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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 2017

The board (the “**Board**”) of directors (the “**Director(s)**”) of Co-Prosperity Holdings Limited (the “**Company**”) is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2017 (the “**Period**”) together with the comparative figures for the corresponding period in 2016 are as follow:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	<i>NOTES</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
Turnover	3	83,222	100,321
Cost of sales		(59,845)	(74,262)
Gross profit		23,377	26,059
Other income		344	1,611
Other expenses, gains and losses		30,011	(15,507)
Gain on disposals of subsidiaries		—	20,021
Distribution and selling expenses		(1,501)	(1,849)
Administrative and operating expenses		(35,601)	(16,413)
Finance costs	4	(15,138)	(10,107)
Profit before taxation	5	1,492	3,815
Taxation	6	(516)	(738)
Profit for the period		976	3,077

		Six months ended 30 June	
		2017	2016
<i>NOTES</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited)
Other comprehensive (expense)/income			
– Items that will be reclassified subsequently to profit or loss:			
– exchange differences arising on translation		(25,324)	9,105
– release of translation reserve upon disposals of subsidiaries		–	(1,401)
Total comprehensive (expense)/income for the period		(24,348)	10,781
Profit for the period attributable to owners of the Company		795	3,077
Non-controlling interests		181	–
		976	3,077
Total comprehensive (expenses)/income for the period attributable to owners of the Company		(23,807)	10,781
Non-controlling interests		(541)	–
		(24,348)	10,781
		<i>RMB cents</i>	<i>RMB cents</i>
Earnings per share	7		
– Basic and diluted		0.018	0.121

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

		At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
	NOTES		
NON-CURRENT ASSETS			
Property, plant and equipment		43,250	49,699
Prepaid lease payments		405	412
Deposits for other assets		2,033	—
Deposits for other investments		434,100	456,567
Deposits for investments in subsidiaries		—	7,162
Intangible assets	15	9,580	—
Goodwill	15	20,274	—
		<u>509,642</u>	<u>513,840</u>
CURRENT ASSETS			
Inventories		105,643	106,724
Trade and other receivables, deposits and prepayments	9	251,434	172,326
Loan receivables	10	66,764	138,817
Prepaid lease payments		14	14
Financial assets at fair value through profit or loss		345,760	201,422
Tax recoverable		1,204	—
Pledged bank deposits		28,920	38,420
Bank balances and cash		99,071	27,820
		<u>898,810</u>	<u>685,543</u>
CURRENT LIABILITIES			
Trade and other payables	11	133,370	266,843
Bond payables		64,197	63,710
Taxation payables		3,960	4,277
Obligations under finance leases		192	658
Other borrowing		48,619	—
Short-term bank loans		114,690	119,340
Short-term loans from other financial institutions		173,640	26,647
		<u>538,668</u>	<u>481,475</u>

		At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
	<i>NOTES</i>		
Net current assets		<u>360,142</u>	<u>204,068</u>
Total assets less current liabilities		<u>869,784</u>	<u>717,908</u>
NON-CURRENT LIABILITIES			
Obligations under finance leases		504	1,623
Convertible bonds	12	25,979	26,589
Deferred tax liabilities		<u>62</u>	<u>—</u>
		<u>26,545</u>	<u>28,212</u>
Net assets		<u><u>843,239</u></u>	<u><u>689,696</u></u>
CAPITAL AND RESERVES			
Share capital	13	422,557	351,608
Reserves		<u>381,549</u>	<u>338,088</u>
		804,106	689,696
Non-controlling interests		<u>39,133</u>	<u>—</u>
Total equity		<u><u>843,239</u></u>	<u><u>689,696</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2017

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”). The unaudited interim condensed consolidated financial statements (the “Interim Financial Statements”) are presented in Renminbi (“RMB”).

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “Listing Rules”) of the Stock Exchange and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2016 (the “Annual Report”).

The Interim Financial Statements has been prepared under the historical cost basis, except for financial assets at fair value through profit or loss, which are measured at fair value. The principal accounting policies adopted in the Interim Financial Statements are consistent with those followed in the preparation of the Annual Report, 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 period beginning on 1 January 2017 and relevant to the operations of the Group. The adoption of these new HKFRSs had no material effect to the Group’s financial performance 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 the Group’s financial performance and financial position.

The Interim Financial Statements have not been audited.

3. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following six reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Processing, printing and sales of finished fabrics and subcontracting services;
- Trading of fabrics and clothing;
- Money lending;
- Securities investment;
- Media, cultural and entertainment; and
- Securities broker services and margin finance.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Segment assets include all non-current assets and current assets attributable to the activities of the individual segments. Segment liabilities include trade and other payables attributable to the activities of the individual segments, other borrowing and short-term loans managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

Information regarding the Group's reportable segments as provided to the Group's senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2017 and 2016 are set out below.

	Six months ended 30 June 2017 (unaudited)								
	Processing, printing and sales of finished fabrics – PRC RMB'000	Trading of fabrics and clothing – Hong Kong RMB'000	Money lending – Hong Kong RMB'000	Securities investment – Hong Kong RMB'000	Entertainment and media – Hong Kong RMB'000	Securities broker services and margin finance – Hong Kong RMB'000	Unallocated corporate office RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	63,945	1,207	4,463	8,455	2,240	2,912	–	–	83,222
Revenue from inter-segment	–	–	–	–	334	–	4,421	(4,755)	–
Reportable segment revenue	63,945	1,207	4,463	8,455	2,574	2,912	4,421	(4,755)	83,222
Reportable segment profit/(loss) (adjusted EBITDA)	1,505	(102)	4,442	34,117	(8,565)	496	(12,915)	–	18,978
Depreciation and amortisation for the period	(1,735)	(4)	–	–	(32)	(43)	(534)	–	(2,348)
Finance costs	(2,978)	–	(4,421)	(757)	(389)	–	(11,014)	4,421	(15,138)
Profit before taxation									1,492
	At 30 June 2017 (unaudited)								
Reportable segment assets	238,457	921	322,270	428,169	540,035	183,979	849,438	(1,154,817)	1,408,452
Additions to non-current segment assets during the period	7	4	–	–	95	–	29	–	135
Reportable segment liabilities	170,379	4,004	342,626	135	549	65,872	324,274	(342,626)	565,213

Six months ended 30 June 2016 (unaudited)

	Processing, printing and sales of finished fabrics – PRC RMB'000	Trading of fabrics and clothing – Hong Kong RMB'000	Money lending – Hong Kong RMB'000	Securities investment – Hong Kong RMB'000	Entertainment and media – Hong Kong RMB'000	Securities broker services and margin finance – Hong Kong RMB'000	Unallocated corporate office RMB'000	Elimination RMB'000	Total RMB'000
Revenue from external customers	84,347	520	15,346	108	–	–	–	–	100,321
Revenue from inter-segment	–	–	–	–	–	–	14,493	(14,493)	–
Reportable segment revenue	84,347	520	15,346	108	–	–	14,493	(14,493)	100,321
Reportable segment profit/(loss) (adjusted EBITDA)	8,342	158	10,398	(13,667)	–	–	10,921	–	16,152
Depreciation and amortisation for the period	(2,033)	(6)	–	–	–	–	(191)	–	(2,230)
Finance costs	(3,752)	–	(12,959)	(466)	–	–	(5,889)	12,959	(10,107)
Profit before taxation									3,815

At 31 December 2016 (audited)

Reportable segment assets	252,664	2,064	394,389	249,292	518,365	–	431,359	(648,750)	1,199,383
Additions to non-current segment assets during the period	574	74	–	–	–	–	4,492	–	5,140
Reportable segment liabilities	180,994	5,126	393,157	26,650	197,503	–	99,414	(393,157)	509,687

(ii) *Geographical information*

The following table sets out information about the geographical location of (i) the Group's revenue from external customers; and (ii) the Group's property, plant and equipment, prepaid lease payments, intangible assets and goodwill (the "**Specified Non-current Assets**"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the Specified Non-current Assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated.

	Turnover		Non-current assets	
	Six months ended 30 June		At 30 June	At 31 December
	2017	2016	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(audited)
The People's Republic of China (the "PRC")	63,945	84,347	41,493	46,191
Hong Kong and overseas	19,277	15,974	32,016	3,920
	83,222	100,321	73,509	50,111

Information about major customers

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

4. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Interests on bank and other borrowings wholly repayable within five years		
– bank borrowings	2,978	3,722
– other secured loans	757	496
– other unsecured loans	4,084	–
	7,819	4,218
Effective interest expense on bond payables	2,455	4,393
Effective interest expense on convertible bonds	1,277	1,468
Interest expense on finance leases	50	28
Other finance costs	3,537	–
	15,138	10,107

5. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Profit before taxation was arrived at after charging/(crediting):		
Cost of inventories recognised as expenses	59,695	74,262
Depreciation on property, plant and equipment	2,316	2,229
Operating lease rentals in respect of prepaid lease payments	3,125	1,221
Net (gain)/loss on securities investment:		
– disposed of during the period	(8,455)	(108)
– held at the end of the period	(26,993)	13,423
Written-off of interest receivables	–	4,908
	=====	=====

6. TAXATION

The charge represents the PRC income tax calculated at the rates prevailing in the PRC jurisdiction. Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) to the estimated assessable profit for the Period. No provision for Hong Kong Profits Tax has been made in the Interim 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 approximately RMB266,938,000 (31 December 2016: RMB266,669,000). No deferred tax asset has been recognised in relation 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 Interim Financial Statements in respect of temporary differences attributable to retained profits of the relevant PRC subsidiaries amounting to approximately RMB132,319,000 (31 December 2016: RMB130,553,000) 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.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
<u>Earnings attributable to the owners of the Company</u>		
Earnings for the purpose of basic and diluted earnings per share	<u>795</u>	<u>3,077</u>

	Six months ended 30 June	
	2017	2016
	(unaudited)	(unaudited)
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	<u>4,488,013,790</u>	<u>2,542,317,560</u>

There are no dilutive effects on the conversion of convertible bonds as they are anti-dilutive for both periods.

8. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (2016: Nil).

9. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Trade receivables from securities broker services and margin loan segment		
– Cash clients	4,534	–
– Margin clients	38,179	–
– Clearing house	2,841	–
	<u>45,554</u>	<u>–</u>
Trade receivables from other segments	15,382	20,844
Less: Allowances for bad and doubtful debts	<u>(2,489)</u>	<u>(2,546)</u>
	<u>12,893</u>	<u>18,298</u>
	<u>58,447</u>	<u>18,298</u>
Deposits paid to suppliers	51,888	53,219
Less: Allowances for bad and doubtful debts	<u>(16,541)</u>	<u>(16,541)</u>
	<u>35,347</u>	<u>36,678</u>
Refundable deposit paid for acquisition	8,682	3,581
Prepayment for acquisition of financial assets at fair value through profit or loss	–	40,688
Other receivables due from ATV (<i>note i</i>)	88,001	61,037
Other receivables and prepayments	14,854	10,034
Other deposits	1,954	1,962
Value-added tax recoverable	1,782	3
Amounts due from non-controlling shareholders of subsidiaries (<i>note ii</i>)	42,324	–
Amount due from a director (<i>note ii</i>)	<u>43</u>	<u>45</u>
	<u>251,434</u>	<u>172,326</u>

Notes:

- i. Amounts due from Asia Television Limited (“ATV”) represented (i) debts previously owed to the ex-employees and ex-independent contractors of ATV in the aggregate amount of approximately HK\$54,249,000 (equivalent to approximately RMB47,099,000) (31 December 2016: HK\$34,934,000 (equivalent to approximately RMB31,274,000)) (including mandatory provident fund contributions and surcharge for ex-employees of ATV in Hong Kong and social security insurance contributions and surcharge for ex-employees of ATV in PRC) which have been assigned to Star Platinum Enterprises Limited; and (ii) amounts advanced to ATV for maintaining its operation of approximately HK\$47,111,000 (equivalent to approximately RMB40,902,000) (31 December 2016: HK\$33,246,000 (equivalent to approximately RMB29,763,000)).
- ii. The amounts due from a director and non-controlling shareholders of subsidiaries are unsecured, interest-free and repayable on demand.

Trade receivables from securities broker services and margin loan segment

All receivables from cash clients, margin clients and clearing house are not past due at the reporting dates for which the management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are considered fully recoverable.

Trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by management.

No aging analysis is disclosed for trade receivables from securities broker services and margin loan segment as, in the opinion of the directors, an aging analysis is not meaningful in view of the business nature of securities dealings.

Trade receivables from other segments

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 and net of impairment at the end of the reporting period:

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
0 to 90 days	<u>9,104</u>	<u>7,294</u>
91 to 180 days	734	4,507
181 to 270 days	144	5,023
271 to 365 days	2,465	156
Over 365 days	<u>446</u>	<u>1,318</u>
	<u>3,789</u>	<u>11,004</u>
	<u><u>12,893</u></u>	<u><u>18,298</u></u>

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.

10. LOAN RECEIVABLES

The credit quality analysis of the loans receivable is as follows:

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Neither past due nor impaired:		
Unsecured loans		
– principal	63,914	129,515
– interest	2,850	9,302
	<u>66,764</u>	<u>138,817</u>

The Group's loan receivables, which arise from the money lending business in Hong Kong, were denominated in Hong Kong dollars. The carrying value of the loan principal and interest receivables in original currency as at 30 June 2017 amounted to approximately HK\$73,617,000 (31 December 2016: HK\$144,672,000) and approximately HK\$3,283,000 (31 December 2016: HK\$10,390,000), respectively.

11. TRADE AND OTHER PAYABLES

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Trade payables from securities broker services and margin loan segment		
– Cash clients	6,981	–
– Margin clients	35,331	–
	<u>42,312</u>	–
Trade payables from other segments	24,896	24,916
Customers' deposits	25,509	27,238
Other payables and accruals (<i>note i</i>)	19,239	213,424
Amounts due to directors and a shareholder (<i>note ii</i>)	513	1,265
Amounts due to related parties (<i>note ii</i>)	20,901	–
	<u>133,370</u>	<u>266,843</u>

Notes:

- i. Included in other payables, there was an amount of HK\$220,000,000 (equivalent to RMB196,951,000) representing the outstanding consideration payable for the acquisition of ATV as at 31 December 2016. The outstanding consideration payable has been fully settled during the Period.
- ii. The amounts due to directors, a shareholder and related parties are unsecured, interest-free and repayable on demand.

Trade payables from securities broker services and margin loan segment

No aging analysis is disclosed for payables to margin clients as, in the opinion of the directors, an aging analysis is not meaningful in view of the business nature of securities dealings and margin financing.

Trade payables from other segments

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

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
0 to 90 days	7,954	7,864
91 to 180 days	3,630	4,953
181 to 270 days	2,225	3,162
271 to 365 days	2,677	5,455
Over 365 days	8,410	3,482
	<u>24,896</u>	<u>24,916</u>

12. CONVERTIBLE BONDS

On 23 October 2015, the Company entered into a conditional placing agreement (as supplemented by the supplemental CB Placing agreements dated 13 December 2015 and the second supplemental CB placing agreement dated 1 February 2016) (collectively, the “CB Placing Agreements”) with China Everbright Securities (“China Everbright”) in relation to the placing of the bonds in accordance with the terms of the CB Placing Agreements (the “Placing Bond”). On 15 April 2016, the Placing Bond with an aggregate principal amount of HK\$120,450,000 had been successfully placed by China Everbright to not less than six CB investors. Details of the Placing Bond were set out in the Company’s announcements dated 15 April 2016, 8 April 2016, 1 February 2016 and 14 December 2015 and the circular dated 22 February 2016.

The conversion option of the convertible bonds is accounted for as equity instrument and is determined after deducting the fair value of the liability component from the total fair value amount of the convertible bonds at the date of issuance. The residual amount represents the value of the conversion option, which is credited directly to equity as convertible bond equity reserve of the Group. The valuation of the fair value of the liability component at the date of issuance was carried out by an external independent valuer by using discounted cash flow method.

At 31 December 2016, an aggregate principal amount of HK\$75,650,080 of the convertible bonds was converted into 343,864,000 ordinary shares at the conversion price of HK\$0.22 per conversion share. No conversion occurred during the Period.

The convertible bonds are bifurcated into a liability component and an equity component for accounting purpose. The following tables summarise the movements in the liability and equity components of the Company's convertible bonds during the Period:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
Liability component		
At the beginning date/date of issue	26,589	96,033
Effective interest expense	1,277	2,752
Interest payable	(1,081)	(2,461)
Conversion during the period/year	–	(72,504)
Currency realignment	(806)	2,769
	<u>25,979</u>	<u>26,589</u>
At the end of the reporting date	<u>25,979</u>	<u>26,589</u>
Equity component (included in convertible bonds equity reserve)		
At the beginning date/date of issue	1,171	4,578
Conversion during the period/year	–	(3,407)
	<u>1,171</u>	<u>1,171</u>
At the end of the reporting date	<u>1,171</u>	<u>1,171</u>

The liability component of the convertible bonds is classified as a non-current liability on the amortised cost basis until extinguished on conversion or redemption.

13. SHARE CAPITAL

	Authorised		
	Number of shares '000	Amount HK\$'000	
Ordinary shares of HK\$0.10 each:			
At 1 January 2016 (audited)	7,000,000	700,000	
Increase in authorised share capital (note a)	13,000,000	1,300,000	
At 31 December 2016 (audited) and 30 June 2017 (unaudited)			
	20,000,000	2,000,000	
Issued and fully paid			
	Number of shares '000	Amount RMB'000	Amount HK\$'000
Ordinary shares of HK\$0.10 each:			
At 1 January 2016 (audited)	2,036,040	186,229	203,604
Placement of new shares (note b)	600,000	50,076	60,000
Subscription of new shares (note c)	300,000	25,038	30,000
Conversion of convertible bonds (note d)	407,500	34,461	40,750
Placement of new shares (note e)	642,380	55,804	64,238
At 31 December 2016 (audited)	3,985,920	351,608	398,592
Placement of new shares (note f)	797,184	70,949	79,718
At 30 June 2017 (unaudited)	4,783,104	422,557	478,310

Notes:

- (a) On 9 March 2016, an ordinary resolution was passed at an extraordinary general meeting by which the authorised number of ordinary share of the Company was increased from 7 billion to 20 billion by the creation of additional 13 billion ordinary shares of HK\$0.1 each.
- (b) On 23 October 2015, the Company entered into a share placing agreement (as subsequently supplemented by the Supplemental Share Placing Agreement dated 13 December 2015 and the Second Supplemental Share Placing Agreement dated 1 February 2016) (collectively, the "Share Placing Agreements") with Haitong International Securities Company Limited ("Haitong Securities"). Pursuant to the Share Placing Agreements, Haitong Securities conditionally agreed to place, on a best effort basis, up to an aggregate of 600,000,000 new ordinary shares of the Company to not less than six placees at a price of not less than HK\$0.20 per placing share. On 1 April 2016, the share placing has been successfully placed at HK\$0.20 per placing share.

- (c) On 23 October 2015, the Company entered into a share subscription agreement (as subsequently supplemented by the Supplemental Share Subscription Agreement and the Second Supplemental Share Subscription Agreement) (collectively the “Share Subscription Agreements”) with Honghu Capital Co. Limited (“Honghu Capital”). Pursuant to the Share Subscription Agreements, the Company conditionally agreed to allot and issue and Honghu Capital conditionally agreed to subscribe for 300,000,000 subscription shares (the “Share Subscription”) at the subscription price of HK\$0.20 per share. On 5 April 2016, the Share Subscription had been completed.

Honghu Capital was interested in 645,100,000 ordinary shares, representing approximately 21.97% of the total issued share capital of the Company at the date of the completion of the Share Subscription and thus was a substantial shareholder of the Company. Therefore, Honghu Capital was a connected person under Chapter 14A of the Listing Rules. Accordingly, the Share Subscription constituted a non-exempt connected transaction for the Company under the Listing Rules and was subject to the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

- (d) During the year end 31 December 2016, an aggregate principal amount of HK\$89,650,000 of convertible bonds were converted at the conversion price of HK\$0.22. These shares ranked *pari passu* with other shares in issue in all aspect.
- (e) On 28 September 2016, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent agreed to place 642,380,000 new shares under general mandate at the price of HK\$0.22 per placing share. On 20 October 2016, a total of 642,380,000 new shares were successfully placed at the 2016 Placing Price. Accordingly, 642,380,000 shares of HK\$0.1 each were issued at a premium of HK\$0.12 each. The premium on issue of shares of approximately HK\$73,553,000 net of transaction cost of approximately HK\$3,533,000 was credited to the share premium account. These shares rank *pari passu* in all respects with the existing shares.
- (f) On 16 February 2017, the Company entered into a share placing agreement (the “2017 Share Placing Agreement”) with Kingston Securities Limited (“Kingston Securities”). Pursuant to the 2017 Share Placing Agreement, Kingston Securities has conditionally agreed to place, on a best effort basis, up to an aggregate of 797,184,000 new ordinary shares of the Company to not less than six placees at a price of not less than HK\$0.20 per placing share. On 9 March 2017, 797,184,000 ordinary shares has been successfully placed at HK\$0.20 per placing share. These shares rank *pari passu* in all respects with the existing shares.

14. RELATED PARTY TRANSACTIONS

At the end of the reporting date, the short-term loans from other financial institutions and certain short-term bank loans were guaranteed by the following related parties with respective maximum guarantees:

	At 30 June 2017 RMB'000 (unaudited)	At 31 December 2016 RMB'000 (audited)
<u>Short-term bank loans</u>		
Mr. Cai Chaodun ⁽¹⁾	31,200	–
Mr. Qiu Fengshou ⁽²⁾	31,200	–
Mr. Sze Siu Hung ⁽³⁾	10,000	–
Joint guarantee ⁽⁴⁾	22,500	22,500
Joint guarantee ⁽⁵⁾	45,000	45,000
Joint guarantee ⁽⁶⁾	30,000	–
	169,900	67,500
Short-term loans from other financial institution		
– Mr. Deng Jun Jie ⁽⁷⁾	173,640	–
	343,540	67,500

⁽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 senior manager of the Group.

⁽³⁾ Mr. Sze Siu Hung is a brother of Mr. Sze Siu Bun, an executive director of the Company.

⁽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, Ding Hong Gan.

⁽⁷⁾ Mr. Deng Jun Jie is the substantial shareholder of the Company.

The Directors represented key management of the Group. During the Period, Directors' remuneration of approximately RMB3,357,000 (2016: RMB2,343,000) was charged to the profit or loss.

- c) The related party balances as at 30 June 2017 and 31 December 2016 are set out in notes 9 and 11.
- d) The related party transaction for both periods are disclosed as below:

Related Party	Nature	Six months ended 30 June	
		2017 RMB'000 (unaudited)	2016 RMB'000 (unaudited)
Shareholder of non-controlling interests	Rental expenses	253	—

15. ACQUISITION OF SUBSIDIARIES

On 23 May 2016, the Group had entered into a sale and purchase agreement with an independent third party, Sincere Finance Holding Limited (“Sincere Finance”), pursuant to which the Group has conditionally agreed to acquire and Sincere Finance has conditionally agreed to sell the sale shares, representing 60% of the entire issued share capital of Million Federal International Limited and its subsidiaries (collectively refer to as “Million Federal Group”) at the consideration of HK\$90,000,000 (equivalent to approximately RMB79,785,000). The acquisition has been completed on 15 March 2017. The fair value of identifiable assets and liabilities of Million Federal Group at acquisition date are disclosed as below:

	RMB'000 (unaudited)
Property, plant and equipment	451
Deposits for other assets	699
Intangible assets	9,580
Trade and other receivables	38,187
Amount due from a shareholder	43,234
Amounts due from related companies	1,081
Financial assets at fair value through profit or loss	122
Bank balances and cash	109,922
Tax recoverable	1,084
Trade and other payables	(47,914)
Amount due to a director	(15,534)
Amounts due to related parties	(1,030)
Tax payables	(14)
Dividend payables	(40,619)
Deferred tax liability	(64)
Net assets acquired	99,185
Non-controlling interests	(39,674)
	59,511
Goodwill	20,274
Total consideration	79,785

An analysis of the net inflow of cash and cash equivalents in respect of the acquisition of Million Federal Group is as follows:

	<i>RMB'000</i> (unaudited)
Cash consideration	(79,785)
Cash and bank balances acquired of	109,922
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	30,137

16. OPERATING LEASE COMMITMENTS

At 30 June 2017 and 31 December 2016, the Group had total future minimum lease payment under non-cancellable operating leases falling due as follows:

	At 30 June 2017 <i>RMB'000</i> (unaudited)	At 31 December 2016 <i>RMB'000</i> (audited)
Operating Lease Commitments		
Within one year	4,521	5,987
In the second to fifth years, inclusive	4,099	4,049
	8,620	10,036

The Group's operating leases are for terms from 1 to 2 years (31 December 2016: 1 to 3 years).

17. EVENTS AFTER THE REPORTING PERIOD

a) Completion of placing of new shares under general mandate

On 30 June 2017, the Company entered into a share placing agreement (the "June 2017 Share Placing Agreement") with the placing agents. Pursuant to the June 2017 Share Placing Agreement, the placing agents have conditionally agreed to place, on a best effort basis, up to 956,620,000 new ordinary shares of the Company to not less than six placees at a price of not less than HK\$0.25 per placing share.

On 24 July 2017, an aggregate of 956,620,000 placing shares have been successfully placed by the placing agents at HK0.25 per placing share to not less than six placees who are independent third parties.

b) Subscription of shares in Yong Tai Berhad (“Yong Tai”)

On 2 August 2017, Full Winning Developments Limited, a wholly-owned subsidiary of the Company (the “Subscriber”) entered into the subscription agreement with Yong Tai, a company listed on the Main Market of Bursa Malaysia Securities Berhad. Under the subscription agreement, the Subscriber has conditionally agreed to subscribe for 43,000,000 new Yong Tai shares at the issue price of RM1.26 (equivalent to approximately HK\$2.29) per share (the “Subscription Share”). The Subscription Shares to be subscribed by the Subscriber, represent approximately 8.98% of the issued share capital of Yong Tai as enlarged by the allotment and issue of the Subscription Shares.

As at the date of this announcement, the subscription of shares has not been completed.

c) Conversion of convertible bonds

On 14 August 2017, the convertible bonds in the principal amount of HK30,800,000 has been converted, pursuant to which a total number of 140,000,000 conversion shares have been allotted and issued to the convertible bond placee.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current period’s presentation.

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the Period (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 30 June 2017 (the “Period”), Co-Prosperity Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) engaged in four major business streams including (i) processing, printing and sales of finished fabrics and subcontracting services and the trading of fabric and clothing business (“Fabrics and Trading Business”); (ii) financial services business; (iii) securities investment and broker service business; and (iv) media, cultural and entertainment business.

OPERATIONAL REVIEW

Fabrics and Trading Business

The revenue generated from the Fabrics and Trading Business declined by 23.2% to approximately Renminbi (“RMB”) 65.1 million during the Period (2016: RMB84.8 million). The segment gross profit ratio also decreased to 8% (2016: 12%). The decrease in revenue and segment gross profit were primarily due to the fact that (i) the Group was unable to pass on all the increased costs (such as labour costs and stringent environmental protection requirements) to customers owing to fierce competition and the average selling price of the fabric reduced; (ii) most of the production cost of fabric increased dramatically including the cotton price and yarn price showed an upward trend during the Period; (iii) the economy of the PRC remained challenging due to the slowdown of economic growth in the PRC, driven by the structural adjustment in the domestic economy and structural reform on the supply side. Besides, operating environment was unfavourable owing to the volatile global economy and weak demand from customers. As a result, the overall outlook of the Fabrics and Trading Business remains rather challenging.

Financial Services Business

The financial services business is conducted through Rende Finance Limited (“Rende”), an indirect wholly-owned subsidiary of the Company. Rende is a licensed money lender in Hong Kong under the Money Lenders Ordinance. The financial services business has stepped into a stable development and the Group will continue to develop this segment as it will generate stable interest income for the Group.

At the reporting date, Rende has maintained a loan portfolio of approximately RMB66.8 million (31 December 2016: RMB138.8 million) with interest rates ranging from 10% to 36% per annum (31 December 2016: 8% to 24%). For the Period, the Group recorded a gross interest income from the loan portfolio of approximately RMB4.5 million (2016: RMB15.3 million). The significant decrease in interest income during the Period was due to a large portion of loan approximately RMB261.1 million was granted to Star Platinum Enterprises Limited (“Star Platinum”) at 30 June 2016 and Star Platinum was still an independent third party of the Group which contributed a large portion of interest income to the Group in last period. On 29 July 2016, Rende exercised its right over the share charge against 99% shareholding of Star Platinum. As such, Star Platinum became a direct wholly-owned subsidiary of Rende as a result of the default of interest payment by Star Platinum and its guarantor. For details, please refer to the Company’s announcement dated 29 July 2016.

Securities Investment and Broker Service Business

As at 30 June 2017, the Group managed a portfolio of securities totally approximately RMB345.7 million (31 December 2016: RMB201.4 million). It consists of a portfolio of listed securities trading in the Stock Exchange, issued shares of Yong Tai trading in Bursa Malaysia Securities Berhad and unlisted investment fund namely Tiger Capital Fund SPC Tiger Global SP (“Tiger Fund”). During the Period, the Group recorded a realised gain and unrealised gain from the portfolio of securities of approximately RMB8.4 million and RMB26.9 million respectively (2016: realised gain of RMB0.1 million and unrealised loss of RMB13.4 million respectively).

For the investment in securities listed in Hong Kong with fair value of approximately RMB4.7 million as at 30 June 2017 (totally approximately 0.34% of the total assets of the Group as at 30 June 2017), the Group has disposed of certain securities listed in Hong Kong to realise a fair value gain of RMB8.4 million (2016: RMB0.1 million). During the Period, the Group had recorded less than RMB6,000 of unrealised fair value gain for these investment in securities (2016: unrealised loss of RMB13.4 million).

For the investment in Yong Tai with fair value of approximately RMB234.8 million as at 30 June 2017 (totally approximately 16.7% of the total assets of the Group as at 30 June 2017), the Group had recorded an unrealised fair value gain of approximately RMB50.3 million for these investment in securities (2016: nil).

For the investment in Tiger Fund with fair value of approximately RMB99.1 million as at 30 June 2017 (totally approximately 7.0% of the total assets of the Group as at 30 June 2017), the Group had recorded an unrealised fair value loss of approximately RMB24.4 million for these investment in securities (2016: nil).

Also, the revenue generated from the new securities broker service was approximately RMB2.9 million (2016: nil) since the completion of acquisition of Million Federal Group together with Sincere Securities Limited (“Sincere Securities”) in March 2017. After the global market digested the uncertainty events, the return of cash flow to support capital market, the Group’s overall securities investment business was satisfactory.

Media, Cultural and Entertainment Business

The Group has noticed the potential growth of media, cultural and entertainment sector and has commenced to look into related development opportunities. During the Period, the turnover of the entertainment and media business was RMB2.5 million (2016: nil). The Group got involved into the rescue and acquisition of ATV and the Directors believe that the potential intrinsic value of ATV can be realised to expedite the Group’s development and diversification into the media, cultural and entertainment business. Up to the present, ATV is still in the process of proposing the scheme of arrangement to the creditors of ATV and expected to be completed in the last quarter of 2017. The remaining major series of arrangements to complete the restructuring arrangement of ATV include (i) scheme of arrangement to be proposed to the creditors of ATV and approved by the Court; (ii) the Court granting the order to sanction the withdrawal of the winding-up petition against ATV; (iii) reorganisation of the board of directors of ATV; and (iv) ATV resumes normal operation under the management of its new board of directors.

Financial Review

The Group recorded an interim unaudited consolidated net profit of approximately RMB1.0 million for the Period, as compared to a net consolidated profit of approximately RMB3.1 million for the six months ended 30 June 2016, a decrease of approximately 67.7%.

The Group’s turnover significantly declined by approximately 17.0% to RMB83.2 million. The decrease in turnover was mainly due to the overall decline of the Fabrics and Trading Business and the financial services business of RMB19.7 million and RMB 10.8 million respectively as mentioned above, offset by the increase in turnover of securities investment business, the securities broker business and entertainment and media business totally RMB13.5 million.

The Group recorded a gross profit of approximately RMB23.4 million (2016: RMB26.1 million), representing a decrease by RMB2.7 million. However, the gross profit margin of the Group has resulted in moderate increase to 28.1% (2016: 25.9%) which is mainly contributed from the expanding of securities investment business and the new business of securities broker service with higher gross profit margin.

Other income was significantly dropped by 81% to approximately RMB0.3 million (2016: RMB1.6 million), as one-off payment of reversal of legal and profession fee of approximately RMB1.1 million was incurred in last period. The Group recorded other expenses, gains and losses of approximately RMB30.0 million (2016: net loss of RMB15.5 million), which mainly comprised of (i) unrealised gain of financial assets at fair value through profit or loss of approximately RMB26.9 million; and (ii) exchange gain of approximately RMB3.1 million.

The distribution and selling expenses decreased slightly by approximately 16.7% to approximately RMB1.5 million (2016: RMB1.8 million) which was in line with the shrinkage in turnover, while the administrative expenses stood at approximately RMB35.6 million, representing a significant increase of 117.1% as compared to the corresponding period (2016: RMB16.4 million) which was mainly due to the development of media and entertainment business involving the infrastructure design and development of OTT or Apps platforms. Finance costs increased by about 49% to approximately RMB15.1 million (2016: RMB10.1 million) as a result of the increase in interest expense arising from credit facilities from financial institution during the Period.

Business Development

Acquisition of Yong Tai

On 9 May 2017, Full Winning Developments Limited (“Full Winning”), a direct wholly-owned subsidiary of the Company, entered into an agreement with Impression Culture Asia Limited to acquire 24.56% of the entire issued share capital of Yong Tai, a company listed on the Main Market of Bursa Malaysia Securities Berhad, at the consideration of approximately RM117,700,000. The acquisition was completed on 24 May 2017.

On 2 August 2017, Full Winning entered into a subscription agreement with Yong Tai to further subscribe for 43 million new shares of Yong Tai at the issue price of RM1.26. The subscription has not been completed. Upon the completion of the subscription, the Group will be interested in 31.34% of the share capital of Yong Tai.

Acquisition of Sincere Securities

On 23 May 2016, Co-Prosperity Investment (International) Limited (“Co-Pro Investment”), an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement (the “SPA-Sincere”) with Sincere Finance to acquire 60% of the entire issued share capital of Million Federal International Limited (“Million Federal”) and its subsidiaries at the consideration of approximately RMB77.1 million (HK\$90 million). Sincere Securities, a wholly-owned subsidiary of Million Federal, is licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 9 (asset management) regulated activities. The acquisition was completed on 15 March 2017.

Discontinue Possible Acquisition – Star Gaze Entertainment Group Limited

On 4 November 2016, the Group has entered into a sale and purchase agreement with Star Raise Holdings Limited and a guarantor in connection with the proposed acquisition of the 10% issued share capital of Star Gaze Entertainment Group Limited at the consideration of HK\$30,000,000. A deposit of HK\$10,000,000 has been paid by the Group. However, upon review of the due diligence reports conducted by our legal advisor and auditor and after further consideration, the Company has decided to discontinue this acquisition. The Group has made a request to the vendor for the deposit refund during the Period.

Discontinue Possible Acquisition – Century Galaxy International Limited

On 25 June 2016, the Group has entered into a memorandum of understanding with Century Galaxy Holdings Plc in respect of a proposed acquisition of 20% of the entire issued share capital of Century Galaxy International Ltd (“Century Galaxy”). However, upon further consideration, the Company has decided to discontinue this acquisition. A letter of cancellation has been made by the Group during the Period.

Market Outlook and Future Prospects

Momentum of the global economy starting to firm up during the first half of 2017, with trade and manufacturing picking up and stabilising commodity prices are supporting growth in the emerging markets. The influence of global and the PRC economy and stock markets on Hong Kong’s capital market continue to grow. The growth of gross domestic product in the PRC rose 6.9% year on year, well above the market forecast. The PRC has been running stably by putting forward structural adjustment and changes in development mode, and has obtained advancement in protection and improvement in people’s livelihood. In addition, it is believed that the economy in the United States of America (the “USA”) is on the right path for recovery and there were additional several times of interest rate hike in 2017.

On the other side, the recovery of global economy was hindered by various factors, including continuing downtrend of Renminbi, the declining foreign exchange reserves of the PRC, high unemployment in developed countries, the Euro zone crisis, the instability condition in middle Asian countries, etc. Under such economic circumstance, the operating environment of the Fabrics and Trading Business faced by the Group is expected to remain very challenging. Nevertheless, the Group will continue to adhere to its proactive operating style to improve its competitive advantage, enhance profit margin and create value to its customers.

After launching the Shenzhen – Hong Kong Stock Connect during December 2016, Hong Kong has offered new opportunity to the foreign firms accessing the PRC capital markets, especially the protection policy in the USA and the capital controls to stem outflows in the PRC recently. As long as the Group is able to grasp the right timing to make the investment decision, it is optimistic to enjoy satisfactory performance from the capital market and the expansion in the securities brokerage and asset management business along with the acquisition of Sincere Securities.

With the dramatic changes and the remarkable growth in media and entertainment market in Hong Kong and the PRC recently, the Group has coped with such changes and involved in the acquisition of ATV. Being a major part of the media, cultural and entertainment business plan of the Group, the Group has expanded its management team and recruited talents in the media and entertainment industry and the team has been continuously exploring various means of development to enhance the performance.

Regarding the financial services business, it has grown rapidly and the Group will continue to adhere to its stringent credit policies and monitor the loan portfolio in order to mitigate credit risk.

In light of the global economic trend and fierce competition in the market, the Group has continuously reviewed its business strategy and development plan, expand its income source and improve its operating performance of the Group. We are confident and optimistic about the Group's prospect.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2017, the Group had total assets of approximately RMB1,408.5 million (31 December 2016: RMB1,199.4 million) which were financed by total liabilities and shareholders' equity excluding non-controlling interests of approximately RMB565.2 million and RMB804.1 million respectively (31 December 2016: RMB509.7 million and RMB689.7 million respectively).

As at 30 June 2017, the Group's cash and bank balances was approximately RMB99.1 million (31 December 2016: RMB27.8 million), while pledged bank deposits amounted to approximately RMB28.9 million (31 December 2016: RMB38.4 million). As at 30 June 2017, short-term bank loans were fixed-rate loans and denominated in RMB whereas short-term loans from other financial institution and other borrowing were fixed-rate loan and denominated in Hong Kong dollar. The Group's borrowings were secured by land use rights, certain property, plant and equipment, certain listed securities, pledged bank deposits of the Group and personal guaranteed from related parties as disclosed in note 14.

The Group strives to maintain a healthy liquidity position by adopting a conservative approach in its financial management. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.7 (31 December 2016: 1.4). The gearing ratio, being a ratio of borrowings (comprising obligations under finance leases, bond payables, other borrowing, short-term bank loans, short-term loans from other financial institution and convertible bonds) to shareholders' equity, was approximately 53.2% (31 December 2016: 34.6%).

CAPITAL STRUCTURE

As at 30 June 2017, 4,783,104,000 ordinary shares of the Company were issued and fully paid.

Placing of shares under general mandates

On 9 March 2017, the Company allotted and issued 797,184,000 ordinary shares at a price of HK\$0.20 to not less than six investors (the “**First Share Placing**”). The net proceeds of approximately HK\$155.22 million were received by the Company which were utilised for (i) HK\$82 million was utilised for the settlement of a promissory note regarding the Million Federal Acquisition; (ii) HK\$65 million was utilised for the development of OTT or apps platforms which involves infrastructure design and development, OTT solutions, technology support, software licensing, cloud computing, content delivery network and set-top box production; (iii) HK\$4.22 million was utilised for general working capital; and (iv) HK\$4 million is maintained at bank and will be used as intended.

As a result of the abovementioned First Share Placing, 797,184,000 new ordinary shares were issued by the Company during the Period, representing 16.67% of the enlarged share capital of the Company as at 30 June 2017.

Details of the First Share Placing were set out in note 13 to the unaudited interim condensed consolidated financial statements, the Company’s announcements dated 16 February 2017 and 9 March 2017. The First Share Placing was completed on 9 March 2017.

On 24 July 2017, the Company allotted and issued 956,620,000 ordinary shares at a price of HK\$0.25 to not less than six investors (the “**Second Share Placing**”). The net proceeds of approximately HK\$232.95 million were received by the Company which were intended to be utilised for (i) approximately HK\$112.95 million for the development of media and entertainment business involving the infrastructure design and development of OTT or Apps platforms, OTT solutions and technology support, software licensing, cloud computing and content delivery network; (ii) approximately HK\$40 million for the money lending and securities trading business; and (iii) approximately HK\$80 million for the general working capital of the Group; or for financing any investment opportunities as may be identified from time to time.

Details of the Second Share Placing were set out in note 17 “Events after the Reporting Period” to the unaudited interim condensed consolidated financial statements, the Company’s announcements dated 30 June 2017 and 24 July 2017. The Second Share Placing was completed on 24 July 2017.

Conversion of convertible bonds

On 14 August 2017, the convertible bonds in the principal amount of HK\$30,800,000 has been converted, pursuant to which a total number of 140,000,000 new Shares from conversion (“Convertible Shares”) have been allotted and issued to the convertible bonds holder, who served a conversion notice to the Company for the conversion.

The issued share capital of the Company will be increased to 5,879,724,000 Shares upon allotment and issue of the Conversion Shares and the Conversion Shares represent approximately 2.44% of the issued capital of the Company before the allotment and issue of the Conversion Shares and approximately 2.38% of the issued share capital of the Company as enlarged by the allotment and issue of the Conversion Shares.

Details of the conversion of convertible bonds were set out in note 17 “Events after the Reporting Period” to the unaudited interim condensed consolidated financial statements, the Company’s announcements dated 9 March 2016, 8 April 2016, 15 April 2016 and 14 August 2017 and the circular of the Company dated 22 February 2016.

CHARGES ON ASSETS

As at 30 June 2017, the Group’s borrowings were secured by assets with a total carrying value of approximately RMB151.0 million (31 December 2016: RMB165.7 million).

CAPITAL COMMITMENTS

As at 30 June 2017, except for disclosure elsewhere, the Group did not have any capital commitments (31 December 2016: Nil).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group had contingent liabilities of approximately RMB80 million (31 December 2016: RMB80 million) in respect of corporate guarantees given to a bank for short-term bank borrowings granted to Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd., a former indirect wholly-owned subsidiary of the Company.

EXCHANGE RISK EXPOSURE

The Group’s business transactions were mainly denominated in RMB and Hong Kong dollar. The Group currently does not have any established hedging policies in place. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure by using appropriate financial instruments and adopting appropriate hedging policies to control the risks, when the need arises. The Group was not engaged in any hedging contracts with respect to the foreign exchange risks.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2017, the Group had about 750 employees in PRC and Hong Kong (31 December 2016: 750 employees). Remuneration packages for the employees are maintained at a competitive level within the jurisdiction where the employees are employed for attraction, retainment and motivation. 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.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the 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, Mr. Li Wenfeng, being a non-executive Director, and Ms. Han Xingxing and Mr. Li Yu, both being independent non-executive Directors were unable to attend the annual general meeting held on 2 June 2017 due to other commitments. The Company shall continue to communicate with the directors and make best effort to ensure their availabilities to attend general meetings and avoid time conflict.

DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted 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 all Directors confirmed that they have fully complied with the required standard set out in the Model Code.

AUDIT COMMITTEE REVIEW

The Group's audit committee comprises three members, namely Mr. Li Yu, Ms. Han Xingxing and Mr. Cheung Ngai Lam, who are independent non-executive Directors of the Company. The Chairman of the Audit Committee is Mr. Cheung Ngai Lam. 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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to the disclosure requirement under Rule 13.51B of the Listing Rules, the changes in information of the Directors are as follows:

1. Mr. Cheung Ngai Lam has been appointed as an independent non-executive director, as well as a member of each of the audit committee, the remuneration committee, the nomination committee and the food quality and safety advisory committee of China Huishan Dairy Holdings Company Limited (Stock Code: 6863) with effect from 22 June 2017.
2. Mr. Law Kin Fat has been appointed as executive Director with effective 29 June 2017. He resigned as an executive director and the vice chairman of Leyou Technologies Holdings Limited (Stock Code: 1089) with effect from 30 June 2017. He has been appointed as a non-executive director of Yong Tai (Bursa Malaysia Securities Berhad, stock code: 7066) with effective 24 August 2017. The Group is currently interested in 24.56% of the share capital of Yong Tai.

Save for the above, there is no other change in information of the Directors during the Period.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The interim report of the Group for the Period, which contains the detailed results and other information of the Group for the Period required pursuant to Appendix 16 of the Listing Rules, will be despatched to the Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's designated website at www.capitalfp.com.hk/eng/index.jsp?co=707 in due course. This announcement can also be accessed on the above websites.

By Order of the Board
Co-Prosperity Holdings Limited
Tang Hon Kwo
Chairman

Hong Kong, 30 August 2017

As at the date of this announcement, the Board comprises Mr. Tang Hon Kwo, Mr. Sze Siu Bun, Mr. Ma Zhi and Mr. Law Kin Fat as executive Directors, Mr. Li Wenfeng as non-executive Director, and Ms. Han Xingxing, Mr. Cheung Ngai Lam and Mr. Li Yu as independent non-executive Directors.

* *For identification purpose only*