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 2014

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 2014, together with the comparative figures for the corresponding year in 2013 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2014** **RMB'000**	2013 RMB'000
Continuing operations			
Turnover	3	**345,762**	402,671
Cost of goods sold and services provided		**(302,391)**	(436,289)
Gross profit/(loss)		**43,371**	(33,618)
Other income		**3,711**	1,639
Other expenses, gains and losses	4	**18,705**	(66,926)
Impairment losses recognised in respect of prepaid lease payments and property, plant and equipment		**(5,236)**	(7,763)
Reversal of impairment losses in respect of prepaid lease payments and property, plant and equipment		**10,550**	9,863
Distribution and selling expenses		**(6,791)**	(7,894)
Administrative expenses		**(22,693)**	(25,528)
Finance costs	5	**(18,361)**	(21,396)

* *For identification purposes only*

	Notes	**2014**	2013
		RMB'000	*RMB'000*
Profit/(loss) before taxation	6	**23,256**	(151,623)
Taxation	7	**(2,494)**	(2,895)
Profit/(loss) for the year from continuing operations		**20,762**	(154,518)
Discontinued operations			
Loss for the year from discontinued operations	8	**–**	(10,105)
Profit/(loss) for the year attributable to the owners of the Company		**20,762**	(164,623)
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
– exchange differences arising on translation		**336**	(531)
Total comprehensive income/(expense) for the year attributable to owners of the Company		**21,098**	(165,154)

	Notes	**2014**	2013
		RMB cents	*RMB cents*
For continuing and discontinued operations			
Earnings/(loss) per share	9		
– Basic		**1.50**	(14.05)
– Diluted		**1.48**	(14.05)
For continuing operations	9		
Earnings/(loss) per share			
– Basic		**1.50**	(13.19)
– Diluted		**1.48**	(13.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		**55,932**	93,721
Prepaid lease payments		**440**	9,150
Deposits made for acquisition of property, plant and equipment		**–**	390
		56,372	103,261
Current assets			
Inventories		**144,297**	230,735
Trade and other receivables	10	**86,535**	105,830
Prepaid lease payments		**14**	221
Pledged bank deposits		**52,111**	58,250
Bank balances and cash		**25,793**	52,224
		308,750	447,260
Assets classified as held for sale	11	**195,339**	–
		504,089	447,260
Current liabilities			
Trade and other payables	12	**27,569**	117,360
Warrants		**–**	30,259
Taxation payables		**4,189**	4,489
Mortgage loan		**–**	134
Short-term bank loans		**137,200**	205,500
Short-term loan from other financial institution		**5,500**	35,000
Financial guarantee contracts	13	**16,699**	46,965
		191,157	439,707
Liabilities associated with assets held for sale	11	**151,898**	–
		343,055	439,707
Net current assets		**161,034**	7,553
Total assets less current liabilities		**217,406**	110,814
Net assets		**217,406**	110,814
Capital and reserves			
Share capital	14	**157,233**	117,055
Reserves		**60,173**	(6,241)
Total equity		**217,406**	110,814

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:

HKFRS 10, HKFRS 12 and HKAS 27 (2011) (Amendment)	Investment Entities
HKAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities
HKAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets
HKAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – INT 21	Levies

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 HKFRSs in issue but not yet effective

Annual Improvements Project	Annual Improvements 2010-2012 Cycle[1]
Annual Improvements Project	Annual Improvements 2011-2013 Cycle[1]
Annual Improvements Project	Annual Improvements 2012-2014 Cycle[2]
HKAS 19 (2011) (Amendment)	Defined Benefit Plans: Employee Contribution[1]
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements[2]
HKFRS 9	Financial Instruments[5]
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations[2]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[4]
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation[2]
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants[2]

[1] Effective for annual periods beginning on or after 1 July 2014
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
[4] Effective for annual periods beginning on or after 1 January 2017
[5] Effective for annual periods beginning on or after 1 January 2018

HKFRS 9 "Financial instruments"

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company anticipate that the application of HKFRS 9 in the future will not affect the classification and measurement of the Group's financial assets and financial liabilities at 31 December 2014.

HKFRS 15 "Revenue from contracts with customers"

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods or services. Specifically the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Company performs a detailed review.

The Group did not early adopt any of these new or revised HKASs and HKFRSs, amendments and interpretation to existing HKASs and HKFRSs. Management is currently assessing the financial impact of these revisions to the Group's financial position and performance.

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:

	2014	2013
	RMB'000	*RMB'000*
Sales of goods from		
– sales of finished fabrics	**185,387**	231,169
– trading of goods	**4,805**	6,161
	190,192	237,330
Subcontracting services	**155,570**	165,341
	345,762	402,671

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.

Manufacture and sales of high density and high-end yarns was classified as discontinued operations during the year ended 31 December 2013. The segment information reported below 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	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Processing, printing and sales of finished fabrics				
– external sales	**340,957**	396,510		
– inter-segment sales*	**–**	19		
	340,957	396,529	**35,165**	(58,377)
Trading of goods	**4,805**	6,161	**(1,211)**	(1,864)
	345,762	402,690	**33,954**	(60,241)
Elimination	**–**	(19)	**–**	–
	345,762	402,671	**33,954**	(60,241)
Interest income			**2,999**	814
Net exchange (loss)/gain			**(159)**	6,013
Gain/(loss) on fair value changes of warrants			**4,572**	(21,010)
Income from amortisation of financial guarantee contracts			**15,655**	–
Loss on fair value of financial guarantee contracts			**–**	(46,965)
Unallocated expenses			**(15,404)**	(8,838)
Finance costs			**(18,361)**	(21,396)
Profit/(loss) before taxation			**23,256**	(151,623)

* 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 (loss)/gain, gain/(loss) on fair value changes of warrants, income from amortisation of financial guarantee contracts, loss on fair value of financial guarantee contracts, 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:

	2014	2013
	RMB'000	*RMB'000*
Segment assets		
Continuing operations		
– processing, printing and sales of finished fabrics	**470,434**	431,926
– trading of goods	**958**	544
	471,392	432,470
Unallocated assets	**89,069**	118,051
	560,461	550,521
Segment liabilities		
Continuing operations		
– processing, printing and sales of finished fabrics	**62,421**	107,005
– trading of goods	**3,743**	7,695
	66,164	114,700
Taxation payables	**4,272**	4,489
Other unallocated liabilities	**272,619**	320,518
	343,055	439,707

For the purposes of monitoring segment performances and allocating resources between segments by the chief operating decision 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 and warrants.

(iii) Other segment information

	2014	2013
	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	**11,563**	6,695
– trading of goods	**18**	5
	11,581	6,700
Depreciation of property, plant and equipment		
– processing, printing and sales of finished fabrics	**12,678**	14,793
– trading of goods	**26**	26
	12,704	14,819
– unallocated	**183**	185
	12,887	15,004
Amortisation of prepaid lease payments		
– processing, printing and sales of finished fabrics	**226**	227
Write-down of inventories		
– processing, printing and sales of finished fabrics	**625**	46,887
Reversal of write-down of inventories		
– processing, printing and sales of finished fabrics	**(4,242)**	–

(iv) Geographical information

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

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

	Turnover		Non-current assets	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
PRC	**340,957**	396,510	**49,085**	95,782
Hong Kong and overseas	**4,805**	6,161	**7,287**	7,479
	345,762	402,671	**56,372**	103,261

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

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Allowances for bad and doubtful debts of trade receivables	**–**	(18)
Reversals of allowances for bad and doubtful debts of trade receivables	**301**	91
Net exchange (loss)/gain	**(159)**	6,013
Obligations recognised under onerous contracts	**–**	(3,076)
Gain on disposals of property, plant and equipment	**41**	20
Gain/(loss) on fair value changes of warrants	**4,572**	(21,010)
Income from amortisation of financial guarantee contracts *(note 13)*	**15,655**	–
Loss on fair value of financial guarantee contracts *(note 13)*	**–**	(46,965)
Research and development costs	**(1,705)**	(1,981)
	18,705	(66,926)

5. FINANCE COSTS

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Interest on bank borrowings wholly repayable within five years		
– bank borrowings	**(17,130)**	(17,333)
– loan from a related party	**–**	(2,314)
– other unsecured loan	**(1,231)**	(1,623)
	(18,361)	(21,270)
Effective interest expense on convertible bonds	**–**	(126)
	(18,361)	(21,396)

6. PROFIT/(LOSS) BEFORE TAXATION

	2014	2013
	RMB'000	*RMB'000*
Continuing operations		
Profit/(loss) before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**12,887**	15,004
Less: Depreciation included in research and development costs	**(334)**	(191)
	12,553	14,813
Cost of inventories recognised as expenses (including net reversal of write-down of inventories amounting to RMB3,617,000 (2013: write-down of inventories amounting to RMB46,887,000))	**302,391**	436,289
Operating lease rentals in respect of		
– prepaid lease payments	**226**	227
– rented premises	**100**	94
and after crediting:		
Government rewards and subsidies (including in other income)*	**574**	530
Interest income	**2,999**	903

* The government rewards and subsidies provided by the PRC government to the Group were paid mainly as an incentive 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.

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 year ended 31 December 2013. The assets and liabilities disposed of at disposal date is disclosed in this note.

Loss from discontinued operations

The loss for the year ended 31 December 2013 from the discontinued operations is analysed as follows:

	2013
	RMB'000
Turnover	112,419
Cost of goods sold	(109,041)
Gross profit	3,378
Other income	299
Other expenses, gains and losses	(514)
Impairment losses recognised in respect of property, plant and equipment	(161)
Reversal of impairment losses in respect of prepaid lease payments	4,947
Distribution and selling expenses	(936)
Administrative expenses	(8,656)
Finance costs	(12,576)
Loss for the year ended 31 December 2013	(14,219)
Gain on disposal of subsidiaries, net of transaction cost	4,114
	(10,105)

Loss for the year ended 31 December 2013 from discontinued operations included the following:

	2013
	RMB'000
Loss for the year ended 31 December 2013 has been arrived at after charging:	
Depreciation of property, plant and equipment	4,345
Less: Depreciation included in research and development costs	(137)
	4,208
Cost of inventories recognised as expenses	109,041
Operating lease rentals in respect of prepaid lease payments	2,509
and after crediting:	
Release of government grant	140
Interest income	89

Analysis of assets and liabilities of the disposal group as at the date of disposal is 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 bank loans	200,000
Government grant	840
	781,763
Net liabilities of the disposal group	(361,687)

Gain on disposal of subsidiaries:

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

9. EARNINGS/(LOSS) PER SHARE

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

For continuing and discontinued operations:

	2014	2013
Earnings	***RMB'000***	*RMB'000*
Profit/(loss) for the purpose of basic earnings/(loss) per share and diluted earnings per share	**20,762**	(164,623)

	2014	2013
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings/(loss) per share	**1,386,326**	1,171,500
Effect of dilutive potential ordinary shares: Share options	**20,000**	–
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**1,406,326**	1,171,500

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

For continuing operations:

	2014	2013
	RMB'000	*RMB'000*
Profit/(loss) for the purpose of basic earnings/(loss) per share for continuing and discontinued operations	**20,762**	(164,623)
Add: Loss for the year from discontinued operations	**–**	10,105
Profit/(loss) for the purpose of basic earnings/(loss) per share for continuing operations	**20,762**	(154,518)

The denominators used are the same as those detailed above for both basic earnings/(loss) per share and diluted earnings per share.

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

For discontinued operations:

For the year ended 31 December 2013, the basic loss per share for discontinued operations is RMB0.86 cents per share. The calculation is based on the loss for the year from the discontinued operations of approximately RMB10,105,000 and the number of 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 does not assume the conversion of the Company's outstanding warrants and the exercise of share options which would reduce the loss per share.

10. TRADE AND OTHER RECEIVABLES

	2014	2013
	RMB'000	*RMB'000*
Trade receivables	**14,275**	24,994
Less: Allowances for bad and doubtful debts	**(2,305)**	(2,606)
	11,970	22,388
Deposit paid to suppliers	**74,807**	83,808
Less: Allowances for bad and doubtful debts	**(2,000)**	(2,000)
	72,807	81,808
Other receivables*	**281**	–
Value-added tax recoverable	**1,300**	106
Other debtors and prepayments	**177**	1,528
	86,535	105,830

* As at 31 December 2014, advances to third parties 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:

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**9,072**	16,692
91 to 180 days	**2,669**	2,187
181 to 270 days	**131**	609
271 to 365 days	**39**	2,900
Over 365 days	**59**	–
	11,970	22,388

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 were debtors with aggregate carrying amount of RMB2,898,000 (2013: RMB5,696,000) which were 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:

	2014	2013
	RMB'000	*RMB'000*
91 to 180 days	**2,669**	2,187
181 to 270 days	**131**	609
271 to 365 days	**39**	2,900
Over 1 year	**59**	–
	2,898	5,696

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**	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**2,606**	2,679	**2,000**	2,000
Allowances made during the year	**–**	18	**–**	–
Reversals of allowances during the year	**(301)**	(91)	**–**	–
At 31 December	**2,305**	2,606	**2,000**	2,000

During the year ended 31 December 2014, the allowances amounted to RMB301,000 (2013: RMB91,000) were reversed because the related debts were settled during the year. The Group does not hold any collateral over these balances.

11. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE

As disclosed in note 15, the Company conditionally agreed to dispose of its entire interest in Shasing Shapheng Dyeing Co. Ltd. through the disposal of Top Vast Holdings Limited. The directors determine the disposal is highly probable and thus, the relevant assets and liabilities of Top Vast Holdings Limited and Shasing Shapheng Dyeing Co. Ltd. are classified to assets classified as held for sale and liabilities associated with assets classified as held for sale respectively in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations". Details of the relevant assets and liabilities of Top Vast Holdings Limited and Shasing Shapheng Dyeing Co. Ltd. as at 31 December 2014 are as follows:

	RMB'000
Property, plant and equipment	41,784
Prepaid lease payments	8,691
Inventories	101,398
Trade and other receivables *(Note a)*	39,735
Pledged bank deposits	3,200
Bank balances and cash	531
Total assets classified as held for sale	195,339
Trade and other payables *(Note b)*	39,404
Taxation payables	83
Short-term bank loans	97,800
Financial guarantee contracts	14,611
Total liabilities associated with assets held for sale	151,898

Notes:

(a) The following is an analysis of the trade and other receivables of Top Vast Holdings Limited and Shasing Shapheng Dyeing Co. Ltd.:

	RMB'000
Trade receivables	18,345
Deposits paid to suppliers	20,061
Other receivables	1,323
Other debtors and prepayments	6
	39,735

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

	RMB'000
0 to 90 days	15,172
91 to 180 days	354
181 to 270 days	387
271 to 365 days	1,032
Over 365 days	1,400
	18,345

(b) The following is an analysis of the trade and other payables of Top Vast Holdings Limited and Shasing Shapheng Dyeing Co. Ltd.:

	RMB'000
Trade payables	18,393
Bills payables	4,000
Customers' deposits	16,528
Other payables and accruals	483
	39,404

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

	RMB'000
0 to 90 days	4,744
91 to 180 days	6,830
181 to 270 days	1,521
271 to 365 days	1,678
Over 365 days	3,620
	18,393

12. TRADE AND OTHER PAYABLES

	2014	2013
	RMB'000	*RMB'000*
Trade payables	**8,068**	33,996
Bills payables – secured by pledged deposits	**625**	36,587
	8,693	70,583
Customers' deposits	**17,714**	36,694
Obligations under onerous contracts for acquisition of property, plant and equipment	**–**	3,076
Advances from third parties [(a)]	**–**	3,099
Other payables and accruals	**1,162**	3,908
	27,569	117,360

(a) Advances from third parties were unsecured, interest-free and were 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:

	2014	2013
	RMB'000	*RMB'000*
0 to 90 days	**4,188**	51,804
91 to 180 days	**1,007**	6,665
181 to 270 days	**506**	1,542
271 to 365 days	**95**	2,024
Over 365 days	**2,897**	8,548
	8,693	70,583

13. FINANCIAL GUARANTEE CONTRACTS

As at 31 December 2013, the Group provided corporate guarantees to a bank in respect of short-term bank borrowings granted to Shasing-Shapheng (Quangzhou) amounting to RMB150,000,000 out of the total outstanding amount of RMB200,000,000. Pursuant to the corporate guarantee agreements, the Group has provided the guarantee amounting to extent of RMB150,000,000. The relevant financial guarantee contracts were initially measured at their fair values as at 31 December 2013 by Independent valuer, American Appraisal China Limited 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 addition, a counter-indemnity in favour of the Group is executed by the buyer of Shasing-Shapheng Quangzhou (the "Buyer") on 2 January, 2014, pursuant to which the Buyer undertakes to indemnify the Group the liabilities arising from the above loan facilities.

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 recognised less, when appropriate, cumulative amortisation recognised in accordance with Hong Kong Accounting Standard 18 "Revenue".

Accordingly, in respect of the financial guarantee contracts, an amortisation of RMB15,655,000 was credited to the profit or loss for the year.

As at 31 December 2014, the corporate guarantee contracts of RMB14,611,000 was classified as liabilities associated with assets held for sale in note 11.

14. SHARE CAPITAL

	Authorised	
	Number of shares	**Amount**
	'000	*HK$'000*
Ordinary shares of HK$0.10 each		
– at 1 January 2013, 31 December 2013 and 31 December 2014	7,000,000	700,000

	Issued and fully paid		
	Number of shares	**Amount**	**Amount**
	'000	RMB'000	HK$'000
Shares in the consolidated statement of financial position			
– at 1 January 2013 and 31 December 2013	1,171,500	117,055	117,150
Exercise of warrants *(note a)*	227,000	18,003	22,700
Placement of new shares *(note b)*	279,700	22,175	27,970
– at 31 December 2014	1,678,200	157,233	167,820

Notes:

(a) For the year ended 31 December 2014, 227,000,000 (2013: Nil) warrants have been exercised at the exercise price at HK$0.14 (2013: Nil). These shares ranked pari passu with other shares in issue in all aspect.

(b) On 28 October 2014, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 279,700,000 new shares at the price of HK$0.16 per placing share (the "placing price"). On 13 November 2014, a total of 279,700,000 new shares were successfully placed at the placing price. Accordingly, 279,700,000 shares of HK$0.1 each were issued at a premium of HK$0.06 each. The premium on issue of shares of approximately HK$16,782,000 net of transaction cost of approximately HK$1,308,000, was credited to the share premium account. These shares rank pari pasu in all respects with the existing shares.

15. EVENTS AFTER THE REPORTING PERIOD

On 17 March 2015, the Company entered into an agreement with the purchaser pursuant to which the Company has conditionally agreed to sell, and the purchaser has conditionally agreed to acquire in aggregate 3,000 shares in the share capital of Top Vast Holdings Limited (representing 100% of its entire then issued share capital) at a total consideration of RMB43,800,000. The principal assets of Top Vast Holdings Limited is its 100% interest in Shasing Shapheng Dyeing Co. Ltd. The disposal constitutes a major disposal transaction for the Company under the Rules Governing the Listing of Securities on the Stock Exchange and is subject to shareholders' approval in an extraordinary meeting. No Shareholder is required to abstain from voting to approve the ordinary resolution in respect of the Agreement and the transactions contemplated there under at the extraordinary meeting. As at the date of the announcement dated 17 March 2015, the Group provided corporate guarantees in favour of several banks in respect of the loans granted to Shasing Shapheng Dyeing Co., Ltd. up to an aggregate amount of RMB62,000,000. Upon the completion of the disposal of Top Vast Holding Limited, the continuance of the corporate guarantee will constitute provision of financial assistance by the Group to third parties. Details of the disposal and provision of financial assistance are set out in the Company's announcement dated 17 March 2015.

BUSINESS REVIEW

The Group continued to face a tough operating environment in 2014. The competition among the players in the industry remained fierce. Yet the Group recorded a consolidated net profit for the year ended 31 December 2014 ("2014") as compared to a consolidated net loss for the year ended 31 December 2013 ("2013"). The primary reasons for the improvement in results performance are as follows:

(1) a gross profit margin was recorded in 2014 whereas a gross loss was posted in 2013;

(2) a gain of fair value in relation to warrants was registered in 2014 whereas a loss of fair value in relation to warrants was registered in 2013;

(3) an income from amortisation of financial guarantee contracts was posted in 2014 whereas a loss on fair value of financial guarantee contracts was recorded in 2013.

In light of the expected slowdown in the global demand of yarn and textile and increasing trend of production costs, as well as the impact brought by increasingly stringent environment protection requirements to be applied during manufacturing process, on 17 March 2015, the Group reached a conditional sale and purchase agreement to sell all its shareholding in its wholly-owned subsidiary, Top Vast Holdings Limited (the "Proposed Disposal"). Top Vast Holdings Limited, an investment holding company, wholly owns Shasing Shapheng Dyeing Co. Ltd. which is engaged in the sales of finished fabrics and the provision of fabrics processing subcontracting services. The Proposed Disposal is subject to shareholders' approval at an upcoming Extraordinary General Meeting. Details of the Proposed Disposal are set out in the Company's announcement of 17 March 2015 titled "(I) Major transaction proposed disposal of subsidiaries and (II) Possible major transaction in relation to the provision of financial assistance after completion of the proposed disposal".

The Company has always strived to broaden its shareholder and capital base for its existing business and future development. 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.

In addition, on 28 October 2014, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best efforts basis, up to 279,700,000 ordinary shares at the placing price of HK$0.16 per share to not fewer than six placees who and whose beneficial owners shall be independent third parties. On 13 November 2014, all the aforesaid 279,700,000 ordinary shares have been successfully placed by the placing agent to not fewer than six independent placees, who comprised individual and institutional investors, at the placing price of HK$0.16 per ordinary share pursuant to the terms and conditions of the placing agreement.

The strong response of the warrant exercise and the success of share placing fully demonstrated the investors' confidence in 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") 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.

In 2014, the Group's total turnover decreased by 14.1% to approximately RMB345.8 million for the year (2013*: RMB402.7 million). During the year, the revenue from fabrics sales business, processing business and trading business all fell. Lower average unit selling price was recorded for both fabrics sales business and processing business.

The Group registered a gross profit of approximately RMB43.4 million for the year (2013*: a gross loss of RMB33.6 million). During the year, the fabrics sales business registered a gross profit margin, the gross profit margin of trading business increased and that of processing business declined. The lack of substantial write-down of inventories in 2014 and a more stringent cost control caused the fabrics sales business to turn from its gross loss position in 2013 back to a gross profit position in 2014. Better product mix in the year helped to improve the gross profit margin of trading business. The persistent depressed market and the lower average unit selling prices led to the lower gross profit margin of processing business.

Other income increased by 1.26 times to approximately RMB3.7 million (2013*: RMB1.6 million) which primarily included an interest income of RMB3.0 million, government rewards and subsidies of RMB0.6 million, and business referral income of RMB0.1 million. Other expenses, gains and losses amounted to a net gain of RMB18.7 million (2013*: a net loss of RMB66.9 million) which was mainly the net aggregate of reversals of allowances for bad and doubtful debts of RMB0.3 million, net exchange loss of RMB0.2 million, gain on fair value changes of warrants of RMB4.6 million, income from amortization of financial guarantee contracts of RMB15.7 million and research and development costs of RMB1.7 million. During the year, impairment losses of RMB5.2

million (2013*: RMB7.8 million) in respect of prepaid lease payments and property, plant and equipment were recognised. On the other hand, reversals of impairment losses of RMB10.6 million (2013*: RMB9.9 million) in respect of prepaid lease payments and property, plant and equipment were recognised.

As a result of a stricter cost control, distribution and selling expenses dropped by 14.0% to approximately RMB6.8 million (2013*: RMB7.9 million) and administrative expenses were down by 11.1% to approximately RMB22.7 million (2013*: RMB25.5 million). Finance costs for the year decreased by 14.2% to RMB18.4 million (2013*: RMB21.4 million), which was mainly caused by the lower average interest-bearing borrowings during the year.

* the comparative figures represented those figures stated under "Continuing operations" in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2013

FUTURE PROSPECTS

For the rest of 2015, the global economic outlook seems to remain mixed and complex. Overall speaking, the operating environment faced by the Group is still very challenging. Such an acute operating environment will continue to overshadow, among others, the whole textile industry and will expedite the process of eliminating under-performed industry players.

Looking forward, undoubtedly, the monetary policy normalization in the United States will continue to have a significant effect on the worldwide economy. The latest development of European economies, the upcoming economic performance of China, the concerns on deflationary trends in certain economies and the price volatility of oil and other commodities will further increase uncertainties and volatilities of the global business environment. The unstable economic environment may dampen the spending by consumers ultimately.

Against such a bewildered economic backdrop, the Group will remain focused on its sustainable long-term growth and continue to maintain its vigilance on cost control measures and production efficiency whilst devote resources to widen its customer base and enhance its products.

Moreover, the Group will stick to its prudent and down-to-earth business operating philosophy and modify its business strategies when needed. It will continue to explore and capitalise all potential opportunities 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 days ahead.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2014, the Group had total assets of approximately RMB560.5 million (2013: RMB550.5 million) which were financed by current liabilities of approximately RMB343.1 million (2013: RMB439.7 million) and shareholders' equity of approximately RMB217.4 million (2013: RMB110.8 million).

As at 31 December 2014, the Group's cash and bank balances was approximately RMB26.3 million (out of which RMB0.5 million was included in "Assets classified as held for sale" in the consolidated statement of financial position as at 31 December 2014) (2013: RMB52.2 million), while pledged bank deposits amounted to RMB55.3 million (out of which RMB3.2 million was included in "Assets classified as held for sale" in the consolidated statement of financial position as at 31 December 2014) (2013: RMB58.3 million). As at 31 December 2014, the 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 1.5 (2013: 1.0). The gearing ratio, being a ratio of borrowings (comprising (i) mortgage loan, (ii) short-term bank loans and (iii) short term loan from other financial institution of the whole Group including those listed under "liabilities associated with assets held for sale" in the consolidated statement of financial position as at 31 December 2014.) to shareholders' equity, was 110.6% (2013: 217.2%). The Group always adopted a conservative approach in its financial management.

CHARGES ON GROUP ASSETS

As at 31 December 2014, the Group's borrowings were secured by assets with a total carrying value of approximately RMB119.4 million (2013: RMB126.0 million).

CAPITAL EXPENDITURES

As at 31 December 2014, the Group has no capital commitments (2013: RMB9.0 million) in respect of purchases of property, plant and equipment.

CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

Save as disclosed in note 13 to the consolidated financial statements contained in this announcement, the Group did not have any significant contingent liabilities as at 31 December 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 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 2014, the Group had about 1,100 Employees (2013: 1,300 employees) in Hong Kong and in the PRC.

Remuneration packages for the employees are maintained at a competitive level of the jurisdiction within which the employees are employed to attract, retain and motivate the employees and are reviewed periodically.

In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 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.

In addition, on 28 October 2014, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best efforts basis, up to 279,700,000 ordinary shares at the placing price of HK$0.16 per share to not fewer than six placees who and whose beneficial owners shall be independent third parties. On 13 November 2014, all the aforesaid 279,700,000 ordinary shares have been successfully placed by the placing agent to not fewer than six independent placees, who comprised individual and institutional investors, at the placing price of HK$0.16 per ordinary share pursuant to the terms and conditions of the placing agreement. The aggregate nominal value of the number of Placing Shares under the Placing will be HK$27,970,000. The placing price of HK$0.16 per ordinary share represented a discount of approximately 17.10% to the closing price of HK$0.193 per ordinary share as quoted on the Stock Exchange on 28 October 2014, being the date of entering into the placing agreement. After deducting all relevant costs and expenses, the actual net proceeds from the placing was approximately HK$43.4 million, which translated into net placing price of approximately HK$0.155 per ordinary share. The Directors believed that the placing represented an opportunity to raise capital for the Group while broadening its shareholder and capital base. It also signifies the confidence of the placees in the potential of the Company and demonstrates their willingness to support the Company. All the net proceeds from the placing have been used for general working capital of the Group.

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 year.

DIVIDEND

The Board does not recommend any payment of final dividend (2013: Nil) for the year.

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 2014 and except for the fact that the Company has not been able to reach Professor Zeng Qingfu up to the date of this results announcement to confirm his compliance with the Model Code, all other Directors 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 ("Corporate Governance Code") during the year ended 31 December 2014, except for the fact that the Company has not been able to reach Professor Zeng Qingfu up to the date of this results announcement in respect of his compliance of Corporate Governance Code during the year ended 31 December 2014 and the facts 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 28 May 2014 and the extraordinary general meeting held on 13 October 2014 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 REANDA LAU & AU YEUNG (HK) CPA LIMITED

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 31 December 2014 as set out in the preliminary announcement have been agreed by the Group's auditor, Reanda Lau & Au Yeung (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Reanda Lau & Au Yeung (HK) CPA Limited 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 Reanda Lau & Au Yeung (HK) CPA Limited on the preliminary announcement.

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

Hong Kong, 24 March 2015

As at the date of this announcement, Mr. Sze Siu Hung, Mr. Sze Siu Bun, Mr. Sze Chin Pang and Mr. Chan Chi Yuen are the executive Directors; and Professor Zeng Qingfu, Professor Zhao Bei and Mr. Chan Chiu Hung, Alex are the independent non-executive Directors.