilised bank credit facilities of RMB9,434,000 (2008: RMB34,305,000) as at 31st December, 2009 and the net proceeds of HK$44,400,000 (equivalent to approximately RMB39,147,000) from the issue of new shares on 19th March, 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 consolidated financial statements have been prepared on a going concern basis.

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants.

HKAS 1 (Revised 2007)	Presentation of financial statements
HKAS 23 (Revised 2007)	Borrowing costs
HKAS 32 & 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Vesting conditions and cancellations
HKFRS 7 (Amendment)	Improving disclosures about financial instruments
HKFRS 8	Operating segments
HK(IFRIC) – INT 9 & HKAS 39 (Amendments)	Embedded derivatives
HK(IFRIC) – INT 13	Customer loyalty programmes
HK(IFRIC) – INT 15	Agreements for the construction of real estate
HK(IFRIC) – INT 16	Hedges of a net investment in a foreign operation
HK(IFRIC) – INT 18	Transfers of assets from customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1st July, 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

New and revised HKFRSs affecting presentation and disclosure only

HKAS 1 (Revised 2007) Presentation of financial statements

HKAS 1 (Revised 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

The restatement (see note 13) represents reclassification of certain items of the consolidated statement of comprehensive income for the year ended 31st December, 2008 for comparative purpose and have no impact on the consolidated statement of financial position as at 31st December, 2008 and as at 1st January, 2008. Accordingly, the consolidated statement of financial position as at 1st January, 2008 is not presented.

HKFRS 8 Operating segments

HKFRS 8 is a disclosure standard that has not resulted in a redesignation of the Group's operating segments (see note 3) nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related party disclosure[5]
HKAS 27 (Revised)	Consolidated and separate financial statements[1]
HKAS 32 (Amendment)	Classification of right issues[4]
HKAS 39 (Amendment)	Eligible hedged items[1]
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters[3]
HKFRS 1 (Amendment)	Limited exemption from comparative HKFRS 7 disclosures for first-time adopters[6]
HKFRS 2 (Amendments)	Group cash-settled share-based payments transactions[3]
HKFRS 3 (Revised)	Business combinations[1]
HKFRS 9	Financial instruments[7]
HK(IFRIC*) – INT 14 (Amendments)	Prepayments of a minimum funding requirement[5]
HK(IFRIC) – INT 17	Distributions of non-cash assets to owners[1]
HK(IFRIC) – INT 19	Extinguishing financial liabilities with equity instrument[6]

* IFRIC represents the International Financial Reporting Interpretations Committee.

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

[2] Effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.

[3] Effective for annual periods beginning on or after 1st January, 2010.

[4] Effective for annual periods beginning on or after 1st February, 2010.

[5] Effective for annual periods beginning on or after 1st January, 2011.

[6] Effective for annual periods beginning on or after 1st July, 2010.

[7] Effective for annual periods beginning on or after 1st January, 2013.

The application of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1st January, 2010. 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 interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER AND SEGMENT INFORMATION

Turnover

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

	2009	2008
	RMB'000	*RMB'000*
Sales of goods from		
– sales of finished fabrics	**269,753**	457,165
– trading of goods	**18,701**	30,555
	288,454	487,720
Manufacture and sales of high density and high-end yarns	**32,228**	–
Subcontracting services	**109,058**	105,964
	429,740	593,684

Segment information

The Group has adopted HKFRS 8 "Operating segments" with effect from 1st January, 2009. HKFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. In contrast, the predecessor Standard (HKAS 14, "Segment reporting") required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments. In the past, the Group's primary reporting format was business segments. The application of HKFRS 8 has not resulted in a redesignation of the Group's operating segments nor changes in the basis of measurement of segment profit or loss, segment assets and segment liabilities.

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 (as of 31st December, 2008, the segment has not commenced to operate yet) 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

(i) The following is an analysis of the Group's turnover and results by operating segment:

	Turnover		**Results**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Processing, printing and sales of finished fabrics	**378,811**	563,129	**36,237**	78,020
Manufacture and sales of high density and high-end yarns	**32,228**	–	**(5,465)**	–
Trading of goods	**18,701**	30,555	**(6,251)**	(1,680)
Segment revenue/segment results	**429,740**	593,684	**24,521**	76,340
Interest income			**1,244**	1,444
Exchange gain			**1,271**	7,238
Unallocated expenses			**(7,720)**	(12,608)
Finance costs			**(15,198)**	(19,145)
Profit before taxation			**4,118**	53,269

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

(ii) Analysis of the Group's assets and liabilities by operating segment is as follows:

	2009	2008
	RMB'000	*RMB'000*
Segment assets		
– processing, printing and sales of finished fabrics	**759,808**	770,675
– manufacture and sales of high density and high-end yarns	**511,256**	454,162
– trading of goods	**12,643**	18,226
	1,283,707	1,243,063
Unallocated assets	**112,867**	113,515
	1,396,574	1,356,578
Segment liabilities		
– processing, printing and sales of finished fabrics	**116,968**	128,793
– manufacture and sales of high density and high-end yarns	**17,166**	7,575
– trading of goods	**1,974**	7,314
	136,108	143,682
Taxation	**3,946**	5,548
Unallocated liabilities	**312,988**	297,281
	453,042	446,511

For the purposes of monitoring segment performances and allocating resources between segments by the chief operating decision maker, the Board of Directors:

- all assets are allocated to operating segments other than land and buildings in Hong Kong, certain of other receivables, pledged bank deposits and bank balances and cash; and

- all liabilities are allocated to operating segments other than certain of other payables, amounts due to related parties, mortgage loan and bank loans.

(iii) Other segment information

	2009	2008
	RMB'000	*RMB'000*
Amounts included in the measure of segment results or segment assets:		
Capital additions		
– processing, printing and sales of finished fabrics	**5,090**	22,145
– manufacture and sales of high density and high-end yarns	**70,925**	237,843
– trading of goods	**–**	12
	76,015	260,000
Depreciation		
– processing, printing and sales of finished fabrics	**42,923**	38,657
– manufacture and sales of high density and high-end yarns	**13,358**	–
– trading of goods	**508**	631
	56,789	39,288
– unallocated	**292**	275
	57,081	39,563
Allowances for bad and doubtful debts		
– trading of goods	**4,300**	–
Allowances for inventories		
– processing, printing and sales of finished fabrics	**9,844**	–

(iv) Geographical information

The Group's operations are located in the PRC and overseas including Hong Kong.

The following table provides an analysis of the Group's turnover based on geographical location of customers and the Group's non-current assets by geographical location of the assets:

	Turnover		**Non-current assets**	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
The PRC	**412,708**	565,884	**947,954**	966,789
Hong Kong and overseas	**17,032**	27,800	**8,537**	8,261
	429,740	593,684	**956,491**	975,050

Information about major customers

There are no customers who individually contribute over 10% of the total sales of the Group.

4. OTHER EXPENSES, GAINS AND LOSSES

	2009	2008
	RMB'000	*RMB'000*
Allowances for bad and doubtful debts	**(4,300)**	–
Exchange gain	**1,271**	7,238
Research and development costs	**(2,122)**	(2,905)
	(5,151)	4,333

5. FINANCE COSTS

	2009	2008
	RMB'000	*RMB'000*
Interest on bank loans		
– wholly repayable within five years	**(14,576)**	(18,367)
– not wholly repayable within five years	**–**	(122)
	(14,576)	(18,489)
Amortised transaction costs in relation to long-term bank loans	**(622)**	(656)
	(15,198)	(19,145)

6. PROFIT BEFORE TAXATION

	2009	2008
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration		
– current year	**3,642**	3,757
– waived during the year	**(1,218)**	–
	2,424	3,757
Other staff's retirement benefits scheme contributions	**395**	552
Other staff costs	**18,576**	24,832
	21,395	29,141
Less: Staff costs included in research and development costs	**(375)**	(595)
	21,020	28,546
Depreciation on property, plant and equipment		
– owned by the Group	**57,081**	39,132
– held under finance leases	**–**	431
	57,081	39,563
Less: Depreciation included in research and development costs	**(478)**	(724)
	56,603	38,839
Cost of inventories recognised as expenses (including allowances for inventories amounting to RMB9,844,000 (2008: Nil))	**370,983**	485,561
Auditor's remuneration	**1,678**	1,685
Operating lease rentals in respect of		
– prepaid lease payments	**3,729**	2,273
– rented premises	**101**	140
and after crediting:		
Government rewards and subsidies*	**2,053**	500
Interest income	**1,244**	1,444

* The government rewards and subsidies provided by the PRC government to the Group were paid as an incentive for energy saving and product development achievements made by the Group. There are no conditions and contingencies attached to the receipt of the government subsidies and they are non-recurring in nature.

7. TAXATION

	2009	2008
	RMB'000	*RMB'000*
The charge comprises:		
PRC income tax	**(4,495)**	(7,186)
Overprovision of Hong Kong Profits Tax	**–**	38
	(4,495)	(7,148)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

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 EIT Law.

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.

Under the EIT 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 financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB116,469,000 (2008: RMB62,673,000) 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 per share for the year is based on the consolidated loss for the year attributable to owners of the Company of RMB377,000 (2008: profit of RMB46,121,000) and the weighted average number of 967,115,068 (2008: 965,000,000) ordinary shares.

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

9. TRADE AND OTHER RECEIVABLES

	2009	2008
	RMB'000	*RMB'000*
Trade receivables		
– a related company	**–**	1,383
– others	**21,365**	35,135
	21,365	36,518
Deposits paid to suppliers	**102,386**	87,357
Other receivables and prepayments	**2,956**	2,431
	126,707	126,306

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable by 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:

	2009	2008
	RMB'000	*RMB'000*
Age		
0 to 90 days	**16,272**	24,126
91 to 180 days	**2,515**	5,390
181 to 270 days	**919**	1,444
271 to 365 days	**191**	4,448
Over 365 days	**1,468**	1,110
	21,365	36,518

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 RMB5,093,000 (2008: RMB12,392,000) 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:

	2009	2008
	RMB'000	*RMB'000*
Age		
91 to 180 days	**2,515**	5,390
181 to 270 days	**919**	1,444
271 to 365 days	**191**	4,448
Over 365 days	**1,468**	1,110
	5,093	12,392

The Group has provided for specific receivables over 365 days (2008: Nil).

Movement in the allowances for bad and doubtful debts

	RMB'000
At 1st January, 2009	–
Allowances made during the year	4,300
At 31st December, 2009	4,300

Included in the allowances for bad and doubtful debts are individually impaired trade receivables with an aggregate balance of RMB4,300,000 (2008: Nil), which have been overdued for a long time and are impaired in current year. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

	2009	2008
	RMB'000	*RMB'000*
Trade payables	**27,295**	3,350
Bills payables		
– secured	**45,540**	53,000
– unsecured	**17,160**	36,940
	89,995	93,290
Customers' deposits	**27,978**	28,093
Payables for acquisition of property, plant and equipment	**109**	14,935
Advances from third parties*	**14,100**	–
Other payables and accruals	**5,611**	9,142
	137,793	145,460

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

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

	2009	2008
	RMB'000	*RMB'000*
Age		
0 to 90 days	**50,146**	53,897
91 to 180 days	**31,157**	38,114
181 to 270 days	**4,184**	254
271 to 365 days	**1,591**	431
Over 365 days	**2,917**	594
	89,995	93,290

The credit periods on purchase of goods are normally form 90 days to 180 days. The Group has financial risk management policies in place to monitor that all payables are within their credit timeframe.

11. CAPITAL COMMITMENTS

	2009	2008
	RMB'000	*RMB'000*
Capital expenditure contracted for but not provided in the financial statements in respect of the acquisition of property, plant and equipment	**21,831**	49,960

12. EVENT AFTER THE REPORTING PERIOD

(a) On 6th January, 2010, a joint venture agreement was entered into between a wholly-owned subsidiary of the Company (the "Subsidiary") and 蕪湖經濟技術開發區建設投資公司(Wuhu Economic Development Zone Construction and Investment Company), pursuant to which中徽能源(蕪湖)有限公司(Zhong Hui Energy (Wuhu) Co., Ltd.) was established in Wuhu City. Zhong Hui Energy (Wuhu) Co., Ltd. is owned as to 80% by the Subsidiary. Pursuant to the terms of the joint venture agreement, the registered capital of Zhong Hui Energy (Wuhu) Co., Ltd. will be US$5,000,000 (equivalent to approximately RMB34,166,000). The total investment of Zhong Hui Energy (Wuhu) Co., Ltd. is US$10,000,000 (equivalent to approximately RMB68,332,000). The Subsidiary was Faithful Technology Limited, which was incorporated in Hong Kong in 2009 and acts as an investment holding company for this project.

(b) 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, 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 intends to apply the net proceeds of HK$44,400,000 for the repayment of bank loans of the Group and investment opportunities in new energy industry. On 19th March, 2010, the allotment and issue of subscription shares have been completed.

13. COMPARATIVE FIGURES

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

	As previously report	**Reclassification**	**As restated**
	RMB'000	*RMB'000*	*RMB'000*
Cost of goods sold and services provided[1]	(488,466)	2,905	(485,561)
Other income[2]	9,481	(7,238)	2,243
Other expenses, gains and losses[1][2]	–	4,333	4,333

[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.

BUSINESS REVIEW

2009 turned out to be a very challenging year for the PRC textile industry. The effects of the global financial crisis continued to haunt the operating environment faced by the Group. Amidst the impaired market confidence and the contraction of the consumer market, the Group's sales performance for the year was hardly hit. The surge in raw material costs and production overheads in the second half of 2009 further eroded the Group's results.

The Group commenced its yarn production in March 2009 as scheduled. It marked an important strategic step for the Group to vertically integrate its operation and enter into the upstream yarn market.

To further strengthen the capital base of the Group for its existing businesses and future development, on 13 December 2009, arrangements were made that 96,500,000 ordinary shares of HK$0.10 each at a price of HK$0.402 per share were privately placed by Famepower Limited ("Famepower"), the controlling shareholder of the Company to investors whereas 96,500,000 ordinary shares of HK$0.10 each at a price of HK0.402 per share were subscribed by Famepower. In addition, on 9 March 2010, the Company tapped into the capital market by arranging another private placement to investors of 110,000,000 ordinary shares of HK$0.10 each at a price of HK$0.41 per share by Famepower and the subscription of 110,000,000 ordinary shares of HK$0.10 each at a price of HK$0.41 per share by Famepower. Both capital raising exercises fully demonstrated the investors' confidence in the long-term potential of the Group in spite of the current fragile and turbulent economic environment.

OPERATIONAL AND FINANCIAL REVIEW

In 2009, the Group is principally engaged in the sale of finished fabrics ("fabrics sales business'), the provision of fabrics processing subcontracting services ("processing business"), the trading of goods ("trading business") and the manufacture and sale of high density and high-end yarns ("yarn business") to customers.

The Group's total turnover declined by 27.6% to approximately RMB429.7 million for the year (2008: RMB593.7 million). Yarn business started to make its sales contribution in 2009. During the year, the revenue from processing business rose whereas those from fabrics sales business and trading business fell. Higher average unit selling price was achieved for both processing business and fabrics sales business.

The Group registered a gross profit of approximately RMB58.8 million for the year (2008: RMB108.1 million), representing a decline of approximately 45.7% as compared with last year. The Group's overall gross profit margin for the year was approximately 13.7% (2008: 18.2%), which was lower than that of last year. During the year, the gross profit margin from fabrics sales business fell whereas that from processing business and trading business rose. The relatively lower gross profit margin of yarn business in its first year of operation also dragged down the overall gross profit margin. For fabrics sales business, the rising material and manufacturing costs in the second half of 2009 ate into the margins, hence causing a drop in its gross profit margin. Thanks to the relatively advanced production technology of the Group, processing business achieved an increase in its gross profit margin. For trading business, the enhancement in sales mix with higher margins during the year led to the rise in gross profit margin.

Other income increased by 52.0% to approximately RMB3.4 million (2008: RMB2.2 million) which primarily comprised government rewards of RMB2.1 million for the Group's energy saving and technological advancement and product development and an interest income of RMB1.2 million. Other expenses, gains and losses decreased from net gain of RMB4.3 million in 2008 to net loss of RMB5.2 million in 2009. The drop was mainly due to the lower exchange gain recorded and the allowances for bad and doubtful debts provided for in 2009.

Distribution and selling expenses were down by 19.9% to approximately RMB5.6 million (2008: RMB7.0 million). Administrative expenses fell by 9.0% to approximately RMB32.1 million (2008: RMB35.3 million) as a result of strict cost control measures in place. The lower interest rate environment in 2009 caused finance costs for the year to drop by 20.6% to RMB15.2 million (2008: RMB19.1 million).

FUTURE PROSPECTS

Benefiting from the rollout of massive economic stimulus programmes and quantitative easing policies by governments in major economies, global economic performance in the first few months of the year of 2010 seems to show some signs of revival and market panic has eased. Nevertheless, it remains to be seen whether the encouraging development can persist throughout the rest of the year and lead to the broad-based recovery across all sectors. All in all, uncertainties still prevail and challenges remain in the market. Among others, the timing and extent of exit strategies by major countries, the latest development of debt woes faced by certain European economies, the possible change in the existing low interest rate environment and the stability of Renminbi exchange rate are areas to watch out in the days ahead.

Given such an unstable and bewildered economic environment, the Group will remain focused on its sustainable long-term growth and continue to maintain its vigilance on cost control measures and production efficiency whilst devote resources to broaden its customer base and enhance its products.

In order to diversify our business and strengthen our revenue base, the Board is exploring some suitable investment opportunities, including but not limited to new energy and carbon reducing related projects.

Looking forward, the Group will strictly adhere to its cautious and pragmatic operating philosophy. With its solid foundation and the concerted efforts of its entire staff team, the Group is well-placed to overcome the short-term difficulties in the operating environment and capture the opportunities ahead. The Board is fully confident and optimistic about the Group's future outlook.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2009, the Group had total assets of approximately RMB1,396.6 million (2008: RMB1,356.6 million) which were financed by current liabilities of approximately RMB451.2 million (2008: RMB346.2 million), non-current liabilities of approximately RMB1.9 million (2008: RMB100.3 million) and shareholders' equity of approximately RMB943.5 million (2008: RMB910.1 million).

As at 31 December 2009, the Group's cash and bank balances was approximately RMB59.0 million (2008: RMB53.0 million), while pledged bank deposits amounted to approximately RMB45.5 million (2008: RMB53.0 million). As at 31 December 2009, the mortgage loan and the current portion of the 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.

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 (2008: 1.1). 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, decreased to approximately 31.0% (2008: 32.5%). The Group always adopted a conservative approach in its financial management.

CHARGES ON GROUP ASSETS

As at 31 December 2009, the Group's borrowings were secured by certain assets (certain land use rights, buildings, plant and machinery and bank deposits) of the Group with a total carrying value of approximately RMB175.8 million (2008: RMB187.9 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 2009, the Group has capital commitments of approximately RMB21.8 million (2008: RMB50.0 million) in respect of purchases of property, plant and equipment.

CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

As at 31 December 2009, the Group did not have any significant contingent liabilities (2008: 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.

EMPLOYMENT

As at 31 December 2009, the Group had about 1,500 employees (2008: 1,600 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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 13 December 2009, agreements (the "Agreements") were entered into for a private placing to 3 investors, namely, Full Guang Holdings Limited, Ms. Li Ya Shuang and Mr. Lau Sik Yuen of respectively 57,900,000, 26,100,000 and 12,500,000 ordinary shares of HK$0.10 each at a price of HK$0.402 per share by Famepower Limited ("Famepower"), the controlling shareholder of the Company. The price of HK$0.402 per share represents a discount of approximately 19.6% to the closing price of HK$0.5 per share as quoted on the Stock Exchange on 11 December 2009, being the last trading day before the date of entering into the Agreements. Under the Agreements, arrangements were made for the subscription of 96,500,000 new ordinary shares of HK$0.10 each by Famepower at a price of HK$0.402 per share. The subscription price is equivalent to the placing price mentioned above. After deducting all costs and expenses borne by the Company, the net proceeds from the subscription were approximately HK$38.3 million, which translated into net subscription price of approximately HK$0.40 per ordinary share. The placing mentioned above represented an opportunity to raise capital for the Group and the Company intended to use the net proceeds from the subscription towards future business development, investment opportunities in new energy industry and as general working capital of the Group.

Save as disclosed above, neither the Company nor its subsidiaries has purchased, redeemed or sold any of the Company's listed shares during the year.

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 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 intended to use the net proceeds from the subscription towards the repayment of bank loans and investment opportunities in new energy industry.

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 2009.

DIVIDEND

The Board does not recommend any payment of final dividend (2008: Nil) for the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 7 June 2010 to Friday, 11 June 2010 (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 4 June 2010. Tricor Investor Services Limited is located at 26th Floor, Tesbury Centre, 28 Queen's Road East,Wanchai, Hong Kong.

DIRECTORS' COMPLIANCE WITH THE MODEL CODE

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

CORPORATE GOVERNANCE

The Directors are in the opinion that the Company has complied with the Code on Corporate Governance Practices as set out in appendix 14 of the Listing Rules throughout the year ended 31 December 2009.

REVIEW OF ACCOUNTS

This financial 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, 26 April 2010

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.