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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 2014

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 for the six months ended 30 June 2014. The interim results have been reviewed by the audit committee of the Company.

This announcement, which contains the full text of the 2014 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited in relation to information to accompany preliminary announcements of interim results. The printed version of the Company’s 2014 Interim Report will be despatched to the shareholders of the Company and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the designated website of the Company at www.capitalfp.com.hk/eng/index.jsp?co=707 in due course.

* For identification purpose only

2014

Interim Report



協盛協豐控股有限公司*
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MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2014 (the “period”), the Group was principally engaged in the sale of finished fabrics and provision of fabrics processing subcontracting services (“fabrics business”) and the trading of goods (“trading business”).

Operational and Financial Review

For the first half of 2014, the competition among players in the textile industry was very fierce and the operating conditions faced by the Group remained acute.

The Group recorded a consolidated net profit for the period as compared to a consolidated net loss for the six months ended 30 June 2013. Such an improvement in the results performance was mainly attributable to (1) a higher gross profit margin, (2) a gain in fair value in relation to warrants and (3) an amortization of financial guarantee contracts posted in the period.

The Group’s turnover was down by 24.2% to RMB151.2 million (2013: RMB199.4 million). During the period, sales from both fabrics business and trading business dropped.

The Group registered a gross profit of around RMB25.6 million (2013: RMB11.4 million), representing an increase by around 1.2 times over that in the corresponding period last year. The gross profit margin from both fabrics business and trading business rose.

Other income was up by 1.4 times to approximately RMB1.2 million (2013: RMB0.5 million), which was composed of government rewards and subsidies of RMB0.2 million and an interest income of RMB1.0 million. Other expenses, gains and losses increased by 2.2 times to RMB3.2 million (2013: RMB1.0 million), which comprised research and development costs of RMB0.7 million, allowances for doubtful debts of RMB1.7 million and exchange loss of RMB2.2 million and the amortization of financial guarantee contracts of RMB7.8 million. During the period, a gain in fair value of warrants of RMB4.6 million (2013: a loss in fair value of warrants of RMB4.5 million) was recorded.

The distribution and selling expenses slightly decreased by 5.9% to RMB3.1 million (2013: RMB3.3 million) and the administrative expenses recorded a drop of 13.5% to RMB12.7 million (2013: RMB14.6 million). Finance costs fell by 17.7% to RMB9.2 million (2013: RMB11.2 million), mainly as a result of the lower average level of bank and other interest-bearing loans during the period.



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 individual 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. Up to the expiry of the maturity date of the warrants on 29 March 2014, 227,000,000 warrants have been exercised. The strong response of the warrant exercise by investors fully underscored the investors' confidence in the management and the long-term potential of the Group

Market Outlook and Future Prospects

The roll-out of various macro-economic policies by governments in major countries has led to the overall moderate recovery of the global economy in the first half of 2014. Yet, looking into the remaining 2014, the economic performance around the world is still overcast by lots of uncertainties and risks.

In spite of the current challenging economic environment, the Group will continue to adhere to its proactive but pragmatic operating style. To further improve the profit margins of its products, it will strive to enhance its products and broaden its customer base. It will remain committed on its sustainable long-term growth and continue to exercise great caution in allocating its resources and controlling its operating costs.

With the concerted efforts of the management and staff of the Group, the Board is fully confident and optimistic about the Group's future growth and outlook.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2014, the Group had total assets of approximately RMB583.6 million (As at 31 December 2013: RMB550.5 million) which were financed by current liabilities of approximately RMB411.1 million (As at 31 December 2013: RMB439.7 million) and shareholders' equity of approximately RMB172.5 million (As at 31 December 2013: RMB110.8 million).



As at 30 June 2014, the Group's cash and bank balances was approximately RMB18.8 million (As at 31 December 2013: RMB52.2 million), while pledged bank deposits amounted to approximately RMB55.2 million (As at 31 December 2013: RMB58.3 million). As at 30 June 2014, short-term bank loans and short-term loan from other financial institution were fixed-rate loans and were denominated in Renminbi. As at 30 June 2014, the Group's borrowings were secured by land use rights, certain of property, plant and equipment and certain bank deposits of the Group.

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.2 (As at 31 December 2013: 1.0). The gearing ratio, being a ratio of borrowings (comprising short-term bank loans and short-term loan from other financial institution) to shareholders' equity, was approximately 141.4% (As at 31 December 2013: 217.2%). The Group has always been adopting a conservative approach in its financial management.

CAPITAL EXPENDITURES

As at 30 June 2014, the Group has capital commitments of approximately RMB0.2 million in respect of purchases of property, plant and equipment (As at 31 December 2013: 9.0 million).

CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

Save as disclosed in note 14 of this interim report, the Group did not have any significant contingent liabilities as at 30 June 2014. The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group does not foresee significant risk in exchange rate fluctuations and no financial instrument has been used for hedging purposes. The Group will consider holding forward exchange contract for hedging purposes if and when appropriate.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

The Group has no significant investment held and did not have any material acquisitions or disposals of subsidiaries and associated companies during the period.



EMPLOYMENT

As at 30 June 2014, the Group had about 1,000 employees in Hong Kong and in the PRC (As at 31 December 2013: 1,300 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.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2014

	NOTES	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
CONTINUING OPERATIONS			
Turnover	3	151,202	199,394
Cost of goods sold and services provided		(125,644)	(187,985)
Gross profit		25,558	11,409
Other income		1,174	483
Other expenses, gains and losses		3,226	1,000
Gain (Loss) in fair value of warrants	12	4,572	(4,529)
Distribution and selling expenses		(3,077)	(3,271)
Administrative expenses		(12,657)	(14,632)
Finance costs		(9,242)	(11,234)
Profit (Loss) before taxation		9,554	(20,774)
Taxation	5	(1,248)	(1,391)
Profit (Loss) for the period from continuing operations		8,306	(22,165)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations	7	—	(4,605)
Profit (Loss) for the period	4	8,306	(26,770)

	NOTES	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Other comprehensive income/(expense)			
– Items that will not be reclassified to profit or loss:			
– exchange differences arising on translation		2,747	(409)
– Items that may be subsequently reclassified to profit or loss:			
– exchange differences arising on translation		(454)	1,113
		<u> </u>	<u> </u>
Total comprehensive income/(expense) for the period		<u>10,599</u>	<u>(26,066)</u>
Total comprehensive income/(expense) for the period arising from:			
– Continuing operations		10,599	(25,472)
– Discontinued operations		–	(594)
		<u> </u>	<u> </u>
		<u>10,599</u>	<u>(26,066)</u>
Earnings/(Loss) per share	6		
– Basic			
– Continuing operations		0.638 RMB cents	(1.892 RMB cents)
– Discontinued operations		–	(0.393 RMB cents)
		<u> </u>	<u> </u>
		<u>0.638 RMB cents</u>	<u>(2.285 RMB cents)</u>
– Diluted			
– Continuing operations		0.373 RMB cents	(1.892 RMB cents)
– Discontinued operations		–	(0.393 RMB cents)
		<u> </u>	<u> </u>
		<u>0.373 RMB cents</u>	<u>(2.285 RMB cents)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	96,922	93,721
Prepaid lease payments		9,033	9,150
Deposits made for acquisition of property, plant and equipment		390	390
Total non-current assets		106,345	103,261
CURRENT ASSETS			
Inventories		249,557	230,735
Trade and other receivables	9	153,469	105,830
Prepaid lease payments		225	221
Pledged bank deposits		55,210	58,250
Bank balances and cash		18,805	52,224
		477,266	447,260
CURRENT LIABILITIES			
Trade and other payables	10	119,086	117,360
Amount due to a related party	11	4,859	–
Taxation		4,256	4,489
Warrants	12	–	30,259
Mortgage loan		–	134
Short-term bank loans		238,300	205,500
Short-term loan from other financial institution	13	5,500	35,000
Financial guarantee contracts	14	39,138	46,965
		411,139	439,707

	NOTES	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Net current assets		66,127	7,553
Total assets less current liabilities		172,472	110,814
Net assets		172,472	110,814
CAPITAL AND RESERVES			
Share capital	15	135,059	117,055
Reserves		37,413	(6,241)
Total equity		172,472	110,814

The interim financial information on pages 6 to 28 was approved and authorised for issue by the Board of Directors on 28 August 2014 and are signed on its behalf by:

MR. SZE SIU HUNG
CHAIRMAN

MR. SZE CHIN PANG
EXECUTIVE DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2014

	Share capital	Share premium	Special reserve	Share option reserve	Translation reserve	Statutory surplus reserve fund	Retained deficit	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2014	117,055	301,107	98,731	1,669	5,417	98,250	(511,415)	110,814
Profit for the period	–	–	–	–	–	–	8,306	8,306
Exchange differences arising on translation	–	–	–	–	2,293	–	–	2,293
Total comprehensive income for the period	–	–	–	–	2,293	–	8,306	10,599
Issue of shares upon exercise of warrants	18,004	33,055	–	–	–	–	–	51,059
At 30 June 2014 (unaudited)	135,059	334,162	98,731	1,669	7,710	98,250	(503,109)	172,472
At 1 January 2013	117,055	301,107	98,731	1,669	5,948	98,037	(346,579)	275,968
Loss for the period	–	–	–	–	–	–	(26,770)	(26,770)
Exchange differences arising on translation	–	–	–	–	704	–	–	704
Total comprehensive expense for the period	–	–	–	–	704	–	(26,770)	(26,066)
At 30 June 2013 (unaudited)	117,055	301,107	98,731	1,669	6,652	98,037	(373,349)	249,902



The special reserve represents the differences between the nominal amount of the shares issued by the Company and the Group's former holding company and the aggregate amount of paid-up capital of the subsidiaries acquired pursuant to the group reorganisation in 2005 in preparation for the listing of the Company's shares, net of subsequent distribution to shareholders.

As stipulated by the relevant laws and regulations for foreign investment enterprises in Mainland China (the "PRC"), the Company's PRC subsidiaries are required to maintain a statutory surplus reserve fund which is non-distributable. Appropriation to such reserve is made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries while the amounts and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses, if any, and can be applied in conversion into capital by means of a capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2014

	1.1.2014 to 30.6.2014 RMB'000 (unaudited)	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Net cash used in operating activities	(49,702)	(23,024)
Net cash used in investing activities	(7,734)	(6,554)
Net cash from financing activities	23,988	21,604
Net decrease in cash and cash equivalents	(33,448)	(7,974)
Cash and cash equivalents at 1 January	52,224	21,324
Effect of foreign exchange rate changes	29	(12)
Cash and cash equivalents at 30 June	18,805	13,338
Less: Cash and cash equivalents included in assets of Disposal Group classified as held for sale (Note 7)	–	(1,549)
	<u>18,805</u>	<u>11,789</u>
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	<u>18,805</u>	<u>13,338</u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2014

1. GENERAL

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2013.

The condensed consolidated financial statements has been prepared under the historical cost convention. The principal accounting policies adopted in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2013, except for the adoption of the new or revised standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are mandatory for annual periods beginning 1 January 2014 and relevant to the operations of the Group. The adoption of these new HKFRSs had no material effect to the Group's results and financial position for the current and prior accounting periods.

The Group has not early applied any new HKFRSs that have been issued but are not yet effective. The Group is in the process of assessing the impact of such new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results and financial position.

3. SEGMENT INFORMATION

For the 6 months ended 30 June 2014 (the “period”), the Group was organised into two operating divisions, namely (1) processing, printing and sales of finished fabrics and (2) trading of goods. The aforesaid two divisions were the basis on which the Group reports its segment information.

The operating segment regarding manufacture and sales of high density and high-end yarns was classified as discontinued operations for the 6 months ended 30 June 2013 (the “prior period”). For details, please refer to note 7 of this interim report. There is no discontinued operation in the period.

For the period, the Group’s operating segments under Hong Kong Financial Reporting Standard 8 “Operating Segments” were as follows:

- Processing, printing and sales of finished fabrics
- Trading of goods: Trading of fabrics and clothing

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

For the six months ended 30 June 2014						
Unaudited						
	Continuing operations				Discontinued operations	Total
	Processing, printing and sales of finished fabrics RMB'000	Trading of goods RMB'000	Elimination RMB'000	Sub-total RMB'000	Manufacture and sales of high density and high-end yarns RMB'000	RMB'000
Turnover						
– external sales	148,708	2,494	–	151,202	–	151,202
– inter-segment sales	–	–	–	–	–	–
Total	<u>148,708</u>	<u>2,494</u>	<u>–</u>	<u>151,202</u>	<u>–</u>	<u>151,202</u>
Segment Results	<u>10,974</u>	<u>(137)</u>		10,837	–	10,837
Interest income				961	–	961
Gain in fair value of warrants				4,572	–	4,572
Unallocated corporate income				2,426	–	2,426
Finance costs				(9,242)	–	(9,242)
Profit before taxation				<u>9,554</u>	<u>–</u>	<u>9,554</u>

Segment results for the period represent the result of each segment without allocation of interest income, gain in fair value of warrants, unallocated corporate income and finance costs. This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and performance assessment.

The comparative figures for the prior period are as follows:

	For the six months ended 30 June 2013					
	Unaudited					
	Continuing operations				Discontinued operations	Total
	Processing, printing and sales of finished fabrics RMB'000	Trading of goods RMB'000	Elimination RMB'000	Sub-total RMB'000	Manufacture and sales of high density and high-end yarns RMB'000	RMB'000
Turnover						
– external sales	195,336	4,058	–	199,394	54,621	254,015
– inter-segment sales	(19)	–	19	–	–	–
Total	<u>195,317</u>	<u>4,058</u>	<u>19</u>	<u>199,394</u>	<u>54,621</u>	<u>254,015</u>
Segment Results	<u>(5,426)</u>	<u>(292)</u>		(5,718)	(3,368)	(9,086)
Interest income				445	85	530
Loss in fair value of warrants				(4,529)	–	(4,529)
Impairment losses recognised in respect of property, plant and equipment				–	(161)	(161)
Reversal of impairment losses in respect of prepaid lease payments				–	4,947	4,947
Unallocated corporate income (expenses)				262	(4)	258
Finance costs				(11,234)	(6,104)	(17,338)
Loss before taxation				<u>(20,774)</u>	<u>(4,605)</u>	<u>(25,379)</u>

4. PROFIT/LOSS FOR THE PERIOD

	1.1.2014 to 30.6.2014 (unaudited)			1.1.2013 to 30.6.2013 (unaudited)		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Profit/Loss for the period arrived at after charging:						
Depreciation on property, plant and equipment	5,457	–	5,457	7,265	2,147	9,412
Less: Depreciation included in research and development costs	(145)	–	(145)	(234)	(70)	(304)
	<u>5,312</u>	<u>–</u>	<u>5,312</u>	<u>7,031</u>	<u>2,077</u>	<u>9,108</u>
Operating lease rentals in respect of prepaid lease payments	113	–	113	111	1,229	1,340
Imputed interest expenses of the liability component of convertible bonds	–	–	–	127	–	127
Allowances for doubtful debts – trade receivables	1,662	–	1,662	952	–	952
Allowances for inventories (which were included in "Cost of goods sold and services provided")	–	–	–	1,908	–	1,908
Impairment losses recognised in respect of property, plant and equipment	–	–	–	–	161	161
and after crediting:						
Reversal of impairment losses in respect of prepaid lease payments	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,947</u>	<u>4,947</u>

5. TAXATION

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

At the end of the period, the Group has deductible temporary differences of RMB411,617,000 (31 December 2013: RMB423,745,000). No deferred tax asset has been recognised in relating to deductible temporary difference because it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Under the Enterprise Income Tax Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 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 relevant PRC subsidiaries amounting to RMB123,475,000 (31 December 2013: RMB128,095,000) 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.

6. EARNINGS/(LOSS) PER SHARE

The calculation of the basic and diluted earnings/(loss) per share attributable to ordinary equity shareholders of the Company is based on the following data:

For the 6 months ended 30 June 2014 (the “period”):

	1.1.2014 to 30.6.2014 RMB’000 (unaudited)
<u>Earnings attributable to the owners of the Company</u>	
Earnings for the purpose of basic earnings per share	
– Continuing operations	8,306
Effect of dilutive potential ordinary shares arising from:	
– gains in relation to warrants	(3,429)
– currency realignment of warrants	167
Earnings for the purpose of diluted earnings per share	5,044

1.1.2014
to
30.6.2014
(unaudited)

Number of shares

Weighted average number of ordinary shares for the
purpose of basic earnings per share 1,301,030,387

Effect of dilutive potential ordinary shares arising from:

– warrants 48,761,452
– share options 3,247,233

Weighted average number of ordinary shares for the
purpose of diluted earnings per share 1,353,039,072

There is no discontinued operation in the period.

For the 6 months ended 30 June 2013 (the “prior period”):

1.1.2013
to
30.6.2013
RMB'000
(unaudited)

Loss attributable to the owners of the Company

– Continuing operations (22,165)
– Discontinued operations (4,605)

(26,770)

Weighted average number of ordinary shares
for the purpose of basic loss per share 1,171,500,000 shares

The computation of the diluted loss per share for the prior period from continuing operations and discontinued operations respectively (the “computation”) did not assume the exercise of the Company’s share options because the exercise price of those options was higher than the average market price of shares during the prior period. The computation did not assume the conversion of the Company’s outstanding warrants which would reduce the loss per share for the prior period.

7. DISCONTINUED OPERATIONS

With the intense 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 then wholly-owned subsidiary, Co-Prosperity Investment Group Limited (the "Disposal"). Co-Prosperity Investment Group Limited, an investment holding company, wholly owned Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. which was engaged in the manufacture 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.

In accordance with Hong Kong Financial Reporting Standard 5 "Non-current Assets Held for Sale and Discontinued Operations", for financial reporting purpose, the yarn business, of which the results and financial position are represented respectively by the consolidated results and consolidated financial position of Co-Prosperity Investment Group Limited and Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. (collectively, the "Disposal Group"), was presented as "Discontinued operations" for the 6 months ended 30 June 2013.

There is no discontinued operation in the 6 months ended 30 June 2014.

8. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred RMB11,735,000 (2013: RMB375,000) on additions to property, plant and equipment.

9. TRADE AND OTHER RECEIVABLES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Trade receivables	16,945	22,388
Deposit paid to suppliers	115,942	81,808
Advances to a third party*	17,503	–
Value-added tax recoverable	1,674	106
Other debtors and prepayments	1,405	1,528
	<u>153,469</u>	<u>105,830</u>

* The advances were unsecured, interest-free and repayable on demand.

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:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Age		
0 to 90 days	13,304	16,692
91 to 180 days	1,848	2,187
181 to 270 days	1,673	609
271 to 365 days	120	2,900
	<u>16,945</u>	<u>22,388</u>

10. TRADE AND OTHER PAYABLES

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Trade payables	36,550	33,996
Bills payables – secured	24,362	36,587
	60,912	70,583
Customers' deposits	41,092	36,694
Obligations under onerous contracts		
for acquisition of property, plant and equipment	–	3,076
Advances from third parties ^Δ	13,249	3,099
Other payables and accruals	3,833	3,908
	119,086	117,360

^Δ The advances on both 30 June 2014 and 31 December 2013 were unsecured, interest-free and repayable on demand.

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

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

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Age		
0 to 90 days	25,176	51,804
91 to 180 days	21,741	6,665
181 to 270 days	6,014	1,542
271 to 365 days	2,797	2,024
Over 365 days	5,184	8,548
	60,912	70,583

11. AMOUNT DUE TO A RELATED PARTY

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
Name of related party		
Mr. Sze Siu Hung ⁽¹⁾⁽²⁾	4,859	–

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

⁽²⁾ The amount was unsecured, interest-free and repayable on demand.

12. WARRANTS

The Company issued 234,000,000 warrants on 30 March 2012. Based on the subscription price of HK\$0.14 per subscription share, a maximum of 234,000,000 subscription shares can be allotted and issued by the Company upon full exercise of the subscription rights attaching to the warrants. The subscription rights attaching to the warrants can be exercised at any time during a period of 24 months commencing from the date of issue of the warrants. Any subscription rights attaching to the warrants which have not been exercised upon the expiration of the 24-month subscription period shall lapse.

On 17 March 2014, 18 March 2014 and 21 March 2014 (collectively, "subscription dates"), registered holders of 45 million, 37 million and 145 million warrants exercised their rights to subscribe for 45 million, 37 million and 145 million ordinary shares of the Company respectively at HK\$0.14 per share. Upon the maturity date of the warrants on 29 March 2014, 7 million warrants remained unexercised and lapsed. American Appraisal China Limited ("AACL"), an independent valuer not connected to the Group, has been engaged to value the fair value of warrants on each of the aforesaid subscription dates.

A gain in fair value of HK\$5,776,000 (RMB4,572,000) in relation to the warrants had been recognized in profit or loss for the 6 months ended 30 June 2014. The cumulative change in fair value of relevant exercised warrants up to their respective subscription dates, amounting to HK\$32,600,000 (RMB25,854,000) in aggregate was transferred to share premium during the period.

The fair value of the warrants was determined using the Binomial Model and the inputs into the model were as follows:

	21.3.2014 (Subscription date)	18.3.2014 (Subscription date)	17.3.2014 (Subscription date)	31.12.2013
Exercise price	HK\$0.14	HK\$0.14	HK\$0.14	HK\$0.14
Share price	HK\$0.28	HK\$0.29	HK\$0.29	HK\$0.30
Expected volatility [#]	25%	82%	91%	110%
Remaining life	0.2 month	0.4 month	0.5 month	3 months
Risk free rate	0.094%	0.094%	0.098%	0.04%
Dividend yield	0%	0%	0%	0%

[#] The expected volatility is determined based on the historical price volatility of the Company's shares.

13. SHORT-TERM LOAN FROM OTHER FINANCIAL INSTITUTION

The balance as at 30 June 2014 wholly represented a 6-month unsecured loan borrowed from Shishi China-Union-Bank of Microcredit Co., Ltd. (石獅市中聯銀小額貸款有限公司) at an interest rate of 12.6% per annum, which will expire in December 2014. The balance as at 31 December 2013 wholly represented a 1-year secured loan borrowed from China Industrial International Trust Limited (興業國際信託有限公司) and had been fully repaid in the 6 months ended 30 June 2014.

14. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2013, the Group provided corporate guarantees totalling RMB150,000,000 to a bank in respect of short-term bank borrowings granted to Shasing-Shapheng (Quangzhou) Textile Industrial Co., Ltd.. The relevant financial guarantee contracts were initially measured at their fair values and their fair values as at 31 December 2013 valued by AACL using present values techniques amounted to RMB46,965,000 which has been accounted for as financial liability in accordance with Hong Kong Accounting Standard 39 "Financial instruments: recognition and measurement" ("HKAS 39") after taking into consideration of the original corporate guarantee agreements being expired effectively on 2 January 2014 and were subsequently renewed on 2 January 2014 with maturity on 1 January 2017.

In accordance with HKAS 39, the financial guarantee contracts are subsequently measured at the higher of: (i) the amount of obligation as determined in accordance with Hong Kong Accounting Standard 37 "Provisions, contingent liabilities and contingent assets" and (ii) the amount initially recognized less, when appropriate, cumulative amortisation recognized in accordance with Hong Kong Accounting Standard 18 "Revenue".

Accordingly, in respect of the financial guarantee contracts, an amortization of RMB7,827,500 was credited to the profit or loss for the period.

15. SHARE CAPITAL

Upon the exercise of warrants in March 2014, 227,000,000 ordinary shares (2013: nil) of HK\$0.10 each have been issued during the period.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about how the fair values of the Group's financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Financial liability	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30.6.2014	31.12.2013		
	RMB'000	RMB'000		
	(unaudited)	(audited)		
Financial liability at fair value through profit or loss				
Warrants (Note)	–	30,259	Level 3	Binomial Model with details of key inputs disclosed in note 12 of this interim report

Note: The major unobservable input to the valuation is the expected volatility. A slight increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the warrants. As at 31 December 2013, a 20% increase/decrease in the expected volatility holding all other variables constant would increase the carrying amount of warrants by RMB725,000/decrease the carrying amount of warrants by RMB544,000.

There were no transfers among Level 1, 2 and 3 in the current period.

In estimating the fair value of the warrants at each subscription date as mentioned in note 12 of this interim report, the Group engaged AACL with the use of the Binomial Model to perform the valuation of warrants. The accounting team of the Company worked closely with AACL to establish the appropriate valuation techniques and inputs to the valuation model. Valuation results with analysis were then prepared by AACL and submitted to the management of the Group for discussion and review.

Reconciliation of Level 3 fair value measurements of warrants during the period:

	Warrants RMB'000
At 1 January 2014	30,259
Total gain:	
– in profit or loss	(4,572)
– in other comprehensive income	–
Transfer to share premium	(25,854)
Currency realignment	167
At 30 June 2014 (unaudited)	–

17. RELATED PARTY TRANSACTIONS

The directors of the Company represented key management of the Group. During the period, directors' remuneration of RMB648,000 (2013: RMB651,000) was charged to the profit or loss.

During the period, the Group has incurred interest expenses of nil amount (2013: RMB1,256,000) for the loans borrowed from Mr. Sze Siu Hung.

At the end of the period, the short-term loan from other financial institution and certain of the short-term bank loans are guaranteed by the following related parties with respective maximum guarantees:

	30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
<u>Short-term bank loans</u>		
Mr. Cai Chaodun ⁽¹⁾	39,000	30,000
Mr. Qiu Fengshou ⁽²⁾	30,000	30,000
Joint guarantee ⁽³⁾	30,000	30,000
Joint guarantee ⁽⁴⁾	30,000	30,000
Joint guarantee ⁽⁵⁾	45,000	45,000
Joint guarantee ⁽⁶⁾	20,000	20,000
	194,000	185,000
<u>Short-term loan from other financial institution</u>		
Joint guarantee ⁽⁴⁾⁽⁷⁾	5,500	35,000
	199,500	220,000

⁽¹⁾ Mr. Cai Chaodun is the deputy general manager of the Group and a brother-in-law of Mr. Sze Siu Hung.

⁽²⁾ Mr. Qiu Fengshou is the Vice Chairman and executive director of the Company.

⁽³⁾ The credit facility was jointly guaranteed by Mr. Cai Chaodun, Mr. Qiu Fengshou and Mr. Fu Jianhua. Mr. Fu Jianhua is the deputy general manager of the Group.

⁽⁴⁾ The credit facility was jointly guaranteed by Mr. Cai Chaodun and Mr. Qiu Fengshou.

⁽⁵⁾ The credit facility was jointly guaranteed by Mr. Cai Chaodun and his wife, Ms. Wang Yuee.

⁽⁶⁾ The credit facility was jointly guaranteed by Mr. Qiu Fengshou and his wife, Ms. Ding Honggan.

⁽⁷⁾ The joint guarantee as at 30 June 2014 was wholly given to Shishi China-Union-Bank of Microcredit Co., Ltd. (石獅市中聯銀小額貸款有限公司). The joint guarantee as at 31 December 2013 was wholly given to China Industrial International Trust Limited (興業國際信託有限公司).

18. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment

30.6.2014 RMB'000 (unaudited)	31.12.2013 RMB'000 (audited)
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210

8,998

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2014 (For the six months ended 30 June 2013: Nil).

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2014, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Name	Capacity in which the Interests are held	Nature of Interest	Total Interests held	Approximate percentage of the issued share capital of the Company as at 30 June 2014 (%)
Directors				
Mr. Sze Siu Hung	Corporate interest and founder of trust (Note 1)	Ordinary shares of HK\$0.10 each	454,798,720 long position	32.52
	Corporate interest (Note 2)	Ordinary shares of HK\$0.10 each	28,051,280 long position	2.01
	Beneficial interest (Note 3)	Ordinary shares of HK\$0.10 each	2,000,000 long position	0.14

Name	Capacity in which the Interests are held	Nature of Interest	Total Interests held	Approximate percentage of the issued share capital of the Company as at 30 June 2014 (%)
Directors (continued)				
Madam Cai Peilei	Corporate interest and beneficiary of trust (Note 1)	Ordinary shares of HK\$0.10 each	454,798,720 long position	32.52
	Corporate interest (Note 2)	Ordinary shares of HK\$0.10 each	28,051,280 long position	2.01
	Family interest (Note 3)	Ordinary shares of HK\$0.10 each	2,000,000 long position	0.14
Mr. Sze Chin Pang	Beneficial interest	Underlying shares of equity derivatives (Note 4)	1,200,000 long position	0.09
Mr. Lui Siu Keung	Beneficial interest	Underlying shares of equity derivatives (Note 4)	1,000,000 long position	0.07
Professor Zhao Bei	Beneficial interest	Underlying shares of equity derivatives (Note 4)	500,000 long position	0.04
Professor Zeng Qingfu	Beneficial interest	Underlying shares of equity derivatives (Note 4)	500,000 long position	0.04
Chief executive				
Mr. Sze Siu Bun	Beneficial interest	Underlying shares of equity derivatives (Note 4)	2,000,000 long position	0.14

Notes:

1. As at 30 June 2014, about 32.52% of shareholding of the Company is owned by Famepower Limited, which is owned as to 100% by Federal Trust Company Limited, a trust company in its capacity as the trustee of The Sze Trust which was a discretionary trust, the founder (as defined in the SFO) of which is Mr. Sze Siu Hung ("Mr. Sze") and the discretionary objects of which are family members of Mr. Sze (including Madam Cai Peilei and excluding Mr. Sze himself). Accordingly, Mr. Sze and Madam Cai Peilei are both deemed to be interested in the relevant shares under the SFO.
2. As at 30 June 2014, about 2.01% of shareholding of the Company is owned by Peilei Charitable Limited ("PCL"), a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned as to 50% by Mr. Sze and as to 50% by Madam Cai Peilei. Mr. Sze and Madam Cai Peilei intend to use the shares held by PCL for charitable purpose.
3. As at 30 June 2014, 2,000,000 shares, representing 0.14% of shareholding of the Company, are beneficially owned by Mr. Sze. Madam Cai Peilei is the spouse of Mr. Sze and is deemed to be interested in 2,000,000 shares.
4. The interests in underlying shares of equity derivatives represented interests in share options granted under the share option scheme adopted by the Company on 15 March 2006, further details of which are set out in the section headed "Share Option Scheme" on pages 32 to 33 of this interim report.

Save as disclosed above, as at 30 June 2014, none of the directors or chief executive had any interests and/or short positions in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2014, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2014.

SHARE OPTION SCHEME

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

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

There was no change in any terms of the Share Option Scheme during the six months ended 30 June 2014. The details of the terms of the Share Option Scheme have been disclosed in the 2013 annual report.

As at 30 June 2014, details of share options granted under the Share Option Scheme of the Company were as follows:

Name or category of participant	Number of share option						Date of grant	Vesting date	Exercise period	Exercise price per share HK\$
	At 1 January 2014	Granted during the period (Note)	Exercised during the period (Note)	Cancelled during the period (Note)	Lapsed during the period (Note)	At 30 June 2014				
(A) Directors										
Mr. Sze Chin Pang	1,200,000	-	-	-	-	1,200,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Mr. Lui Siu Keung	1,000,000	-	-	-	-	1,000,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Professor Zhao Bei	500,000	-	-	-	-	500,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Professor Zeng Qingfu	500,000	-	-	-	-	500,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
(B) Chief Executive										
Mr. Sze Siu Bun	2,000,000	-	-	-	-	2,000,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
(C) Other employees in aggregate	14,800,000	-	-	-	-	14,800,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Total	<u>20,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,000,000</u>				

Note: No share options was granted, exercised, cancelled or lapsed during the period.



Save as disclosed above, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, and neither the directors nor the chief executive, nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or any had exercised any such right.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

On 29 February 2012, the Company entered into a warrant placing agreement (the Warrant Placing Agreement”) with a placing agent pursuant to which the Company appointed the placing agent to procure not less than six independent placees to subscribe the warrants, on a best effort basis, at the issue price of HK\$0.02 per warrant. Based on the subscription price of HK\$0.14 per ordinary share, a maximum of 234,000,000 ordinary shares of HK\$0.10 each can be allotted and issued by the Company upon full exercise of the subscription rights attaching to the warrants. The subscription rights attaching to the warrants can be exercised at any time during a period of 24 months commencing from the date of issue of the warrants. Any subscription rights attaching to the warrants which have not been exercised upon the expiration of 24-month subscription period shall lapse. The aggregate of the issue price of HK\$0.02 per warrant and the subscription price of HK\$0.14 per ordinary share was HK\$0.16 and represented a premium of approximately 1.27% over the closing price of HK\$0.158 per share as quoted on the Stock Exchange on 29 February 2012, being the last trading day immediately preceding the date of the Warrant Placing Agreement. The Company completed the issue of 234,000,000 warrants to 7 independent individual investors on 30 March 2012 and the proceeds from the issue of the warrants were wholly used as general working capital of the Group. On 17 March 2014, 18 March 2014 and 21 March 2014 (collectively, “subscription dates”), holders of 45 million, 37 million and 145 million warrants exercised their rights to subscribe for 45 million, 37 million and 145 million ordinary shares of the Company respectively at HK\$0.14 per share. Accordingly, a total of 227,000,000 ordinary shares were issued in March 2014 and the proceeds from the subscription monies received as a result of the warrant exercises were wholly used as general working capital of the Group. Upon the maturity date of the warrants on 29 March 2014, 7 million warrants remained unexercised and lapsed. The net price of each ordinary share issued upon actual exercise of the warrants, taking into account of the issue price of HK\$0.02 per warrant and the subscription price of HK\$0.14



per ordinary share and the relevant expenses, was approximately HK\$0.159. The directors consider the warrant issue was an appropriate means of raising additional working capital for the Company because it was not interest bearing and it would not have an immediate dilutive effect on the shareholding of the existing shareholders until exercise(s) of warrants by the warrant holders.

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

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period.

CORPORATE GOVERNANCE

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 period, except as stated below. In respect of code provision A.6.7 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 the annual general meeting held on 28 May 2014 due to other commitments.



DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE REVIEW

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

On behalf of the Board

Sze Siu Hung

Chairman

Hong Kong, 28 August 2014

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sze Siu Hung (*Chairman*)
Mr. Qiu Fengshou
Madam Cai Peilei
Mr. Sze Chin Pang

Independent Non-Executive Directors

Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung

AUDIT COMMITTEE

Mr. Lui Siu Keung (*Chairman of committee*)
Professor Zeng Qingfu
Professor Zhao Bei

REMUNERATION COMMITTEE

Mr. Lui Siu Keung (*Chairman of committee*)
Professor Zeng Qingfu
Professor Zhao Bei

NOMINATION COMMITTEE

Mr. Lui Siu Keung (*Chairman of committee*)
Professor Zeng Qingfu
Professor Zhao Bei

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chan Hon Hung
BA (Hons.), CPA, FCCA, ACS, ACIS

AUDITOR

Deloitte Touche Tohmatsu

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

6th Floor, Comweb Plaza
12 Cheung Yue Street
Lai Chi Kok
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Codan Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22
Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

707

DESIGNATED WEBSITE FOR CORPORATE COMMUNICATIONS

www.capitalfp.com.hk/eng/index.jsp?co=707

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our sincere gratitude to our shareholders, investors and business partners for their support and to all our staff for their contribution.

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

Hong Kong, 28 August 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.