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 2013

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 2013, together with the comparative figures for the corresponding year in 2012 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	2013 RMB'000	2012 RMB'000
Continuing operations			
Turnover	3	**402,671**	373,941
Cost of goods sold and services provided	6	**(436,289)**	(345,676)
Gross (loss) profit		**(33,618)**	28,265
Other income		**1,639**	741
Other expenses, gains and losses	4	**(66,926)**	(7,841)
Impairment losses recognised in respect of prepaid lease payments and property, plant and equipment		**(7,763)**	(7,541)
Reversals of impairment losses in respect of prepaid lease payments and property, plant and equipment		**9,863**	1,842
Distribution and selling expenses		**(7,894)**	(6,947)
Administrative expenses		**(25,528)**	(27,011)
Finance costs	5	**(21,396)**	(24,253)

* *For identification purposes only*

	NOTES	2013 RMB'000	2012 RMB'000
Loss before taxation	6	**(151,623)**	(42,745)
Taxation	7	**(2,895)**	(2,529)
Loss for the year from continuing operations		**(154,518)**	(45,274)
Discontinued operations			
Loss for the year from discontinued operations	8	**(10,105)**	(24,080)
Loss for the year attributable to the owners of the Company		**(164,623)**	(69,354)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
– exchange differences arising on translation		**(531)**	1,308
Total comprehensive expense for the year attributable to owners of the Company		**(165,154)**	(68,046)

		2013 RMB cents	2012 RMB cents
For continuing and discontinued operations			
Loss per share	9		
– Basic		**(14.05)**	(5.92)
– Diluted		**(14.05)**	(5.92)
For continuing operations			
Loss per share	9		
– Basic		**(13.19)**	(3.86)
– Diluted		**(13.19)**	(3.86)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	**2013** **RMB'000**	2012 *RMB'000*
Non-current assets			
Property, plant and equipment		**93,721**	177,014
Prepaid lease payments		**9,150**	124,960
Deposits made for acquisition of property, plant and equipment		**390**	1,108
		103,261	303,082
Current assets			
Inventories		**230,735**	413,192
Trade and other receivables	10	**105,830**	215,076
Prepaid lease payments		**221**	2,681
Pledged bank deposits		**58,250**	53,446
Bank balances and cash		**52,224**	21,324
		447,260	705,719
Current liabilities			
Trade and other payables	11	**117,360**	194,996
Amount due to a related party		**–**	15,087
Convertible bonds		**–**	41,431
Warrants		**30,259**	–
Taxation payables		**4,489**	3,985
Mortgage loan		**134**	547
Short-term bank loans		**205,500**	385,500
Short-term loan from other financial institution		**35,000**	–
Financial guarantee contracts	12	**46,965**	–
		439,707	641,546
Net current assets		**7,553**	64,173
Total assets less current liabilities		**110,814**	367,255
Non-current liabilities			
Warrants		**–**	9,916
Mortgage loan		**–**	139
Government grant		**–**	980
Loan from a related party		**–**	47,494
Other unsecured loan		**–**	32,758
		–	91,287
Net assets		**110,814**	275,968
Capital and reserves			
Share capital		**117,055**	117,055
Reserves		**(6,241)**	158,913
Total equity		**110,814**	275,968

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

The Group has applied the following new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKFRSs	Annual improvements to HKFRSs 2009 – 2011 cycle
Amendments to HKFRS 7	Disclosures – Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
Amendments to HKAS 1	Presentation of items of other comprehensive income
HK(IFRIC) – INT 20	Stripping costs in the production phase of a surface mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 "Consolidated financial statements", HKFRS 11 "Joint arrangements", HKFRS 12 "Disclosure of interests in other entities", HKAS 27 (as revised in 2011) "Separate financial statements" and HKAS 28 (as revised in 2011) "Investments in associates and joint ventures", together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

HKAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

HKFRS 10 replaces the parts of HKAS 27 "Consolidated financial statements" that deal with consolidated financial statements and HK(SIC) – INT 12 "Consolidation – Special purpose entities". HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) it has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating polies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee.

The directors of the Company has made an assessment as at the date of initial application of these standards (i.e. 1 January, 2013) and concluded that the Group exercised control over its subsidiaries. As a result, the directors of the Company adopt these new and revised Standards on consolidation, joint arrangements, associates in its accounting policy and concluded these standards had no material effect on the consolidated financial statements of the Group for the current or prior accounting period except that the application of HKFRS12 will result in disclosures in the consolidated financial statements.

HKFRS 13 Fair value measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements. The scope of HKFRS 13 is broad: the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 defines the fair value of an asset as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of items of other comprehensive income

The Group has applied the amendments to HKAS 1 "Presentation of items of other comprehensive income". Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

New and revised HKFRSs in issue but not yet effective

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle[4]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle[2]
HKFRS 9	Financial instruments[3]
Amendments to HKFRS 9 and HKFRS 7	Mandatory effective date of HKFRS 9 and transition disclosures[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment entities[1]
Amendments to HKAS 19	Defined benefit plans: Employee contributions[2]
Amendments to HKAS 32	Offsetting financial assets and financial liabilities[1]
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets[1]
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting[1]
HK(IFRIC) – INT 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January, 2014, with earlier application permitted.

2 Effective for annual periods beginning on or after 1 July, 2014, except as disclosed below. Early application is permitted.

3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised.

4 Effective for annual periods beginning on or after 1 July, 2014, with limited exceptions.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 Financial instruments: Recognition and measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The directors do not anticipate that the application of HKFRS 9 and its amendments will have a material effect on the Group's financial statements based on an analysis of financial assets and financial liabilities as at 31 December, 2013.

Amendments to HKAS 36 Recoverable amount disclosures for non-financial assets

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

The directors of the Company do not anticipate that the application of these amendments to HKAS 36 will have significant impact of the Group's consolidated financial statements.

HK(IFRIC) – INT 21 Levies

HK(IFRIC) – INT 21 Levies addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The directors of the Company anticipate that the application of HK(IFRIC) – INT 21 will have no effect on the Group's consolidated financial statements as the Group does not have any levy arrangements.

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

3. TURNOVER AND SEGMENT INFORMATION

Turnover

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

	2013	2012
	RMB'000	*RMB'000*
Sales of goods from		
– sales of finished fabrics	**231,169**	226,639
– trading of goods	**6,161**	9,246
	237,330	235,885
Subcontracting services	**165,341**	138,056
	402,671	373,941

Segment information

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

– Processing, printing and sales of finished fabrics; and

– Trading of goods: Trading of fabrics and clothing.

An operating segment regarding manufacture and sales of high density and high-end yarns was discontinued in the current year. The segment information reported does not include any amounts for these discontinued operations, which are described in more detail in note 8.

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

Continuing operations

	Turnover		Results	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Processing, printing and sales of finished fabrics				
– external sales	**396,510**	364,695		
– inter-segment sales*	**19**	867		
	396,529	365,562	**(58,377)**	(285)
Trading of goods	**6,161**	9,246	**(1,864)**	(4,050)
	402,690	374,808	**(60,241)**	(4,335)
Elimination	**(19)**	(867)	**–**	–
	402,671	373,941	**(60,241)**	(4,335)
Interest income			**814**	414
Net exchange gain (loss)			**6,013**	(2,016)
Loss on fair value changes of warrants			**(21,010)**	(6,118)
Loss on fair value of financial guarantees			**(46,965)**	–
Gain on fair value change of derivative component of convertible bonds			**–**	1,812
Unallocated expenses			**(8,838)**	(8,249)
Finance costs			**(21,396)**	(24,253)
Loss before taxation			**(151,623)**	(42,745)

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

Segment results represent the result of each segment without allocation of interest income, net exchange gain (loss), loss on fair value changes of warrants, loss on fair value of financial guarantees, gain on fair value change of derivative component of convertible bonds, unallocated expenses and finance costs. This is the measure reported to the chief operating decision maker, the executive directors, for the purposes of resources allocation and performance assessment.

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

	2013	2012
	RMB'000	*RMB'000*
Segment assets		
Continuing operations		
– processing, printing and sales of finished fabrics	**431,926**	501,366
– trading of goods	**544**	14,327
	432,470	515,693
Unallocated assets	**118,051**	67,108
	550,521	582,801
Segment liabilities		
Continuing operations		
– processing, printing and sales of finished fabrics	**107,005**	111,173
– trading of goods	**7,695**	10,736
	114,700	121,909
Taxation payables	**4,489**	3,985
Other unallocated liabilities	**320,518**	385,574
	439,707	511,468

For the purposes of monitoring segment performances and allocating resources between segments by the chief operating derision maker, the executive directors:

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

- all liabilities are allocated to operating segments other than other payables, taxation payables, mortgage loan, short-term bank loans, short-term loan from other financial institution, financial guarantee contracts, convertible bonds, loan from a related party, other unsecured loan and warrants.

(iii) Other segment information

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Amounts included in the measure of segment results or segment assets:		
Non-current assets additions		
– processing, printing and sales of finished fabrics	**6,695**	6,605
– trading of goods	**5**	32
	6,700	6,637
Depreciation of property, plant and equipment		
– processing, printing and sales of finished fabrics	**14,793**	18,067
– trading of goods	**26**	24
	14,819	18,091
– unallocated	**185**	184
	15,004	18,275
Amortisation of prepaid lease payments		
– processing, printing and sales of finished fabrics	**227**	227
Allowances for inventories		
– processing, printing and sales of finished fabrics	**46,887**	3,424

(iv) Geographical information

Continuing operations

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**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**396,510**	364,695	**95,782**	101,614
Hong Kong and overseas	**6,161**	9,246	**7,479**	7,685
	402,671	373,941	**103,261**	109,299

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

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Allowances for bad and doubtful debts		
– trade receivables	**(18)**	(848)
– other receivables	**–**	(2,000)
	(18)	(2,848)
Reversals of allowances for bad and doubtful debts		
– trade receivables	**91**	3
Net exchange gain (loss)	**6,013**	(2,016)
Obligations recognised under onerous contracts	**(3,076)**	–
Gain on change of fair value of derivative component of convertible bonds	**–**	1,812
Gain on disposals of property, plant and equipment	**20**	3,149
Loss on fair value changes of warrants	**(21,010)**	(6,118)
Loss on fair value of financial guarantee	**(46,965)**	–
Research and development costs	**(1,981)**	(1,823)
	(66,999)	(4,996)
	(66,926)	(7,841)

5. FINANCE COSTS

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years		
– bank borrowings	**(17,333)**	(18,428)
– loan from a related party	**(2,314)**	(1,129)
– other unsecured loan	**(1,623)**	(980)
	(21,270)	(20,537)
Effective interest expense on convertible bonds	**(126)**	(3,716)
	(21,396)	(24,253)

6. LOSS BEFORE TAXATION

	2013	2012
	RMB'000	*RMB'000*
Continuing operations		
Loss before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**15,004**	18,275
Less: Depreciation included in research and development costs	**(191)**	(442)
	14,813	17,833
Cost of inventories recognised as expenses (including allowance for inventories amounting to RMB46,887,000 (2012: allowance for inventories amounting to RMB3,424,000))	**436,289**	345,676
Operating lease rentals in respect of		
– prepaid lease payments	**221**	227
– rented premises	**94**	445
and after crediting:		
Government rewards and subsidies (including in other income)*	**530**	239
Interest income	**903**	414

* The government rewards and subsidies provided by the PRC government to the Group were paid mainly as incentives for energy saving and organisational development of 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

The charge represents 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 has no assessable profit for both years.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company 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. For the subsidiaries under this exemption, such exemption is still applicable under the transitional arrangement of the Enterprise Income Tax ("EIT") Law. There are three PRC subsidiaries entitled to this exemption which commenced in 2008 and expired in December 2012.

8. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES

On 10 July, 2013, the Group entered into a sale and purchase agreement to dispose of its entire equity interests in subsidiaries namely Co-Prosperity Investment Group Limited and Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. ("Shasing-Shapheng Quanzhou") (collectively referred as the "disposal group") and the shareholder's loan involved in its manufacturing and sales of high-density and high-end yarns business at a consideration of HK$248,670,000 (equivalent to RMB196,076,000) in aggregate. The disposal was completed on 31 December, 2013. The results of the disposal group up till the completion date of the transaction are accounted for as discontinued operations in the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December, 2013 and 2012. The assets and liabilities disposed of at disposal date is disclosed in this note.

Loss from discontinued operations

The loss for the year from the discontinued operations is analysed as follows:

	2013	2012
	RMB'000	*RMB'000*
Turnover	**112,419**	141,845
Cost of goods sold	**(109,041)**	(131,566)
Gross profit	**3,378**	10,279
Other income	**299**	191
Other expenses, gains and losses	**(514)**	3,351
Impairment losses recognised in respect of property, plant and equipment	**(161)**	(20,935)
Reversals of impairment losses in respect of prepaid lease payments	**4,947**	–
Distribution and selling expenses	**(936)**	(1,993)
Administrative expenses	**(8,656)**	(6,217)
Finance costs	**(12,576)**	(8,756)
Loss for the year	**(14,219)**	(24,080)
Gain on disposal of subsidiaries, net of transaction cost	**4,114**	–
	(10,105)	(24,080)

Loss for the year from discontinued operations included the followings:

	2013	2012
	RMB'000	*RMB'000*
Loss for the year has been arrived at after charging:		
Depreciation of property, plant and equipment	**4,345**	5,183
Less: Depreciation included in research and development costs	**(137)**	(298)
	4,208	4,885
Cost of inventories recognised as expenses	**109,041**	131,566
Operating lease rentals in respect of prepaid lease payments	**2,509**	1,695
and after crediting:		
Release of government grant	**140**	140
Interest income	**89**	51

During the year, the manufacture and sales of high-density and high-end yarns operations contributed RMB49.5 million (2012: RMB44.8 million) to the Group's net operating cash outflows, paid RMB14.8 million (2012: RMB81.2 million) in respect of investing activities and received RMB25.6 million (2012: RMB118.3 million) in respect of financing activities.

Analysis of asset and liabilities of the disposal group as at the date of disposal as follows:

	RMB'000
Property, plant and equipment	62,750
Prepaid lease payments	120,622
Deposits paid for acquisition of property, plant and equipment	1,171
Inventories	217,827
Trade and other receivables	16,470
Bank balances and cash	1,236
	420,076
Trade and other payables	28,813
Amounts due to the Group	552,110
Short-term loans from banks	200,000
Government grant	840
	781,763
Net liabilities of the disposal group	(361,687)

Gain on disposal of subsidiaries:

	RMB'000
Cash consideration	196,076
Net liabilities of the disposal group	361,687
Sale of shareholder's loan	(552,110)
Directly attributable cost	(1,539)
	4,114

Net cash inflow arising on disposal:

Cash consideration	196,076
Directly attributable cost	(1,539)
Less: bank balances and cash disposal of	(1,236)
	193,301

9. LOSS PER SHARE

(i) For continuing and discontinued operations

The calculation of the basic loss per share for the year is based on the loss for the year attributable to owners of the Company of RMB164,623,000 (2012: RMB69,354,000) and the number of 1,171,500,000 (2012: 1,171,500,000) ordinary shares in issue during the year.

The calculation of diluted loss per share for the year ended 31 December, 2013 and 2012 does not assume the conversion of the Company's outstanding convertible bonds, warrants and the exercise of share options which would reduce the loss per share.

(ii) From continuing operations

The calculation of the basic loss per share for the year is based on the loss for the year from continuing operations attributable to owners of the Company of RMB154,518,000 (2012: RMB45,274,000) and the number of 1,171,500,000 (2012: 1,171,500,000) ordinary shares in issue during the year.

The calculation of diluted loss per share for the year ended 31 December, 2013 and 2012 does not assume the conversion of the Company's outstanding convertible bonds, warrants and the exercise of share options which would reduce the loss per share.

(iii) From discontinued operations

Basic and diluted loss per share for discontinued operations is RMB0.86 cents per share (2012: RMB2.06 cents per share) which is based on the loss for the year from discontinued operations of RMB10,105,000 (2012: RMB24,080,000) and the number of 1,171,500,000 (2012: 1,171,500,000) ordinary shares in issue during the year.

The calculation of diluted loss per share for the year ended 31 December, 2013 and 2012 does not assume the conversion of the Company's outstanding convertible bonds, warrants and the exercise of share options which would reduce the loss per share.

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	RMB'000	*RMB'000*
Trade receivables	**24,994**	32,141
Less: Allowances for bad and doubtful debts	**(2,606)**	(2,679)
	22,388	29,462
Deposit paid to suppliers	**83,808**	92,947
Less: Allowances for bad and doubtful debts	**(2,000)**	(2,000)
	81,808	90,947
Other receivables*	**–**	92,860
Value-added tax recoverable	**106**	87
Other debtors and prepayments	**1,528**	1,720
	105,830	215,076

* As at 31 December, 2012, advances to third parties were unsecured, interest-free and all repayable on demand were received subsequent to the reporting date.

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:

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**16,692**	22,081
91 to 180 days	**2,187**	2,275
181 to 270 days	**609**	1,225
271 to 365 days	**2,900**	3,881
	22,388	29,462

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 RMB5,696,000 (2012: RMB7,381,000) which are past due at the reporting date for which the Group has not provided allowance because those debtors have good credit records. 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:

	2013	2012
	RMB'000	*RMB'000*
91 to 180 days	**2,187**	2,275
181 to 270 days	**609**	1,225
271 to 365 days	**2,900**	3,881
	5,696	7,381

The Group has provided allowances for certain trade and other receivables, as the directors of the Company consider the recoverability of these debts are low based on historical experience.

Movement in the allowances for bad and doubtful debts

	Trade receivables		**Other receivables**	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**2,679**	1,834	**2,000**	–
Allowances made during the year	**18**	848	**–**	2,000
Reversals of allowances during the year	**(91)**	(3)	**–**	–
At 31 December	**2,606**	2,679	**2,000**	2,000

During the year ended 31 December, 2013, the allowances amounted to RMB91,000 (2012: RMB3,000) were reversed because the related debts were settled during the year. The Group does not hold any collateral over these balances.

11. TRADE AND OTHER PAYABLES

	2013	2012
	RMB'000	*RMB'000*
Trade payables	**33,996**	49,411
Bills payables – secured by pledged deposits	**36,587**	47,762
	70,583	97,173
Customers' deposits	**36,694**	83,225
Payables for acquisition of property, plant and equipment	**–**	1,480
Obligations under onerous contracts for acquisition of property, plant and equipment	**3,076**	777
Advances from third parties[(a)]	**3,099**	6,400
Other payables and accruals	**3,908**	5,941
	117,360	194,996

(a) advances from third parties are unsecured, interest-free and are repayable on demand.

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

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

	2013	2012
	RMB'000	*RMB'000*
0 to 90 days	**51,804**	71,502
91 to 180 days	**6,665**	8,739
181 to 270 days	**1,542**	6,697
271 to 365 days	**2,024**	5,715
Over 365 days	**8,548**	4,520
	70,583	97,173

12. FINANCIAL GUARANTEE CONTRACTS

As at 31 December, 2013, the Group provided corporate guarantees to a bank in respect of bank borrowings granted to Shasing-Shapheng Quangzhou amounted to RMB200,000,000 (2012: nil). Pursuant to the corporate guarantee agreements, the Group has provided the guarantee amounting to RMB150,000,000. Fair value of this financial guarantee contract on initial recognition valued by independent valuer, American Appraisal China Limited using present values techniques amounted to RMB46,965,000 (2012:nil). The original corporate guarantee agreements expired on 2 January, 2014 and are subsequent renewed with terms up to 1 January, 2017. A counter-indemnity in favour of the Group is executed by the buyer of Shasing-Shapheng Quangzhou (the "Buyer"), pursuant to which the Buyer undertakes to indemnify the Group the liabilities arising from the above loan facilities.

BUSINESS REVIEW

2013 was a challenging year.

The tough operating environment faced by the Group continued to adversely impact its business performance and overall results in 2013. As a result, the Group posted a loss for its operations for 2013.

With the fierce competition faced in the yarn industry, on 10 July 2013, the Group reached a sale and purchase agreement to sell its yarn business entirely through the sale of all of its shareholding and shareholders' loan in its wholly-owned subsidiary, Co-Prosperity Investment Group Limited (the "Disposal"). Co-Prosperity Investment Group Limited, an investment holding company, wholly owns Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. which is engaged in the manufacturing and sales of high-density and high-end yarns. Shareholders' resolution for the Disposal was passed on 17 December 2013 and the Disposal was completed on 31 December 2013. The Disposal represented a good opportunity for the Group to realize the relevant assets of the relevant companies and improve the financial position of the Group as a whole.

In order to widen its potential shareholder base over the long term, on 30 March 2012, the Company successfully issued 234,000,000 warrants to independent investors at the issue price of HK$0.02 per warrant whereas the subscription price is HK$0.14 per subscription share upon the exercise of the relevant warrants. As at the date of this announcement, 227,000,000 warrants have been exercised. The encouraging response of the warrant exercise by investors fully demonstrated the investors' confidence in the management and the long-term potential of the Group.

OPERATIONAL AND FINANCIAL REVIEW

During the year, the Group was 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 adopts multipronged strategies to solidify its operations and enhance its strengths for the long-term development of its businesses. It remains committed to stringent and comprehensive quality control procedures throughout all its production and service processes and continue its customer-oriented approach to strive to serve all its customers with quality products and services at one stop. The Group always targets its sales at higher value products and endeavour to broaden its customer base and widen its overall profit margin. In order to fortify its competitiveness and to respond to the market trend and needs in a timely manner, the Group devotes considerable resources to its strong research and development team for product innovation. In addition, to strictly adhere to its conservative and pragmatic operating philosophy, the Group always insists its vigilance on cost control measures and production and operating efficiency. The Group strongly believes all the aforesaid measures facilitate its sustainable development and contribute to generate value for shareholders over the long term.

To facilitate the review of the overall performance of the Group for the year of 2013, the results of the yarn business (which are represented by the consolidated results of Co-Prosperity Investment Group Limited and Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. (collectively, the "Disposal Group")) and the resultant gain on disposal of the Disposal Group (net of transaction cost) are presented under "Discontinued operations" whereas the consolidated results of all other remaining companies within the group are presented under "Continuing operations":

	1.1.2013 to 31.12.2013			1.1.2012 to 31.12.2012		
	Continuing operations *RMB'000*	**Discontinued operations** *RMB'000*	**Total** *RMB'000*	Continuing operations *RMB'000*	Discontinued operations *RMB'000*	Total *RMB'000*
Turnover	**402,671**	**112,419**	**515,090**	373,941	141,845	515,786
Cost of goods sold and services provided	**(436,289)**	**(109,041)**	**(545,330)**	(345,676)	(131,566)	(477,242)
Gross (loss) profit	**(33,618)**	**3,378**	**(30,240)**	28,265	10,279	38,544
Other income	**1,639**	**299**	**1,938**	741	191	932
Other expenses, gains and losses	**(66,926)**	**(514)**	**(67,440)**	(7,841)	3,351	(4,490)
Impairment losses recognised in respect of prepaid lease payments and property, plant and equipment	**(7,763)**	**(161)**	**(7,924)**	(7,541)	(20,935)	(28,476)
Reversals of impairment losses in respect of prepaid lease payments and property, plant and equipment	**9,863**	**4,947**	**14,810**	1,842	–	1,842
Distribution and selling expenses	**(7,894)**	**(936)**	**(8,830)**	(6,947)	(1,993)	(8,940)
Administrative expenses	**(25,528)**	**(8,656)**	**(34,184)**	(27,011)	(6,217)	(33,228)
Finance costs	**(21,396)**	**(12,576)**	**(33,972)**	(24,253)	(8,756)	(33,009)
Loss before taxation	**(151,623)**	**(14,219)**	**(165,842)**	(42,745)	(24,080)	(66,825)
Taxation	**(2,895)**	**–**	**(2,895)**	(2,529)	–	(2,529)
Gain on disposal of the Disposal Group, net of transaction cost	**–**	**4,114**	**4,114**	–	–	–
Loss for the year attributable to the owners of the Company	**(154,518)**	**(10,105)**	**(164,623)**	(45,274)	(24,080)	(69,354)

In 2013, the Group's total turnover decreased mildly by 0.1% to approximately RMB515.1 million for the year (2012: RMB515.8 million). During the year, the revenue from fabrics sales business and processing business increased whereas those from trading business and yarn business fell. Lower average unit selling price was recorded for all fabrics sales business, processing business and yarn business.

The Group registered a gross loss of approximately RMB30.2 million for the year (2012: a gross profit of RMB38.5 million). During the year, the gross profit margin from processing business and trading business rose, fabrics sales business registered a gross loss and yarn business posted a lower gross profit margin. Better product mix in the year resulted in the rise in the gross profit margins of processing business and trading business. The persistent depressed market and the lower average unit selling prices led to the gross loss of fabrics sales business. The rise in the unit cost of cotton and the decrease in the average unit selling price during the year caused the decline in the gross profit margin of yarn business.

Other income increased by 1.08 times to approximately RMB1.9 million (2012: RMB0.9 million) which primarily included amortised government grant of RMB0.1 million, government rewards and subsidies of RMB0.6 million, business referral income of RMB0.2 million and an interest income of RMB1.0 million. Other expenses, gains and losses amounted to a net loss of RMB67.4 million (2012: a net loss of RMB4.5 million) which was mainly the net aggregate of reversals of allowances for bad and doubtful debts of RMB0.1 million, provision recognised under onerous contracts for acquisition of property, plant and equipment of RMB3.1 million, net exchange gain of RMB6.0 million, loss on fair value changes of warrants of RMB21.0 million, loss on fair value of financial guarantee of RMB47.0 million and research and development costs of RMB2.5 million. During the year, impairment losses of RMB7.9 million (2012: RMB28.5 million) in respect of prepaid lease payments and property, plant and equipment were recognized. On the other hand, reversals of impairment losses of RMB14.8 million (2012: RMB1.8 million) in respect of prepaid lease payments and property, plant and equipment were recognized.

Distribution and selling expenses dropped mildly by 1.2% to approximately RMB8.8 million (2012: RMB8.9 million) Administrative expenses were up by 2.9% to approximately RMB34.2 million (2012: RMB33.2 million). Finance costs for the year increased by 2.9% to RMB34.0 million (2012: RMB33.0 million).

FUTURE PROSPECTS

For the rest of 2014, the markets are likely to remain volatile. Operating environment faced by the Group remains very challenging as the macro-economic conditions around the world remain uncertain and complex.

The Board remains cautious for the Group's outlook in the short term. Yet it is fully confident about the Group's future growth and development.

Looking ahead, the monetary policies of the United States will continue to have a significant impact on the global economy. In particular, the pace and scale of tapering of asset puchases by the United States and any change of the prevailing low interest rate environment will greatly affect the global economic landscape. The latest development of European economies and the economic growth rate of China down the road will further add to the uncertainties and volatilities of the global business environment. The Board also expects the competition among players in the market will remain very keen and the market consolidation will continue. Nevertheless, the steady economic growth and growing affluent population in China will boost the domestic demand for high quality fabrics and textile products in the long run.

The Group will maintain its vigilance to the fast-changing operating environment and modify its business strategies when needed. The Group will stick to its prudent and down-to-earth business operating philosophy. The Group will work hard to restore its profitability and solidify its overall financial position. In addition, it will continue to explore and capitalize all potential opportunites in the market to enhance the long-term interests of shareholders. The Board strongly believes that the Group's established foundation, quality products and advanced technology will enable it to ride through the turbulent business environment in the coming future.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2013, the Group had total assets of approximately RMB550.5 million (2012: RMB1,008.8 million) which were financed by current liabilities of approximately RMB439.7 million (2012: RMB641.5 million) and shareholders' equity of approximately RMB110.8 million (2012: RMB276.0 million) with non-current liabilities amounting to nil (2012: RMB91.3 milliion).

As at 31 December 2013, the Group's cash and bank balances was approximately RMB52.2 million (2012: RMB21.3 million), while pledged bank deposits amounted to RMB58.3 million (2012: RMB53.4 million). As at 31 December 2013, the mortgage loan was variable-rate loans and was denominated in Hong Kong dollars. Short-term bank loans and short-term loan from other financial institution 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 (2012: 1.1). The gearing ratio, being a ratio of borrowings (comprising mortgage loan, short-term bank loans and short term loan from other financial institution) to shareholders' equity, was 217.2% (2012: 184.0%). The Group always adopted a conservative approach in its financial management.

CHARGES ON GROUP ASSETS

As at 31 December 2013, the Group's borrowings were secured by assets with a total carrying value of approximately RMB116.7 million (2012: RMB161.7 million).

CAPITAL EXPENDITURES

As at 31 December 2013, the Group has capital commitments of approximately RMB9.0 million (2012: Nil) in respect of purchases of property, plant and equipment.

CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

As at 31 December 2013, the Group did not have any significant contingent liabilities (2012: 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 2013, the Group had about 1,300 employees (2012: 1,500 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

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

DIVIDEND

The Board does not recommend any payment of final dividend (2012: Nil) for the year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 26 May 2014 to Wednesday, 28 May 2014 (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 Friday, 23 May 2014. Tricor Investor Services Limited is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong[#].

[#] The address is valid with effect from 31 March 2014. Before that, the address is: 26/F., Tesbury Centre, 28 Queen's Road East, 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 year ended 31 December 2013 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 applicable code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the year ended 31 December 2013, except as stated below. In respect of code provision A6.7 of the Corporate Governance Code, Professor Zeng Qingfu and Professor Zhao Bei, both being independent non-executive directors of the Company, were unable to attend both the annual general meeting held on 31 May 2013 and the extraordinary general meeting held on 17 December 2013 due to other commitments.

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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31st December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

Hong Kong, 27 March 2014

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.