2014 Annual Report

協盛協豐控股有限公司*
CO-PROSPERITY HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 707

*For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors:

Mr. Sze Siu Hung *(Chairman)*
Mr. Sze Siu Bun *(appointed effective from 11 December 2014)*
Mr. Sze Chin Pang
Mr. Chan Chi Yuen *(appointed effective from 11 December 2014)*
Mr. Qiu Fengshou *(resigned effective from 11 December 2014)*
Madam Cai Peilei *(resigned effective from 11 December 2014)*

Independent Non-Executive Directors:

Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung *(resigned effective from 10 March 2015)*
Mr. Chan Chiu Hung, Alex *(appointed effective from 10 March 2015)*

AUDIT COMMITTEE

Mr. Chan Chiu Hung, Alex *(Chairman of committee, appointed effective from 10 March 2015)*
Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung *(ex-Chairman of committee, resigned effective from 10 March 2015)*

REMUNERATION COMMITTEE

Mr. Chan Chiu Hung, Alex *(Chairman of committee, appointed effective from 10 March 2015)*
Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung *(ex-Chairman of committee, resigned effective from 10 March 2015)*

NOMINATION COMMITTEE

Mr. Chan Chiu Hung, Alex *(Chairman of committee, appointed effective from 10 March 2015)*
Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung *(ex-Chairman of committee, resigned effective from 10 March 2015)*

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

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

AUDITOR

Reanda Lau & Au Yeung (HK) CPA Limited

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

707

DESIGNATED WEBSITE FOR CORPORATE COMMUNICATIONS

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

On behalf of the board of directors (the "Board" or the "Directors") of Co-Prosperity Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014.

RESULTS HIGHLIGHTS

The Group's result was a consolidated net profit of RMB20.8 million attributable to owners of the Company, against the consolidated net loss of RMB164.6 million attributable to owners of the Company in 2013. Basic earnings per share for 2014 amounted to RMB1.5 cents, compared with basic loss per share of RMB14.05 cents in 2013.

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

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".

CHAIRMAN'S STATEMENT

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.

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.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my sincere gratitude to our shareholders, investors and business partners for their continued support and to our staff for their contribution. We will continue to enhance our corporate transparency and strengthen our corporate governance and internal control. We will take every opportunity to optimize our business to enrich shareholders' value.

Sze Siu Hung
Chairman

Hong Kong, 24 March 2015

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") and 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.

* 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

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.

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.

* 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

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 27 to the consolidated financial statements contained in this annual report, 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.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Except for the Proposed Disposal which has been described in the previous pages of this annual report and disclosed in note 34 to the consolidated financial statements, the Group has no significant investment held and has not been involved in any material acquisitions or disposals of subsidiaries and associated companies during the year.

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.

DIRECTORS' & SENIOR MANAGEMENT'S BIOGRAPHIES

The biographies of Directors and senior management during the year ended 31 December 2014 and up to the date of this annual report were as follows:

EXECUTIVE DIRECTORS

Mr. Sze Siu Hung (施少雄), aged 50, is an executive Director and the Chairman of the Group. He is in charge of the overall operation and development of the Group. Mr. Sze has joined the Group since 1996 and has over 20 years' experience in the textile industry. Mr. Sze is the vice-chairman of the Textile Association of the Fujian Province, vice chairman of the Entrepreneur Association of Quanzhou City, member of the Chinese People's Political Consultative Conference of Shishi City, honorary chairman of the Business Association of Shishi City, and chairman of Shishi Printing and Dyeing Association. Mr. Sze is the spouse of Madam Cai Peilei, a former executive Director, brother in law of Mr. Cai Chaodun, the deputy general manager of the Group and the elder brother of Mr. Sze Siu Bun, an executive director and the chief executive officer of the Group. As at 31 December 2014, Mr. Sze had, in aggregate, deemed interests of 484,850,000 shares of the Company (representing about 28.89% of the entire issued share capital of the Company), of which (i) 454,798,720 shares are owned by Famepower Limited (whose sole director is Mr. Sze), which is wholly owned by Federal Trust Company Limited, a trust company, in its capacity as the trustee of The Sze Trust, a discretionary trust established on 31 May 2005, the founder of which is Mr. Sze and the discretionary objects of which are direct family members of Mr. Sze (excluding Mr. Sze himself); (ii) 28,051,280 shares are owned by Peilei Charitable Limited and the entire issued share capital of which is owned as to 50% by Mr. Sze and as to 50% by his spouse, Madam Cai Peilei; and (iii) 2,000,000 shares are beneficially owned by Mr. Sze. Save as disclosed above, Mr. Sze has no relationship with other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Sze also holds directorships in some of the subsidiaries of the Group.

Mr. Sze Siu Bun (施少斌), aged 47, is an executive Director and the chief executive officer of the Company. He has about 21 years' experience in printing and dyeing industry. He has joined the Group since 2005. He is involved in the overall management of the Group and is responsible for overseeing daily management of the Hong Kong office. Mr. Sze is the younger brother of Mr. Sze Siu Hung, who is the executive Director and the Chairman of the Company and the brother in law of Madam Cai Peilei, a former executive Director. Save as disclosed above, Mr. Sze has no relationship with other Directors, senior management, substantial or controlling shareholders of the Company. Mr. Sze also holds directorships in some of the subsidiaries of the Group.

Mr. Sze Chin Pang (施展鵬), aged 57, is an executive Director. Mr. Sze Chin Pang is in charge of the Group's operation in Hong Kong. Before joining the Group in 2004, he had been a sales and administration manager of a private company in Hong Kong since 1991 and has about 24 years' experience in fabrics trading. Mr. Sze is also a director of a subsidiary of the Group. Mr. Sze Chin Pang has no relationship with Mr. Sze Siu Hung and Mr. Sze Siu Bun.

DIRECTORS' & SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. Chan Chi Yuen(陳志遠), aged 48, holds a bachelor degree with honours in Business Administration and a master of science degree with distinction in Corporate Governance and Directorship. He is a fellow of The Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants and is an associate of The Institute of Chartered Accountants in England and Wales. He is a practicing certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance. Mr. Chan is currently an executive director and the chief executive officer of Noble Century Investment Holdings Limited (Stock code: 2322) and an executive director of South East Group Limited (Stock code: 726) . He is also an independent non-executive director of Asia Energy Logistics Group Limited (Stock code: 351) , Jun Yang Solar Power Investments Limited (Stock code: 397) , Media Asia Group Holdings Limited (Stock code: 8075), New Times Energy Corporation Limited (Stock code: 166) (redesignated from non-executive director from 18 May 2012), REX Global Entertainment Holdings Limited (formerly known as China Gamma Group Limited) (Stock code: 164) and U-RIGHT International Holdings Limited (Stock code: 627). Mr. Chan was an executive director of Kong Sun Holdings Limited (Stock code: 295) from December 2011 to September 2013, and an independent non-executive director of China Sandi Holdings Limited (Stock code: 910) from September 2009 to July 2014. The issued shares of all the aforesaid companies are listed and traded on The Stock Exchange of Hong Kong Limited. Mr. Chan does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company.

Mr. Qiu Fengshou(邱豐收), aged 60, is a former executive Director and the former vice-chairman of the Company. Mr. Qiu was responsible for overall production management of the Group. Mr. Qiu has joined the Group since 1996. Mr. Qiu has about 25 years' experience in printing and dyeing industry. Mr. Qiu has held directorships in some of the subsidiaries of the Group during the year ended 31 December 2014 and up to the date of this annual report. Mr. Qiu has resigned as an executive Director and the vice-chairman of the Company with effect from 11 December 2014.

Madam Cai Peilei(蔡蓓蕾), aged 47, is a former executive Director. Madam Cai was responsible for the financial management of the Group. Before joining the Group in 1999, Madam Cai had worked in China Agriculture Bank, Shishi branch for about 5 years. Madam Cai is the spouse of Mr. Sze Siu Hung, an executive Director and the Chairman of the Company, sister in law of Mr. Sze Siu Bun, an executive Director and the chief executive officer of the Group and the elder sister of Mr. Cai Chaodun, the deputy general manager of the Group. As at 31 December 2014, Madam Cai had, in aggregate, deemed interests of 484,850,000 shares of the Company (representing about 28.89% of the entire issued share capital of the Company), of which (i) 454,798,720 shares are owned by Famepower Limited (whose sole director is Mr. Sze Siu Hung, Madam Cai's spouse), which is wholly owned by Federal Trust Company Limited, a trust company, in its capacity as the trustee of The Sze Trust, a discretionary trust established on 31 May 2005, the founder of which is Mr. Sze Siu Hung, Madam Cai's spouse and the discretionary objects of which are direct family members of Mr. Sze Siu Hung (excluding Mr. Sze Siu Hung himself); (ii) 28,051,280 shares are owned by Peilei Charitable Limited and the entire issued share capital of which is owned as to 50% by Madam Cai and as to 50% by Mr. Sze Siu Hung, the spouse of Madam Cai; and (iii) 2,000,000 shares are beneficially owned by Mr. Sze Siu Hung, the spouse of Madam Cai. Save as disclosed above, Madam Cai has no relationship with other Directors, senior management, substantial or controlling shareholders of the Company. Madam Cai has been a director of a subsidiary of the Group during the year ended 31 December 2014 and up to the date of this annual report. Madam Cai has resigned as an executive Director of the Company with effect from 11 December 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Professor Zeng Qingfu (曾慶福教授), aged 52, has been appointed as an independent non-executive Director since 2005. Professor Zeng obtained his Doctor's degree of Philosophy in the Leeds University, United Kingdom and his Master's degree of Engineering in Tianjin Textile Engineering Institute (天津紡織工學院). He obtained his professor qualification in dyeing engineering in 1997. He was awarded Young and Middle-aged Experts for his significant contribution to Hubei Province (湖北省有突出貢獻中青年專家) in 2002. Professor Zeng was nominated as "10 Outstanding Youth of Hubei Province" (湖北省十大傑出青年) in 2000. In addition, in 2003, Professor Zeng was awarded "10 Outstanding Patented Inventors in Wuhan region" (十大專利發明者). For recognising his contribution in natural science, the State Council of the PRC granted special government subsidies to Professor Zeng in 1997. Besides, Professor Zeng has obtained various science and technology awards including "Certificate of Sangma Trust Fund Textile Science and Technology Award" (桑麻基金會紡織科技獎證書) granted by the Sangma Trust Fund in 2004. Professor Zeng is also a director of Wuhan Fangyuan Environmental Technology Co., Ltd., a company established in Wuhan, the PRC, carrying on the business of investment holdings. Professor Zeng has been a director of the aforesaid company since 1998.

Professor Zhao Bei (趙蓓教授), aged 57, has been appointed as an independent non-executive Director since 2005. Professor Zhao graduated from the Department of International Trade, School of Economics of Xiamen University in 1982 and was awarded a Bachelor's degree of Economics. She obtained her Doctor's degree of Philosophy in the University of Hong Kong in 2003. Professor Zhao was appointed as an assistant professor in the Department of Business Administration of a university in Canada from 1990 to 1994. She specialises in the research of corporate strategy planning, marketing and corporate finance management and has published several research papers in those areas. She was granted research funds and awards by universities in Canada and Hong Kong.

Mr. Chan Chiu Hung, Alex (陳釗洪), 48, has been appointed as an independent non-executive Director with effect from 10 March 2015. Mr. Chan is an associate member of the Hong Kong Institute of Certified Public Accountants and The Institute of Chartered Accountants in England and Wales, and a fellow member of The Association of Chartered Certified Accountants, The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and

Administrators, having served in senior financial and company secretarial positions in a number of public companies listed in Hong Kong and Singapore for 17 years. Mr. Chan holds a Bachelor of Business Administration degree (major in finance) from Hong Kong Baptist University and professional diplomas in Hong Kong tax and China tax from the Hong Kong Institute of Certified Public Accountants. Mr. Chan was appointed as independent non-executive director of e-Kong Group Limited (stock code: 524) on 25 February 2015.

Mr. Lui Siu Keung (呂小強), aged 43, has been appointed as an independent non-executive Director since 2005. Mr. Lui graduated from the Hong Kong Polytechnic University with a Bachelor's degree in accountancy. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lui has approximately 17 years' experience in corporate finance, auditing and accounting. He is now the joint managing director, chief financial officer and an executive director of Zhongyu Gas Holdings Limited (stock code: 3633), a company listed on the Stock Exchange of Hong Kong Limited. Mr. Lui has resigned as an independent non-executive Director with effect from 10 March 2015.

SENIOR MANAGEMENT

Mr. Ji Congming (季從明), aged 53, is the general manager of the Group. Mr. Ji is responsible for assisting the Directors in the overall management and overseeing daily operation of the Group. Mr. Ji graduated from Xiamen University (廈門大學) with a diploma in statistics. He has joined the Group since 1999. Mr. Ji has over 26 years' experience in printing and dyeing industry.

Mr. Fu Jianhua (傅建華), aged 56, is the deputy general manager of the Group. Mr. Fu is responsible for the production planning and operation of the Group. Mr. Fu graduated from China Textile Politics Open College (中國紡織政治函授學院) with a diploma in management. He has joined the Group since 2001. Mr. Fu has over 27 years' experience in printing and dyeing industry.

Mr. Cai Chaodun (蔡朝敦), aged 43, is the deputy general manager of the Group. Mr. Cai is responsible for the marketing affairs of the Group. He has joined the Group since 1999. Mr. Cai has about 19 years' experience in marketing. He is the brother in law of Mr. Sze Siu Hung, an excutive Director and the Chairman of the Group and the younger brother of Madam Cai Peilei, a former executive Director.

Mr. Xu Yunchang (徐運昌), aged 43, is the manager of the research and development department of the Group. Mr. Xu is responsible for research and development activities of the Group. Mr. Xu graduated from Wuhan Textile Engineering Institute (武漢紡織工學院) with a Bachelor's degree in dyeing engineering. He is a registered engineer in the PRC. Mr. Xu has joined the Group since 2001. He has about 19 years' experience in research and development in the printing and dyeing industry.

Mr. Huang Xinchun (黃新春), aged 50, is the finance manager of the Group. He is responsible for the accounting and financial affairs of the Group. Mr. Huang graduated from Fujian Televisions University (福建廣播電視大學) with a diploma in accounting. He is a registered accountant in the PRC. Mr. Huang has joined the Group since 2002. Mr. Huang has about 29 years' experience in accounting and finance.

Ms. Zhengfang (鄭芳), aged 58, is the manageress of the quality control department of the Group. Mr. Zheng is responsible for the quality control matters of the Group. She has joined the Group since 2000. She has about 24 years' experience in fabrics quality control.

Mr. Zhang Bingcheng (張炳成), aged 56, is the procurement manager of the Group. Mr. Zhang is responsible for daily procurement activities of the Group. He has joined the Group since 2002. Mr. Zhang has over 32 years' experience in the printing and dyeing industry.

Mr. Chan Hon Hung (陳漢雄), aged 45, is the financial controller and company secretary of the Group. He is responsible for overseeing the Group's accounting and financial affairs. Mr. Chan holds a bachelor degree in Accountancy. Mr. Chan is also a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants, a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of the Institute of Chartered Secretaries and Administrators. Mr. Chan joined the Group in 2007. Mr. Chan has about 23 years' experience in accounting, financial management and auditing. Mr. Chan is a full time employee and the qualified accountant of the Group.

REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report and the audited consolidated financial statements of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2014 (the "year").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year are set out in the consolidated statement of profit or loss and other comprehensive income on page 35.

No interim dividend (2013: Nil) was paid during the year and the directors do not recommend any payment of final dividend (2013: Nil) for the year.

TRADING RESULTS

The Group's consolidated profit for the year amounted to RMB20,762,000.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 28 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 37.

At 31 December 2014, subject to the Companies Law and other applicable laws of the Cayman Islands, the company's reserve available for distribution to its shareholders amounted to approximately RMB346,423,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movement in property, plant and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

CHARITABLE DONATIONS

During the year, the Group made charitable donations amounting to nil.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

Aggregate purchases attributable to the Group's five largest suppliers were less than 30% of the Group's total purchases.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:
Mr. Sze Siu Hung *(Chairman and Managing Director)*
Mr. Sze Siu Bun *(appointed effective from 11 December 2014)*
Mr. Sze Chin Pang
Mr. Chan Chi Yuen *(appointed effective from 11 December 2014)*
Mr. Qiu Fengshou *(Vice-Chairman) (resigned effective from 11 December 2014)*
Madam Cai Peilei *(resigned effective from 11 December 2014)*

Independent non-executive directors:
Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung *(resigned effective from 10 March 2015)*
Mr. Chan Chiu Hung, Alex *(appointed effective from 10 March 2015)*

All directors are subject to retirement by rotation in accordance with the Company's Articles of Association.

As at the date of this annual report, Mr. Sze Siu Bun, Mr. Chan Chi Yuen and Mr. Chan Chiu Hung, Alex, appointed as Directors of the Company after the last annual general meeting, are due to retire from the Board at the forthcoming annual general meeting in accordance with Article 86(3) of the Company's Articles of Association. In addition, in accordance with Article 87(1) and (2) of the Company's Articles of Association, Mr. Sze Siu Hung and Mr. Sze Chin Pang will also retire from the Board at the forthcoming annual general meeting. All the aforesaid retiring directors, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

None of the directors has entered or has proposed to enter into any service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without payment of compensation other than statutory compensation.

Except for the fact that the Company has not been able to reach Professor Zeng Qingfu up to the date of this annual report and has not received his confirmation of independence, the Company has received confirmation of independence from each of the remaining independent non-executive directors. To the best knowledge of the Company and in the absence of any known circumstances and/or factors that may affect his independence, the Company is of the view that Professor Zeng Qingfu is independent in accordance with the terms of the independent guidelines set out in Rule 3.13 of the Listing Rules. The Company also considered all the remaining independent non-executive directors to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 9 to 13 of the annual report.

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

As at 31 December 2014, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows

Name	**Capacity in which the Interests are held**	**Nature of Interest**	**Total Interests held**	**Approximate percentage of the issued share capital of the Company as at 31 December 2014** *(%)*
Directors				
Mr. Sze Siu Hung	Corporate interest and founder of trust *(Note 1)*	Ordinary shares of HK$0.10 each	454,798,720 long position	27.10
	Corporate interest *(Note 2)*	Ordinary shares of HK$0.10 each	28,051,280 long position	1.67
	Beneficial interest *(Note 3)*	Ordinary shares of HK$0.10 each	2,000,000 long position	0.12

Name	Capacity in which the Interests are held	Nature of Interest	Total Interests held	Approximate percentage of the issued share capital of the Company as at 31 December 2014 *(%)*
Mr. Sze Chin Pang	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	1,200,000 long position	0.07
Mr. Lui Siu Keung[Δ]	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	1,000,000 long position	0.06
Professor Zhao Bei	Beneficial interest	Underlying shares of equity derivatives (Note 4)	500,000 long position	0.03
Professor Zeng Qingfu	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	500,000 long position	0.03
Director and Chief executive				
Mr. Sze Siu Bun	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	2,000,000 long position	0.12

Δ Mr. Lui Siu Keung has resigned as an independent non-executive Director with effect from 10 March 2015.

Notes:

1. As at 31 December 2014, about 27.10% of shareholding of the Company is owned by Famepower Limited, which is owned as to 100% by Federal Trust Company Limited, a trust company in its capacity as the trustee of The Sze Trust which was a discretionary trust, the founder (as defined in the SFO) of which is Mr. Sze Siu Hung ("Mr. Sze") and the discretionary objects of which are family members of Mr. Sze (including Madam Cai Peilei, the spouse of Mr. Sze and excluding Mr. Sze himself). Accordingly, Mr. Sze and Madam Cai Peilei are both deemed to be interested in the relevant shares under the SFO.

2. As at 31 December 2014, about 1.67% of shareholding of the Company is owned by Peilei Charitable Limited ("PCL"), a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned as to 50% by Mr. Sze and as to 50% by Madam Cai Peilei. Mr. Sze and Madam Cai Peilei intend to use the shares held by PCL for charitable purpose.

3. As at 31 December 2014, 2,000,000 shares, representing 0.12% of shareholding of the Company, are beneficially owned by Mr. Sze. Madam Cai Peilei is the spouse of Mr. Sze and is deemed to be interested in 2,000,000 shares.

4. The interests in underlying shares of equity derivatives represented interests in share options granted under the share option scheme adopted by the Company on 15 March 2006, further details of which are set out in the section headed "Share Option Scheme" on pages 20 to 21 of the annual report.

Save as disclosed above, as at 31 December 2014, none of the directors or chief executive had any interests and/or short positions in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S 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 or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted as at the end of the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the directors have an interest in any business constituting a competing business to the Group.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2014, to the best knowledge of the Company, the following persons (other than a director or chief executive of the Company) had, or were deemed or taken to have interests and/or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange pursuant to Part XV of the SFO:

Name of substantial shareholder	Capacity in which the Interests are held	Nature of Interest	Total Interests held	Approximate percentage of the issued share capital of the Company as at 31 December 2014 (%)
Madam Cai Peilei	Corporate interest and beneficiary of trust *(Note 1)*	Ordinary shares of HK$0.10 each	454,798,720 long position	27.10
	Corporate interest *(Note 2)*	Ordinary shares of HK$0.10 each	28,051,280 long position	1.67
	Spouse interest *(Note 3)*	Ordinary shares of HK$0.10 each	2,000,000 long position	0.12

Notes:

1. As at 31 December 2014, about 27.10% of shareholding of the Company is owned by Famepower Limited, which is owned as to 100% by Federal Trust Company Limited, a trust company in its capacity as the trustee of The Sze Trust which was a discretionary trust, the founder (as defined in the SFO) of which is Mr. Sze Siu Hung ("Mr. Sze") (who is the Chairman and a executive Director of the Company and the discretionary objects of which are family members of Mr. Sze (including Madam Cai Peilei, the spouse of Mr. Sze and excluding Mr. Sze himself). Accordingly, Madam Cai Peilei is deemed to be interested in the relevant shares under the SFO.

2. As at 31 December 2014, about 1.67% of shareholding of the Company is owned by Peilei Charitable Limited ("PCL"), a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned as to 50% by Mr. Sze and as to 50% by Madam Cai Peilei. Mr. Sze and Madam Cai Peilei intend to use the shares held by PCL for charitable purpose.

3. As at 31 December 2014, 2,000,000 shares, representing 0.12% of shareholding of the Company, are beneficially owned by Mr. Sze. Madam Cai Peilei is the spouse of Mr. Sze and is deemed to be interested in 2,000,000 shares.

SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was adopted on 15 March 2006 (the "Adoption Date"). The purpose of the Share Option Scheme is to enable the Company to grant options to directors, eligible employees and other outside third parties under the Share Option Scheme, in the sole discretion of the directors of the Company, who have contributed or will contribute to the growth and development of the Group. The Share Option Scheme shall continue in force for 10 years from the Adoption Date, after such period no further options will be granted. There was no change in any terms of the Share Option Scheme during the year ended 31 December 2014. The details of the Share Option Scheme have been disclosed in note 29 to the consolidated financial statements.

During the year ended 31 December 2014, the movement in the Company's share options were as follows:

Name or category of participant	Number of share option						Date of grant	Vesting date	Exercise period	Exercise price per share
	At 1 January 2014	Granted during the year *(Note)*	Exercised during the year *(Note)*	Lapsed during the year *(Note)*	Cancelled during the year *(Note)*	At 31 December 2014				*HK$*
(A) Directors										
Mr. Sze Chin Pang	1,200,000	–	–	–	–	1,200,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Mr. Lui Siu Keung^Δ	1,000,000	–	–	–	–	1,000,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Professor Zhao Bei	500,000	–	–	–	–	500,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Professor Zeng Qingfu	500,000	–	–	–	–	500,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
(B) Director & Chief Executive										
Mr. Sze Siu Bun	2,000,000	–	–	–	–	2,000,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
(C) Employees in aggregate	14,800,000	–	–	–	–	14,800,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Total	20,000,000	–	–	–	–	20,000,000				

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

Δ Mr. Lui Siu Keung has resigned as an independent non-executive Director with effect from 10 March 2015.

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

DIRECTORS' REMUNERATION

Details of directors' emoluments on a named basis are set out in note 13 to the consolidated financial statements.

Remuneration for each of the directors are determined based on, among others, emoluments paid by comparable companies, his/her time of commitment and responsibilities towards the Company and whether the remuneration package is competitively attractive to retain him/her as director.

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

There were no compensation paid during the financial year or receivable by directors or past directors for the loss of office as a director of any member of the Group or of any other office in connection with the management of the affairs of any member of the Group distinguishing between contractual and other payments.

RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate in the Mandatory Provident Fund (the "MPF") in Hong Kong.

The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, to the best knowledge of the directors and based on the information publicly available to the Company, there is a sufficient public float as required by the Listing Rules.

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.

RELATED PARTY TRANSACTIONS

Details of related party transactions are set out in notes 13 and 26 to the consolidated financial statements. None of the related party transactions constitutes connected or continuing connected transactions of the Company which are not exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 10 June 2015 to Friday, 12 June 2015 (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for attending and voting at the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Tricor Investor Services Limited, not later than 4:30 p.m. on Tuesday, 9 June 2015. Tricor Investor Services Limited is located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association although there are no restrictions against such rights under company laws in the Cayman Islands.

AUDITOR

Messrs Deloitte Touche Tohmatsu ("Deloitte") resigned as auditors of the Company with effect from 18 December 2014 and Reanda Lau & Au Yeung (HK) CPA Limited were appointed as the auditor of the Company with effect from 18 December 2014 to fill the vacancy following Deloitte's resignation. A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Reanda Lau & Au Yeung (HK) CPA Limited as auditor of the Company.

On behalf of the Board

SZE SIU HUNG
Chairman

Hong Kong, 24 March 2015

The Company is committed to maintaining good corporate governance standard and procedures to ensure the integrity, transparency and quality of disclosure in the interest of its shareholders. The corporate governance principles of the Company emphasize a quality board, transparency and accountability to all shareholders of the Company (the "Shareholders").

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 annual report 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.

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 annual report 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.

BOARD OF DIRECTORS

The board of Directors (the "Board") is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management are delegated the authority and responsibilities by the Board for the day-to-day management and operations of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out in this report.

The Board currently consists of seven members including four executive Directors and three independent non-executive Directors. Given below are names of the Directors in office during the year and up to the date of this annual report:

Executive Directors:
Mr. Sze Siu Hung *(Chairman)*
Mr. Sze Siu Bun *(appointed effective from 11 December 2014)*
Mr. Sze Chin Pang
Mr. Chan Chi Yuen *(appointed effective from 11 December 2014)*
Mr. Qiu Fengshou *(resigned effective from 11 December 2014)*
Madam Cai Peilei *(resigned effective from 11 December 2014)*

Independent Non-Executive Directors:
Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung *(resigned effective from 10 March 2015)*
Mr. Chan Chiu Hung, Alex *(appointed effective from 10 March 2015)*

Mr. Sze Siu Hung is the spouse of Madam Cai Peilei, a former executive Director (resigned effective from 11 December 2014), brother in law of Mr. Cai Chaodun, the deputy general manager of the Group and the elder brother of Mr. Sze Siu Bun, an executive Director and the chief executive officer of the Company. Save as disclosed herein, the Board members have no financial and/or other material/relevant relationships with each other. During the year ended 31 December 2014, the Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors (representing at least one-third of the Board), with at least one independent non-executive director possessing appropriate professional qualifications or accounting or related financial management expertise. The biographical information of the Directors are set out on pages 9 to 13 under the section headed "Directors' & Senior Management's Biographies".

The Board is principally responsible for formulating business strategies, and monitoring the performance of the business of the Group. The Board decides on corporate strategies, approves overall business plans, evaluates the Group's financial performance and management and reviews the financial and internal control system. Other than the daily operational decisions which are delegated to the management of the Group, most of the decisions are taken by the Board. Specific tasks that the Board delegates to the Group's management include the implementation of strategies approved by the Board, the monitoring of operating budgets, the implementation of internal control procedures and the ensuring of compliance with relevant statutory requirements and other rules and regulations.

The Board has at least four meetings in a financial year and meets at any other times as and when required, among others, to review financial and internal control, risk management, corporate governance, company strategy and operating performance of the Group. Minutes of the Board meetings are kept by the company secretary of the Company (the "Company Secretary") for record and are available for inspection by the Directors and auditors of the Company.

BOARD MEETINGS AND GENERAL MEETINGS

The individual attendance record of each Director in office during the year ended 31 December 2014 and up to the date of this annual report at the Board meetings and the general meetings during the year ended 31 December 2014 is set out below:

Name of Directors	Attendance/Number of Board Meetings during his/her tenure	Attendance/Number of General Meetings during his/her tenure
Executive Directors		
Mr. Sze Siu Hung *(Chairman)*	22/22	2/2
Mr. Sze Siu Bun	2/2	2/2^Δ
Mr. Sze Chin Pang	21/22	2/2
Mr. Chan Chi Yuen	2/2	0/0
Mr. Qiu Fengshou	17/22	0/2
Madam Cai Peilei	17/22	0/2
Independent Non-Executive Directors		
Professor Zeng Qingfu	16/22	0/2
Professor Zhao Bei	18/22	0/2
Mr. Lui Siu Keung	18/22	2/2
Mr. Chan Chiu Hung, Alex*	0/0	0/0

Δ Mr. Sze Siu Bun was appointed as an executive Director with effect from 11 December 2014. He has attended all the general meetings of the Company for the year ended 31 December 2014 in the capacity of chief executive officer of the Company.

* Mr. Chan Chiu Hung, Alex has been appointed as an independent non-executive Director with effect from 10 March 2015.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

During the year ended 31 December 2014, Mr. Sze Siu Hung, Mr. Sze Siu Bun, Mr. Qiu Fengshou, Madam Cai Peilei, Mr. Sze Chin Pang, Professor Zeng Qingfu and Professor Zhao Bei attended a seminar regarding relevant updates of the Listing Rules provided by the legal adviser to the Company. Each of Mr. Chan Chi Yuen and Mr. Lui Siu Keung confirmed he had participated in training pursuant to code provision A.6.5 of the Code.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of Directors' and the chief executive officer's remuneration are set out in note 13 to the consolidated financial statements.

The remuneration of other members of senior management (other than the chief executive officer) by band for the year ended 31 December 2014 is set out below:

Remuneration bands	Number of persons
HK$nil to HK$1,000,000	7
HK$1,000,001 to HK$1,500,000	1

AUDIT COMMITTEE

The Board has established an Audit Committee with written terms of reference in compliance with, where applicable, the Code of the Listing Rules. The primary duties of the Audit Committee are, among others, to review the financial reporting system and internal control of the Group, to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard, and to review the annual and interim financial statements and accounting policies of the Group. For the year ended 31 December 2014, the Audit Committee comprised three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung, who possesses a professional accounting and relevant accounting experience, was the chairman of the Audit Committee.[Δ] The Audit Committee meets at least twice a year to carry out the aforesaid primary duties and minutes of the meetings are kept by the Company Secretary at the principal place of business of the Company in Hong Kong.

During the year ended 31 December 2014, the Audit Committee held four meetings and reviewed the interim results of the Group for the six months ended 30 June 2014, the final results of the Group for the year ended 31 December 2013, the reports prepared by the external auditors relating to accounting and major findings in the course of 2013 annual audit, recommended the appointment of new auditors for 2014 annual audit and reviewed the 2014 annual audit plan and to review the effectiveness of internal control system of the Group. The attendance records of the Audit Committee are as below:

Member of Audit Committee	Number of meetings attended/Total
Professor Zeng Qingfu	2/4
Professor Zhao Bei	4/4
Mr. Lui Siu Keung *(Chairman)*	4/4

Δ Mr. Lui Siu Keung ceased to act as the chairman of the Audit Committee with effect from 10 March 2015. Mr. Chan Chiu Hung, Alex, who possesses a professional accounting and relevant accounting experience, has been appointed as an independent non-executive Director and the chairman of the Audit Committee with effect from 10 March 2015.

REMUNERATION COMMITTEE

The Board has established a Remuneration Committee with written terms of reference in compliance with, where applicable, the Code of the Listing Rules. The primary duties of the Remuneration Committee are, among others, to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and to determine with delegated responsibility the remuneration packages of executive Directors and senior management. In fulfilling the functions, the Remuneration Committee will take into consideration factors such as salaries paid by comparable companies, respective time commitment and responsibilities of the Directors and senior management and whether the remuneration packages are competitively attractive to retain the Directors and senior management. For the year ended 31 December 2014, the Remuneration Committee comprised three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung was the chairman of the Remuneration Committee.# The Remuneration Committee meets at any time when necessary and desirable to carry out the aforesaid duties but in any event at least once a year. Minutes of the meeting are kept by the Company Secretary at the Company's principal place of business in Hong Kong. During the year ended 31 December 2014, the Remuneration Committee held three meetings and determined the remuneration of executive Directors and senior management and recommended the remuneration of independent non-executive Directors. The attendance records of the Remuneration Committee are as below:

Member of Remuneration Committee	**Number of meetings attended/Total**
Professor Zeng Qingfu	2/3
Professor Zhao Bei	3/3
Mr. Lui Siu Keung *(Chairman)*	3/3

Mr. Lui Siu Keung ceased to act as the chairman of the Remuneration Committee with effect from 10 March 2015. Mr. Chan Chiu Hung, Alex has been appointed as an independent non-executive Director and the chairman of the Remuneration Committee with effect from 10 March 2015.

NOMINATION COMMITTEE

The Board has established a Nomination Committee with written terms of reference in compliance with, where applicable, the Code of the Listing Rules. The primary duties of the Nomination Committee are, among others, to review the composition of the Board and make recommendations to the Board on the selection of individuals nominated for directorship. With a view to achieving and maintaining a sustainable and balanced development, the Company sees diversity at the Board level as an essential element in supporting its strategic objectives and its sustainable development. The Board has a policy concerning the diversity of board members (the "Policy"). Pursuant to the Policy, in designing the Board's composition, the Board diversity has been considered from a number of perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The selection of candidates for directorship is based on a range of diversity perspectives as aforesaid. The ultimate decision will be based on the merit and contribution that the selected candidate will bring to the Board. The diversity of background and the experience of individual directors and the effectiveness of the Board in promoting shareholders' interests will also be considered. For the year ended 31 December 2014, the Nomination Committee comprised three independent non-executive Directors, namely Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung. Mr. Lui Siu Keung was the chairman of the Nomination Committee.† The Nomination Committee meets at any time when necessary and desirable to carry out the aforesaid duties but in any event at least once a year. Minutes of the meeting are kept by the Company Secretary at the principal place of business in Hong Kong. During the year ended 31 December 2014, the Nomination Committee held two meetings and made recommendations to the Board in respect of the re-election of Directors at the annual general meeting in 2014 and the new appointment of executive Directors during the year. The attendance records of the Nomination Committee are as below:

Member of Nomination Committee	**Number of meetings attended/Total**
Professor Zeng Qingfu	1/2
Professor Zhao Bei	2/2
Mr. Lui Siu Keung *(Chairman)*	2/2

† Mr. Lui Siu Keung ceased to act as the chairman of the Nomination Committee with effect from 10 March 2015. Mr. Chan Chiu Hung, Alex, has been appointed as an independent non-executive Director and the chairman of the Nomination Committee with effect from 10 March 2015.

CORPORATE GOVERNANCE FUNCTIONS

The Company has not set up any corporate governance committee. The Board has adopted the written terms of reference on Corporate Governance in compliance with the Code of the Listing Rules and the Board is responsible for performing the corporate governance duties set out therein. During the year ended 31 December 2014, the Board met once to review the Company's corporate governance policies and practices, the training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's code of conduct and the Company's compliance with the Code and the disclosure in this Corporate Governance Report.

COMPANY SECRETARY

Mr. Chan Hon Hung ("Mr. Chan"), the Company Secretary of the Company is a full time employee of the Group. During the year ended 31 December 2014, Mr. Chan has duly complied with the relevant professional training requirements under Rule 3.29 of the Listing Rules. Mr. Chan's biographical details are set out on page 13 under the section headed "Directors' & Senior Management's Biographies".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The posts of the Chairman and the Chief Executive Officer (the "CEO") of the Company are separately held by Mr. Sze Siu Hung and Mr. Sze Siu Bun respectively for the year to ensure a clear distinction between the Chairman's responsibility to lead the Board and the CEO's responsibility to manage the Company's business affairs. The Company intends to continue having the role of the Chairman and CEO assumed by different individuals.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Except for the fact that the Company has not been able to reach Professor Zeng Qingfu up to the date of this annual report, each of the independent non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. To the best knowledge of the Company and in the absence of any known circumstances and/or factors that may affect his independence, the Company is of the view that Professor Zeng Qingfu is independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is also of the view that all the remaining independent non-executive Directors are independent in accordance with the terms of the independence guidelines set out in Rule 3.13 of the Listing Rules.

Each of Professor Zeng Qingfu, Professor Zhao Bei and Mr. Lui Siu Keung has been appointed by the Company as an independent non-executive Director by way of a letter of appointment for a term of two years commencing on 1 January 2010. The appointments will be renewable automatically for successive terms of one year until terminated by either party giving not less than three months' prior notice in writing to the other. Mr. Chan Chiu Hung, Alex has been appointed by the Company as an independent non-executive Director by way of a letter of appointment for a term of two years commencing on 10 March 2015. The appointment will be renewable automatically for successive terms of one year until terminated by either party giving not less than three months' prior notice in writing to the other.

All independent non-executive Directors are subject to retirement by rotation in accordance with the Company's Articles of Association (the "Articles").

SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the Articles, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. The aforesaid written requisition must state the objects of the meeting and must be signed by the relevant shareholder(s) and deposited at the Company's head office in Hong Kong at 6th floor, Comweb Plaza, 12 Cheung Yue Street, Lai Chi Kok, Kowloon, Hong Kong.

The procedures for Shareholders to propose a person for election as a director of the Company are available on the Group's designated website for corporate communications (www. capitalfp.com.hk/eng/index.jsp?co=707).

Enquiries raised by any Shareholder can be mailed to the Board at the Company's head office in Hong Kong at 6th floor, Comweb Plaza, 12 Cheung Yue Street, Lai Chi Kok, Kowloon, Hong Kong or sent through email to ir@co-prosperity.com.

CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the year.

AUDITOR'S REMUNERATION

During the year ended 31 December 2014, the Group was charged HK$980,000 for auditing services (of which HK$130,000 represented the under-provision of audit fee for the year ended 31 December 2013 owed to the Company's ex-auditor, Deloitte Touche Tohmatsu and HK$850,000 represented the audit fee for the year ended 31 December 2014 owed to the Company's current auditor, Reanda Lau & Au Yeung (HK) CPA Limited) and a total of HK$880,000 for non-auditing services by the Company's ex-auditor, Deloitte Touche Tohmatsu. Details of the non-auditing fees are as follows:

For the reporting work for major transaction	HK$880,000

INTERNAL CONTROL

The Board reviews the effectiveness of the internal control system on an on-going basis and this includes identifying, evaluating and managing the significant risks faced by the Group and updating the internal control system when needed. The review covers all material controls, including financial, operational and compliance controls and risk management functions. The review also considers the adequacy of resources, qualifications and experience of staff of the Group's accounting and financial reporting function, and their training programmes and budget. The Board is of the view that the internal control system in place for the year under review is sound and is sufficient to safeguard the interests of Shareholders and the Group's assets.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are prepared in accordance with the statutory requirements and applicable accounting standards. It is also the responsibility of the Directors to ensure the timely publication of the financial statements of the Group.

The statement of the external auditor of the Company, Reanda Lau & Au Yeung (HK) CPA Limited, on its reporting responsibilities in respect of the consolidated financial statements of the Group is set out on pages 33 and 34. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

REANDA

Reanda Lau & Au Yeung (HK) CPA Limited

21/F, Tai Yau Building,
181 Johnston Road,
Wanchai, Hong Kong

TO THE SHAREHOLDERS OF CO-PROSPERITY HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Co-Prosperity Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 115, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31 December 2014, and of its profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Reanda Lau & Au Yeung (HK) CPA Limited
Certified Public Accountants

Franklin Lau Shiu Wai
Director
Practising Certificate number P01886

Hong Kong, 24 March 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Continuing operations			
Turnover	7	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	8	18,705	(66,926)
Impairment losses recognised in respect of prepaid lease payments and property, plant and equipment	9	(5,236)	(7,763)
Reversal of impairment losses in respect of prepaid lease payments and property, plant and equipment	9	10,550	9,863
Distribution and selling expenses		(6,791)	(7,894)
Administrative expenses		(22,693)	(25,528)
Finance costs	10	(18,361)	(21,396)
Profit/(loss) before taxation	11	23,256	(151,623)
Taxation	15	(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	12	–	(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 RMB cents	2013 RMB cents
For continuing and discontinued operations			
Earnings/(loss) per share	16		
– Basic		1.50	(14.05)
– Diluted		1.48	(14.05)
For continuing operations	16		
Earnings/(loss) per share			
– Basic		1.50	(13.19)
– Diluted		1.48	(13.19)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment	17	55,932	93,721
Prepaid lease payments	18	440	9,150
Deposits made for acquisition of property, plant and equipment		–	390
		56,372	103,261
Current assets			
Inventories	19	144,297	230,735
Trade and other receivables	20	86,535	105,830
Prepaid lease payments	18	14	221
Pledged bank deposits	21	52,111	58,250
Bank balances and cash	21	25,793	52,224
		308,750	447,260
Assets classified as held for sale	22	195,339	–
		504,089	447,260
Current liabilities			
Trade and other payables	23	27,569	117,360
Warrants	24	–	30,259
Taxation payables		4,189	4,489
Mortgage loan	25	–	134
Short-term bank loans	26	137,200	205,500
Short-term loan from other financial institution	26	5,500	35,000
Financial guarantee contracts	27	16,699	46,965
		191,157	439,707
Liabilities associated with assets held for sale	22	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	28	157,233	117,055
Reserves		60,173	(6,241)
Total equity		217,406	110,814

The consolidated financial statements on pages 35 to 115 were approved and authorised for issue by the board of directors on 24 March 2015 and are signed on its behalf by:

SZE SIU HUNG	**SZE CHIN PANG**
CHAIRMAN	*EXECUTIVE DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Notes	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Translation reserve RMB'000	Statutory surplus reserve fund RMB'000	Accumulated deficit RMB'000	Total RMB'000
At 1 January 2013		117,055	301,107	98,731	1,669	5,948	98,037	(346,579)	275,968
Loss for the year		–	–	–	–	–	–	(164,623)	(164,623)
Exchange differences arising on translation		–	–	–	–	(531)	–	–	(531)
Total comprehensive expense for the year		–	–	–	–	(531)	–	(164,623)	(165,154)
Transfers		–	–	–	–	–	213	(213)	–
At 31 December 2013		117,055	301,107	98,731	1,669	5,417	98,250	(511,415)	110,814
Profit for the year		–	–	–	–	–	–	20,762	20,762
Exchange differences arising on translation		–	–	–	–	336	–	–	336
Total comprehensive income for the year		–	–	–	–	336	–	20,762	21,098
Transfers		–	–	–	–	–	289	(289)	–
Exercise of warrants	24	18,003	33,055	–	–	–	–	–	51,058
Transaction costs for issue of shares upon exercise of warrants		–	(7)	–	–	–	–	–	(7)
Placement of new shares	28	22,175	13,305	–	–	–	–	–	35,480
Transaction costs for issue of shares		–	(1,037)	–	–	–	–	–	(1,037)
		40,178	45,316	–	–	–	–	–	85,494
At 31 December 2014		157,233	346,423	98,731	1,669	5,753	98,539	(490,942)	217,406

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Operating activities			
Profit/(Loss) for the year		20,762	(164,623)
Adjustments for:			
Taxation		2,494	2,895
Interest income		(2,999)	(903)
Interest expenses		18,361	33,972
Depreciation of property, plant and equipment		12,887	19,349
Release of government grant		–	(140)
Amortisation of prepaid lease payments		226	2,736
Write-down of inventories		625	46,887
Reversal of write-down of inventories		(4,242)	–
Provision of onerous contracts for acquisition of property, plant and equipment		–	3,076
Allowances for bad and doubtful debts		–	18
Reversal of allowances for bad and doubtful debts		(301)	(9)
Loss on disposal of subsidiaries		–	(4,114)
(Gain)/loss on fair value changes of warrants		(4,572)	21,010
Loss on fair value of financial guarantees contracts		–	46,965
Income from amortisation of financial guarantees contract		(15,655)	–
Gain on disposal of property, plant and equipment		(41)	(20)
Impairment losses in respect of prepaid lease payments and property, plant and equipment		5,236	7,924
Reversal of impairment losses in respect of prepaid lease payments and property, plant and equipment		(10,550)	(14,810)
Operating cash flows before movements in working capital		22,231	213
Increase in inventories		(11,343)	(82,257)
(Increase)/decrease in trade and other receivables		(20,139)	92,783
Decrease in trade and other payables		(50,387)	(52,116)
Cash used in operations		(59,638)	(41,377)
Taxation paid		(2,711)	(2,391)
Net cash used in operating activities		(62,349)	(43,768)
Investing activities			
Interest received		2,999	903
Purchase of property, plant and equipment		(11,191)	(6,295)
Proceeds from disposal of property, plant and equipment		54	10,020
Proceeds from disposal of subsidiaries	12	–	193,301
Deposits paid on acquisition of property, plant and equipment		–	(1,167)
Placement of pledged bank deposits		(17,481)	(23,690)
Withdrawal of pledged bank deposits		20,420	18,886
Net cash (used in)/generated from investing activities		(5,199)	191,958

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
Financing activities			
Interest paid		(18,361)	(30,021)
Proceeds from exercise of warrants		25,197	–
Proceeds from placement of new shares		34,443	–
Repayment to a related party		–	(64,895)
Repayment of other unsecured loans		–	(34,381)
Repayment of convertible bonds		–	(41,445)
Bank loans raised		235,100	443,500
Loans from other financial institution raised		5,500	35,000
Repayment of bank loans		(205,600)	(423,500)
Repayment of loans from other financial institution		(35,000)	–
Repayment of mortgage loan		(134)	(552)
Net cash generated from/(used in) financing activities		41,145	(116,294)
Net (decrease)/increase in cash and cash equivalents		(26,403)	31,896
Cash and cash equivalents at 1 January		52,224	21,324
Effect of foreign exchange rate changes		503	(996)
Cash and cash equivalents at 31 December		26,324	52,224
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		25,793	52,224
Bank balances and cash included in assets classified as held for sale	22	531	–
		26,324	52,224

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability under the Companies Law of the Cayman Islands and acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 33. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" of the annual report.

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.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective.

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

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

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

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.

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

HKFRS 9 "Financial instruments" – continued

- 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.

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

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.

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

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by The Rules Governing the Listing of Securities on the Stock Exchange 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of consolidation – continued

When the Group loses control of a subsidiary, it (i) derecognises the assets and liabilities of the subsidiary at their carrying amounts at the date when control is lost, and (ii) recognises the aggregate of the fair value of the consideration received, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts, returns and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when the services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment including leasehold land and buildings (classified as finance lease) held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Properties in the course of construction for production, supply or administrative purposes are carried at cost less any recognised impairment loss. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Leasing

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing – continued

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating lease in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for the intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits expected to be received from the contract.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of loans and receivables below).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the loan and receivables have been affected.

The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

The carrying amount is reduced by the impairment loss directly for all loans and receivables with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

The Group's financial liabilities are classified as fair value through profit or loss ("FVTPL") and other financial liabilities. Financial liabilities classified as FVTPL including derivative component of convertible bonds and warrants are measured at fair value, with any gains or losses arising on remeasurement recognised directly in profit or loss in the, period in which they arise. The net gain or loss is included in the 'other expenses, gains and losses'. Other financial liabilities including trade and other payables, amount due to a related party, mortgage loan, loan from a related party, other unsecured loan, short-term bank loans, short-term loan from other financial institution and debt component of convertible bonds are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Warrants

Warrants that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument are accounted as derivatives. The warrants are initially recognised at fair value and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts issued by the Group are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of: (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provisions, contingent liabilities and contingent assets"; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the revenue recognition policy.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial liabilities and equity instruments – continued

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to directors and employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as an expense in full at the grant date when the share options granted vest immediately, with a corresponding increase in equity (share option reserve).

When the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits.

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position presented as government grant and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the year, unless exchange rates fluctuated significantly during the year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve. Such translation differences are reclassified to profit or loss from equity in the period in which the foreign operation is disposed of.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies – continued

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefits costs

Payments to state-managed retirement benefits schemes and the Mandatory Provident Fund Scheme (the "MPF") are recognised as an expense when employees have rendered service entitling them to the contributions.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal group) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Non-current assets (or disposal groups) held for sale – continued

Immediately before the initial classification as held for sale, the non-current assets (or disposal groups) are measured in accordance with applicable HKFRSs. Subsequent to classification, non-current assets (or disposal groups) that are within the scope of the measurement requirements of HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured at the lower of their previous carrying amount and fair value less costs of disposal.

On disposal of the non-current assets (or disposal groups), any gain or loss (calculated as the difference between the net disposal proceeds and the carrying amount of the non-current assets) is included in the profit or loss in the period in which the assets are disposed of.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Estimated impairment of property, plant and equipment and prepaid lease payments

When there is indication that property, plant and equipment, prepaid lease payments or a cash-generating unit ("CGU") may be impaired, the Group estimates the recoverable amount of the relevant asset or the relevant CGU in which the relevant property, plant and equipment and prepaid lease payments are attached to. The amount of the impairment loss is measured as the difference between the carrying amount of the relevant asset or the CGU and the recoverable amount. The recoverable amount is higher of value in use and fair value less costs to sell. Value in use is the estimated future cash flows discounted to their present value using an appropriate discount rate that reflects current market assessments of the time value of money and the risks specific to the relevant asset or the CGU. Where the actual future cash flows or fair value less costs to sell are less or more than expected, or changes in facts and circumstances which result in revisions of the estimated future cash flows for the purpose of determining the value in use, further impairment loss or reversal of impairment loss may arise. As at 31 December 2014, the carrying amount of property, plant and equipment and prepaid lease payments are RMB49,138,000 and RMB454,000 respectively (2013: RMB93,721,000 and RMB9,371,000 respectively). Details about impairment losses provided and reversed during the period are set out in note 9.

Impairment of inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price for inventories, less all the estimated costs of completion and costs necessary to make the sales. The management reviews the inventory ageing listing on a periodical basis for those aged inventories. This involves comparison of carrying value of the aged inventory items with the respective net realisable value. The purpose is to ascertain whether allowance is required to be made in the consolidated financial statements for any obsolete and slow moving items. Although the Group carried periodic review on the net realisable value of inventory, the actual realisable value of inventory is not known until the sale was concluded. At 31 December 2014, the carrying amount of inventories are approximately RMB144,297,000 (2013: RMB230,735,000).

Amortisation of financial guarantee contracts

Financial guarantee contracts are initially recognised at fair value and subsequently measured at the higher of (i) the amount of obligation under the contract, as determined in accordance with HKAS 37 "Provision, contingent liabilities and contingent assets" and (ii) the initial amount, less cumulative amortisation recognised in accordance with HKAS18 "Revenue". These estimates are determined based on experience of similar transactions and history of past losses, supplemented by management's judgment.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of mortgage loan, short-term bank loans, short-term loan from other financial institution, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and accumulated deficit as disclosed in the consolidated financial statements.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with the capital. Based on recommendations of the directors, the Group will balance its overall capital structure through various means, including but not limited to the new share issues, raising of bank loans or the redemption of existing debt.

6. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2014 RMB'000	2013 RMB'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	109,950	130,863
Financial liabilities		
Amortised costs	272,028	314,316
Fair value through profit or loss – warrants	–	30,259
Financial guarantee contracts	31,310	46,965

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, pledged bank deposits, bank balances and cash, trade and other payables, warrants, mortgage loan, short-term bank loans, short-term loan from other financial institution and financial guarantee contracts. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed rate borrowings from banks and other financial institution and loan from a related party, other unsecured loan, convertible bonds and cash flow interest rate risk in relation to variable rate bank deposits and mortgage loan. The management of the Group monitors the related interest rate risk exposure closely to minimise these interest rate risks.

The interest rate risk on bank deposits is limited because of the short maturity.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Prime Lending Rate arising from the Group's mortgage loan which are denominated in Hong Kong dollar ("HKD" or "HK$").

The directors consider that the exposure to interest rate risk on bank deposits and mortgage loan is insignificant.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Market risk – continued

Currency risk

The functional currency of the group entities is mainly RMB in which most of the transactions are denominated. The directors consider that the trade and other receivables and bank balances and cash denominated in HKD are the major monetary assets; while trade and other payables denominated in HKD are the major monetary liabilities which expose the Group to currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

	Assets		**Liabilities**	
	2014	2013	2014	2013
	RMB'000	RMB'000	RMB'000	RMB'000
HKD	18,209	3,734	3,708	–

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2013: 5%) increase in RMB, the functional currency of the group entity, against HKD. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2013: 5%) change in foreign currency rate. A positive number below indicated a decrease in loss and increase in profit where the functional currency of the group entity strengthens 5% (2013: 5%) against the HKD. For 5% (2013: 5%) weakening of the functional currency of the group entity against HKD, this would be an equal and opposite impact on the loss/profit.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Market risk – continued

Sensitivity analysis – continued

At 31 December 2014, if RMB strengthens against HKD by 5% with all other variables held constant, the Group's profit for the year would have been decreased by RMB725,000 (2013: loss for the year would have been increased by RMB187,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31 December 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure in this respect is the maximum amount the Group could have to pay if the guarantee is called on. As at 31 December 2014, an amount of RMB16,699,000 (2013: RMB46,965,000) has been recognised in the consolidated financial position as financial liabilities (see note 27).

In order to minimise the credit risk, the Group has policies in place for determining credit limits, credit approvals and other monitoring procedures to ensure that follow- up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Credit risk – continued

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies and PRC stated-owned banks with good reputation.

As at 31 December 2014, the Group also has concentration of credit risk on financial guarantees issued by the Group to a bank for the banking facilities granted to Shasing-Shapheng Quanzhou (defined in note 12) (2013: nil).

In order to minimise the credit risk on the advances to third parties, the management of the Group closely monitor the follow-up action taken to recover any loans outstanding over 180 days. In addition, the Group monitors subsequent settlement of each loans and receivables to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk on the loan receivables is significantly reduced.

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 indemnity the group the liabilities arising from the relevant loan facilities. In this regard, the directors of the Company considered that the Group's credit risk on the financial guarantees is significantly reduced.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Based on the good working relationship with its banks and to optimise the use of the Group's liquid funds, the Group will consider to renew the bank loans upon their maturities. The directors of the Company are of the opinion that the existing banking facilities could be successfully renewed upon maturity based on the past history and good relationships of the Group with the banks. The management monitors the utilisation of bank loans and ensures compliance with loan covenants. The directors of the Company closely monitor the cash flow of the Group and, upon maturity, would arrange the renewal and refinancing of the bank loans, where necessary, to enable the Group to carry on its operations in the foreseeable future. In addition, Mr. Sze Siu Hung, the Chairman, executive director and controlling shareholder of the Company has agreed to arrange to provide adequate funds to enable the Group to meet in full their financial obligations as when they fall due for the foreseeable future. In this regard, the directors of the Company consider that the Group's liquidity risk is significantly reduced and are satisfied that the Group will be able to meet in full its financial obligations as they fall due the foreseeable future. Accordingly, the consolidated financial statements have been prepared on a going-concern basis.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

Liquidity and interest risk tables

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2014 RMB'000
2014						
Non-derivative financial liabilities						
Trade and other payables*	–	31,086	–	–	31,086	31,086
Bank loans – fixed rate	6.83	79,332	165,044	–	244,376	235,000
Short-term loan from other financial institution – fixed rate	12.60	–	6,020	–	6,020	5,500
Financial guarantee contracts	–	150,000	–	–	150,000	31,310
		260,418	171,064	–	431,482	302,896

	Weighted average effective interest rate %	On demand or less than 3 months RMB'000	3 months to 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amount at 31.12.2013 RMB'000
2013						
Non-derivative financial liabilities						
Trade and other payables*	–	73,682	–	–	73,682	73,682
Mortgage loan – variable rate	2.51	134	–	–	134	134
Bank loans – fixed rate	6.72	47,789	161,161	–	208,950	205,500
Short-term loan from other financial institution – fixed rate	7.20	35,630	–	–	35,630	35,000
Financial guarantee contracts	–	150,000	–	–	150,000	46,965
		307,235	161,161	–	468,396	361,281

* The amount includes trade payables, advances from third parties and bills payables.

6. FINANCIAL INSTRUMENTS – continued

b. Financial risk management objectives and policies – continued

Liquidity risk – continued

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

c. Fair value measurements of financial assets and financial liabilities

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS – continued

c. Fair value measurements of financial assets and financial liabilities – continued

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

Financial liabilities	Fair value as at 31 December 2013	Fair value hierarchy	Valuation techniques and key inputs
Warrants *(note)*	RMB30,259,000	Level 3	Binomial Model with details of key inputs disclosed in note 24

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

There were no transfers among Level 1, 2 and 3 during both years.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

Reconciliation of Level 3 fair value measurement of warrants:

	Warrants
	RMB'000
At 1 January 2013	9,916
Loss on fair value changes	21,010
Currency realignment	(667)
At 31 December 2013	30,259
Gain on fair value changes	(4,572)
Currency realignment	167
Transfer to share premium upon exercise of warrants	(25,854)
As at 31 December 2014	–

7. 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 RMB'000	2013 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 12.

7. TURNOVER AND SEGMENT INFORMATION – continued

Segment information – continued

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

Continuing operations

	Turnover		Results	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 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.

7. TURNOVER AND SEGMENT INFORMATION – continued

Segment information – continued

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

	2014 RMB'000	2013 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.

7. TURNOVER AND SEGMENT INFORMATION – continued

Segment information – continued

(iii) Other segment information

	2014 RMB'000	2013 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
Allowances for bad and doubtful debts		
– processing, printing and sales of finished fabrics	–	18
Reversals of allowances for bad and doubtful debts		
– trading of goods	(301)	(91)
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)	–
Impairment losses recognised in respect of property, plant and equipment		
– processing, printing and sales of finished fabrics	5,236	7,763

7. TURNOVER AND SEGMENT INFORMATION – continued

Segment information – continued

(iii) Other segment information – continued

Continuing operations

	2014 RMB'000	2013 RMB'000
Reversal of impairment losses recognised in respect of property, plant and equipment – processing, printing and sales of finished fabrics	(10,550)	(9,722)
Reversal of impairment losses recognised in respect of prepaid lease payments – processing, printing and sales of finished fabrics	–	(141)
Obligations recognised under onerous contracts in respect of deposits made for acquisition of property, plant and equipment – processing, printing and sales of finished fabrics	–	3,076

7. TURNOVER AND SEGMENT INFORMATION – continued

Segment information – continued

(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 RMB'000	2013 RMB'000	2014 RMB'000	2013 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.

8. OTHER EXPENSES, GAINS AND LOSSES

	2014 RMB'000	2013 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 *(note 24)*	4,572	(21,010)
Income from amortisation of financial guarantee contracts *(note 27)*	15,655	–
Loss on fair value of financial guarantee contracts *(note 27)*	–	(46,965)
Research and development costs	(1,705)	(1,981)
	18,705	(66,926)

9. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES

The (impairment losses)/reversal of impairment losses by cash-generating units ("CGUs") are as follows:

Continuing operations

	2014		2013	
	Impairment loss RMB'000	Reversal of impairment RMB'000	Impairment loss RMB'000	Reversal of impairment RMB'000
CGU1	(4,890)	–	–	8,209
CGU2	–	4,371	–	112
CGU3	–	3,462	(2,414)	–
CGU4	–	2,717	(5,349)	–
CGU5	(346)	–	–	1,542
Total	(5,236)	10,550	(7,763)	9,863

CGU1, CGU2, CGU3, CGU4 and CGU5 belong to the Group's reportable segment of processing, printing and sales of finished fabrics.

CGU1

For the year ended 31 December 2013, the directors of the Company reassessed the recoverable amounts of the CGU1 with reference to the valuation report issued by an independent external valuer, American Appraisal China Limited ("2013 Valuation Report"), and a reversal of impairment losses of RMB8,068,000 and of RMB141,000 were made in respect of property, plant and equipment and prepaid lease payments respectively. The recoverable amount is the higher of fair value less costs to sell and the value in use. The reversal of impairment losses were recognised for CGU1 for which the recoverable amounts, which were based on value in use, were higher than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The projected period was 5 years and the growth rate used in the forecast was zero for CGU1. The cash flow forecast was using a discount rate of 9.5% which reflected the return on assets and the risks specific to CGU1. The reason for the reversal of impairment losses was mainly due to the increase in gross profit margin of the CGU1's products during the year 2013. This was mainly because the increase in the selling prices of the products was sufficient to compensate the increase in prices of raw materials. Accordingly the projected cash inflows of the CGU1 had been revised upward, and resulted in increase in the value in use relative to the estimation as at 31 December 2012.

9. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES – continued

CGU1 – continued

For the year ended 31 December 2014, the directors of the Company reassessed the recoverable amounts of the CGU1 with reference to the valuation report issued by an independent external valuer, American Appraisal China Limited ("2014 Valuation Report"), and further impairment losses of RMB4,890,000 are made in property, plant and equipment. The recoverable amount is the higher of fair value less costs to sell and the value in use. The impairment losses are recognised for CGU1 for which the recoverable amounts, which are based on fair value less costs to sell, were less than the carrying amount. The estimation of fair value less costs to sell is based on the market prices for similar assets.

CGU2

For the year ended 31 December 2013, the directors of the Company reassessed the recoverable amounts of the CGU2 with reference to the 2013 Valuation Report, and a reversal of impairment losses of RMB112,000 was made in respect of property, plant and equipment as at 31 December 2013. The recoverable amount is the higher of fair value less costs to sell and the value in use. The reversal of impairment losses was recognised for CGU2 for which the recoverable amounts, which are based on fair value less costs to sell, are higher than the carrying amounts. The estimation of fair value less costs to sell is based on the market prices for similar assets.

For the year ended 31 December 2014, the directors of the Company reassessed the recoverable amounts of the CGU2 with reference to the 2014 Valuation Report, and a reversal of impairment losses of RMB4,371,000 is made in respect of property, plant and equipment as at 31 December 2014. The recoverable amount is the higher of fair value less costs to sell and the value in use. The reversal of impairment losses is recognised for CGU2 for which the recoverable amounts, which are based on value in use, are higher than the carrying amount. The value in use calculation used cash flow forecast derived from the most recent financial budget approved by management based on their best estimates. The projected period was 5 years and the growth rate used in the forecast was zero for CGU2. The cash flow forecast was using a discount rate of 9% which reflected the return on assets and the risks specific to CGU2. The reason for the reversal of impairment losses was mainly due to the increase in gross profit margin of the CGU2's products during the year 2014. This was mainly because the increase in the selling prices of the products was sufficient to compensate the increase in prices of raw materials. Accordingly the projected cash inflows of the CGU2 had been revised upward, and resulted in increase in the value in use relative to the estimation as at 31 December 2013.

9. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES – continued

CGU3

For the year ended 31 December 2013, the directors of the Company reassessed the recoverable amounts of the CGU3 with reference to the 2013 Valuation Report, and further impairment losses of RMB2,414,000 were made in respect of property, plant and equipment as at 31 December 2013. The recoverable amount is the higher of fair value less costs to sell and the value in use. The impairment losses were recognised for CGU3 for which the recoverable amounts, which are based on fair value less costs to sell, are less than the carrying amounts. The estimation of fair value less costs to sell is based on the market prices for similar assets.

For the year ended 31 December 2014, the directors of the Company reassessed the recoverable amounts of the CGU3 with reference to the 2014 Valuation Report, and a reversal of impairment losses of RMB3,462,000 are made in respect of property, plant and equipment as at 31 December 2014. The recoverable amount is the higher of fair value less costs to sell and the value in use. The reversal of impairment losses is recognised for CGU3 for which the recoverable amounts, which are based on fair value less costs to sell, are higher than the carrying amount. The estimation of fair value less costs to sell is based on the market prices for similar assets.

CGU4

For the year ended 31 December 2013, the directors of the Company reassessed the recoverable amounts of CGU4 with reference to the 2013 Valuation Report, and impairment losses of RMB5,349,000 were made in respect of property, plant and equipment as at 31 December 2013. The recoverable amount is the higher of fair value less costs to sell and the value in use. The impairment losses were recognised for CGU4 for which the recoverable amounts, which are based on fair value less costs to sell, are less than the carrying amounts. The estimation of fair value less costs to sell is based on the market prices for similar assets. The value in use decreased since 2012 and was less than fair value less costs to sell as at 31 December 2013. This was mainly due to increase in prices of raw materials which caused the reduction in gross margin.

For the year ended 31 December 2014, the directors of the Company reassessed the recoverable amounts of CGU4 with reference to the 2014 Valuation Report, and a reversal of impairment losses of RMB2,717,000 is made in respect of property, plant and equipment as at 31 December 2014. The recoverable amount is the higher of fair value less costs to sell and the value in use. The reversal of impairment losses is recognised for CGU4 for which the recoverable amounts, which are based on fair value less costs to sell, are higher than the carrying amounts. The estimation of fair value less costs to sell is based on the market prices for similar assets.

9. (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES – continued

CGU5

For the year ended 31 December 2013, the directors of the Company reassessed the recoverable amounts of CGU5 with reference to the 2013 Valuation Report, and a reversal of impairment losses of RMB1,542,000 was made in respect of property, plant and equipment as at 31 December 2013. The recoverable amount is the higher of fair value less costs to sell and the value in use. The reversal of impairment losses was recognised for CGU5 for which the recoverable amounts, which are based on fair value less costs to sell, are higher than the carrying amounts. The estimation of fair value less costs to sell is based on the market prices for similar assets.

For the year ended 31 December 2014, the directors of the Company reassessed the recoverable amounts of CGU5 with reference to the 2014 Valuation Report, and impairment losses of RMB346,000 are made in respect of property, plant and equipment as at 31 December 2014. The recoverable amount is the higher of fair value less costs to sell and the value in use. The impairment losses are recognised for CGU5 for which the recoverable amounts, which are based on fair value less costs to sell, are less than the carrying amounts. The estimation of fair value less costs to sell is based on the market prices for similar assets.

10. FINANCE COSTS

	2014 RMB'000	2013 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)

11. PROFIT/(LOSS) BEFORE TAXATION

	2014 RMB'000	2013 RMB'000
Continuing operations		
Profit/(loss) before taxation has been arrived at after charging:		
Directors' remuneration *(note 13)*	1,470	1,387
Other staff's retirement benefits scheme contributions	1,707	1,097
Other staff's equity-settled share-based payments	–	–
Other staff costs	31,744	37,590
	34,921	40,074
Less: Staff costs included in research and development costs	(244)	(148)
	34,677	39,926
Depreciation of property, plant and equipment	12,887	15,004
Less: Depreciation included in research and development costs	(334)	(191)
	12,553	14,813
Auditor's remuneration		
– current year	672	1,940
– under-provision for prior years	103	–
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.

12. 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 below:

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 *(note)*	(161)
Reversal of impairment losses in respect of prepaid lease payments *(note)*	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)

12. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES – continued

Loss from discontinued operations – continued

Note: For the year ended 31 December 2013, the directors of the Company reassessed the recoverable amounts of Shasing-Shapheng Quanzhou with reference to the valuation report issued by an independent external valuer, American Appraisal China Limited and impairment losses of RMB161,000 were made in respect of property, plant and equipment and reversal of impairment losses of RMB4,947,000 were made in respect of prepaid lease payments. The impairment losses and the reversal of impairment losses were recognised for Shasing Shapheng Quanzhou for which the recoverable amount, which are based on fair value less costs to sell. The estimation of fair value less costs to sell is based on the market prices for similar assets which has fluctuated due to general decrease in market price of relevant machinery and increase in rental yield of the relevant land in the PRC.

12. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES – continued

Loss from discontinued operations – continued

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:	
Directors' remuneration	–
Other staff's retirement benefits scheme contributions	6
Other staff's equity-settled share-based payments	–
Other staff costs	8,129
	8,135
Less: Staff costs included in research and development costs	(112)
	8,023
Depreciation of property, plant and equipment	4,345
Less: Depreciation included in research and development costs	(137)
	4,208
Auditor's remuneration	–
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

12. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES – continued

Loss from discontinued operations – continued

During the year ended 31 December 2013, the manufacture and sales of high-density and high-end yarns operations contributed RMB49.5 million to the Group's net operating cash outflows, paid RMB14.8 million in respect of investing activities and received RMB25.6 million in respect of financing activities.

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)

12. DISCONTINUED OPERATIONS AND DISPOSAL OF SUBSIDIARIES – continued

Gain on disposal of subsidiaries:

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

Net cash inflow arising on disposal:

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

13. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS

Details of emoluments paid by the Group to the directors and chief executive officer are as follows:

	2014					2013				
	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000	Fees RMB'000	Salaries and other benefits RMB'000	Retirement benefits scheme contributions RMB'000	Equity-settled share-based payments RMB'000	Total RMB'000
Executive directors										
– Mr. Sze Siu Hung	–	514	13	–	527	–	521	12	–	533
– Mr. Qiu Fengshou	–	117	–	–	117	–	125	4	–	129
– Madam Cai Peilei	–	97	–	–	97	–	104	–	–	104
– Mr. Sze Chin Pang	–	411	13	–	424	–	417	12	–	429
– Mr. Sze Siu Bun	–	27	–	–	27	–	–	–	–	–
– Mr. Chan Chi Yuen	–	27	–	–	27	–	–	–	–	–
Independent non-executive directors										
– Professor Zeng Qingfu	64	–	–	–	64	48	–	–	–	48
– Professor Zhao Bei	64	–	–	–	64	48	–	–	–	48
– Mr. Lui Siu Keung	123	–	–	–	123	96	–	–	–	96
	251	1,193	26	–	1,470	192	1,167	28	–	1,387
Chief executive officer										
– Mr. Sze Siu Bun	–	390	13	–	403	–	417	12	–	429
	251	1,583	39	–	1,873	192	1,584	40	–	1,816

During the year, the five highest paid individuals included three (2013: two) directors of the Company, details of whose emoluments are set out above. The emoluments of the remaining two (2013: three) highest paid employees are as follows:

	2014 RMB'000	2013 RMB'000
Employees		
– basic salaries and allowances	1,005	1,398
– retirement benefits scheme contributions	21	31
	1,026	1,429

13. DIRECTORS', CHIEF EXECUTIVE OFFICER'S AND EMPLOYEES' EMOLUMENTS – continued

Their emoluments were within the following bands:

	2014 No. of employees	2013 No. of employees
HK$nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	1	1

During both years, no emoluments were paid by the Group to the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during both years.

14. DIVIDENDS

No dividend was paid or proposed during 2014, nor has any dividend been proposed since the end of the reporting period (2013: nil).

15. 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.

15. TAXATION – continued

Tax charge for the year is reconciled to profit/(loss) before taxation as follows:

	2014 RMB'000	2013 RMB'000
Continuing operations		
Profit/(loss) before taxation	23,256	(151,623)
Tax at PRC EIT rate of 25%	(5,814)	37,906
Tax effect of income not taxable for tax purposes	3,913	842
Tax effect of expenses not deductible for tax purposes	(2,512)	(30,314)
Tax effect of deductible temporary differences not recognised	2,232	(11,197)
Tax effect of tax losses not recognised	(224)	(367)
Others	(89)	235
Tax charge for the year	(2,494)	(2,895)

At the end of the reporting period, the Group has deductible temporary differences of RMB370,027,000 (2013: RMB423,745,000). 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 EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to RMB144,243,000 (2013: RMB128,095,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

16. 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.

16. EARNINGS/(LOSS) PER SHARE – continued

For continuing operations:

	2014 RMB'000	2013 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.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Plant and machinery RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2013	495,191	12,719	4,889	499,634	37,435	1,049,868
Currency realignment	–	(33)	(50)	–	–	(83)
Additions	–	122	64	2,535	4,288	7,009
Transfers	15,802	–	–	–	(15,802)	–
Disposals	–	–	(281)	–	(10,000)	(10,281)
Disposal of subsidiaries	(233,129)	(5,066)	(2,072)	(122,481)	(11,822)	(374,570)
At 31 December 2013	277,864	7,742	2,550	379,688	4,099	671,943
Currency realignment	–	6	9	–	–	15
Additions	–	58	–	11,523	–	11,581
Transfers	–	–	–	4,097	(4,097)	–
Disposals	–	(38)	(219)	–	–	(257)
Transfer to assets classified as held for sale *(note 22)*	(143,387)	(4,240)	–	(191,361)	(2)	(338,990)
At 31 December 2014	134,477	3,528	2,340	203,947	–	344,292
DEPRECIATION AND IMPAIRMENT						
At 1 January 2013	412,134	7,148	3,994	449,578	–	872,854
Currency realignment	–	(32)	(50)	–	–	(82)
Provided for the year	4,816	835	517	13,181	–	19,349
Eliminated on disposals	–	–	(281)	–	–	(281)
Eliminated on disposal of subsidiaries	(192,406)	(2,014)	(1,841)	(115,559)	–	(311,820)
Impairment losses recognised in profit or loss	1,650	–	–	6,274	–	7,924
Reversal of impairment losses	(6,780)	–	–	(2,942)	–	(9,722)
At 31 December 2013	219,414	5,937	2,339	350,532	–	578,222
Currency realignment	–	4	11	–	–	15
Provided for the year	2,627	324	119	9,817	–	12,887
Eliminated on disposals	–	(38)	(206)	–	–	(244)
Transfer to assets classified as held for sale *(note 22)*	(115,094)	(3,385)	–	(178,727)	–	(297,206)
Impairment losses recognised in profit or loss	4,188	–	–	1,048	–	5,236
Reversal of impairment losses	(4,583)	–	–	(5,967)	–	(10,550)
At 31 December 2014	106,552	2,842	2,263	176,703	–	288,360
CARRYING VALUES						
At 31 December 2014	27,925	686	77	27,244	–	55,932
At 31 December 2013	58,450	1,805	211	29,156	4,099	93,721

17. PROPERTY, PLANT AND EQUIPMENT – continued

For the leasehold land and buildings in Hong Kong, the cost of leasehold land and buildings is depreciated over 50 years on a straight-line basis.

The cost of buildings in the PRC is depreciated over their estimated useful lives of 30 years using the straight-line method.

Furniture, fixtures and equipment	10% – 25%
Motor vehicles	20%
Plant and machinery	10%

The carrying value of the Group's properties which are situated on land under medium-term leases is analysed as follows:

	2014 RMB'000	2013 RMB'000
Leasehold land and buildings in Hong Kong	7,250	7,435
Leasehold buildings in the PRC	20,675	51,015
	27,925	58,450

The Group has pledged certain of its leasehold land and buildings and plant and machinery (including leasehold land and buildings and plant and machinery classified as assets held for sale in note 22) with an aggregate carrying value of RMB54,957,000 (2013: RMB58,341,000) to certain banks to secure the credit facilities granted to the Group.

18. PREPAID LEASE PAYMENTS

	2014 RMB'000	2013 RMB'000
CARRYING VALUE		
At 1 January	9,371	127,641
Released to profit or loss for the year	(226)	(2,736)
Reversal of impairment losses recognised in profit or loss	–	5,088
Transferred to assets classified as held for sale *(note 22)*	(8,691)	–
Disposal of subsidiaries	–	(120,622)
At 31 December	454	9,371
Analysed as:		
Non-current assets	440	9,150
Current assets	14	221
At 31 December	454	9,371

The amount represents the prepayment of rentals for land use rights situated in the PRC for a period of 50 years.

The Group has pledged certain of its land use rights (including land use rights classified as assets held for sales in note 22) with an aggregate carrying value of RMB9,145,000 (2013: RMB9,371,000) to certain banks to secure the credit facilities granted to the Group.

19. INVENTORIES

	2014 RMB'000	2013 RMB'000
Raw materials	30,939	39,073
Finished goods	113,358	191,662
	144,297	230,735

At 31 December 2014, certain finished goods with original cost amounting to RMB49,110,000 (2013: RMB167,566,000) were stated at net realisable value of RMB40,265,000 (2013: RMB117,255,000).

Movement in the allowances for inventories

	2014 RMB'000	2013 RMB'000
At 1 January	50,311	3,424
Write-down during the year	625	46,887
Reversal of write-down during the year	(4,242)	–
Transferred to assets classified as held for sale	(37,849)	–
At 31 December	8,845	50,311

20. TRADE AND OTHER RECEIVABLES

	2014 RMB'000	2013 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.

20. TRADE AND OTHER RECEIVABLES – continued

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

	2014 RMB'000	2013 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 RMB'000	2013 RMB'000
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	–
	2,898	5,696

20. TRADE AND OTHER RECEIVABLES – continued

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.

21. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Bank balances carry interest at market rates ranging from zero to 0.01% (2013: zero to 0.01%) per annum. The pledged bank deposits carry fixed interest rate ranged from 0.5% to 3.5% per annum. Pledged bank deposits represents deposits pledged to banks to secure banking facilities granted to the Group. Pledged bank deposits (including pledged bank deposits classified as held for sale in note 22) of RMB54,111,000 (2013: RMB48,950,000) will be released upon the settlement of relevant bank borrowings and amount of RMB1,200,000 (2013: RMB9,300,000) have been pledged to secure bills payables. All pledged bank deposits are therefore classified as current assets.

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

As disclosed in note 34, 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 *(note 17)*	41,784
Prepaid lease payments *(note 18)*	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

22. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE – continued

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

22. ASSETS CLASSIFIED AS HELD FOR SALE AND LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE – continued

Notes: – continued

(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

23. TRADE AND OTHER PAYABLES

	2014 RMB'000	2013 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 [(a)]	–	3,076
Advances from third parties [(b)]	–	3,099
Other payables and accruals	1,162	3,908
	27,569	117,360

(a) The obligations under onerous contracts for acquisition of property, plant and equipment were recognised in relation to the impairment losses in respect of capital commitments for acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements (note 9). During the year ended 31 December 2013, obligation under onerous contracts of RMB3,076,000 was recognised and the amount of RMB3,076,000 (2013: RMB469,000) was released and adjusted to the cost of the property, plant and equipment upon completion of the acquisition in 2014. Upon disposal of the disposal group in 2013, the balances of RMB308,000 was disposal of.

(b) 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.

23. TRADE AND OTHER PAYABLES – continued

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 RMB'000	2013 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

24. WARRANTS

On 29 February, 2012, the Company entered into a 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 subscription share, a maximum of 234,000,000 subscription shares will be allotted and issued by the Company upon full exercise of the subscription rights attaching to the warrants. The subscription rights attaching to the warrants can be exercised at any time during a period of 24 months commencing from the date of issue of the warrants. Any subscription rights attaching to the warrants which have not been exercised upon the expiration of the 24-month subscription period shall lapse. The Company issued 234,000,000 warrants on 30 March 2012.

As the proceeds from subscription of warrants were denominated in Hong Kong dollars and the functional currency of the Company is in Renminbi, the subscription of warrants was settled by the exchange of a variable amount of functional currency cash for a fixed number of shares of the Company. Accordingly, the warrants were accounted for as derivative instruments, initially recognised at fair value and are subsequently remeasured to their fair values respectively at the end of each reporting period. The resulting gain or loss will be recognised in profit or loss.

24. WARRANTS – continued

On 17 March 2014, 18 March 2014 and 21 March 2014 (collectively, "subscription dates"), registered holders of 45 million, 37 million and 145 million warrants exercised their rights to subscribe for 45 million, 37 million and 145 million ordinary shares of the Company respectively at HK$0.14 per share. Upon the maturity date of the warrants on 29 March 2014, 7 million warrants remained unexercised and lapsed. American Appraisal China Limited, an independent valuer, has been engaged to value the fair value of warrants on each of the aforesaid subscription dates.

A gain on fair value of HK$5,776,000 (RMB4,572,000) in relation to the warrants had been recognised in profit or loss for the year ended 31 December 2014. The cumulative change in fair value of relevant exercised warrants up to their respective subscription dates, amounting to HK$32,600,000 (RMB25,854,000) in aggregate was transferred to share premium during the year.

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

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

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

25. MORTGAGE LOAN

	2014 RMB'000	2013 RMB'000
The mortgage loan is secured and repayable as follows:		
– Within one year	–	134
Less: Amount due within one year shown under current liabilities	–	134
Amount due after one year	–	–

25. MORTGAGE LOAN – continued

For the year ended 31 December 2013, the mortgage loan carried interest at a variable rate of 2.4% per annum which is at 2.6% below the Hong Kong Dollar Prime Lending Rate from time to time quoted by Hang Seng Bank Limited. It is denominated in Hong Kong dollars which is the functional currency of the relevant group entity. The mortgage loan was secured by the leasehold land and buildings in Hong Kong with carrying value RMB7,435,000 for the year ended 31 December 2013. The mortgage loan was fully repaid during the year ended 31 December 2014.

26. SHORT-TERM BANK LOANS/SHORT-TERM LOAN FROM OTHER FINANCIAL INSTITUTION

	2014 RMB'000	2013 RMB'000
Short-term bank loans		
– secured	119,200	174,000
– unsecured	18,000	31,500
	137,200	205,500
Short-term loan from other financial institution		
– unsecured	5,500	35,000
	142,700	240,500

The carrying amounts of the Group's short-term loans are denominated in RMB which is the functional currency of the relevant group entities. The short-term loans are secured by the property, plant and equipment, prepaid lease payments and pledged bank deposits with carrying value of RMB47,707,000 (2013: RMB50,906,000), RMB9,145,000 (2013: RMB9,371,000) and RMB54,111,000 (2013: RMB48,950,000) respectively.

Certain pledged property, plant and equipment, prepaid lease payments and pledged bank deposits with carrying value of RMB30,792,000, RMB8,691,000 and RMB2,000,000 respectively were included in assets classified as held for sale in note 22.

The short-term loans are fixed-rate loans which carry interest at the range of 6.06% to 12.6% (2013: 5.40% to 8.53%) per annum.

26. SHORT-TERM BANK LOANS/SHORT-TERM LOAN FROM OTHER FINANCIAL INSTITUTION – *continued*

At the end of the reporting period, certain of the short-term loans are guaranteed by the following related parties for maximum guarantees:

	2014 RMB'000	2013 RMB'000
Short-term bank loans		
Mr. Cai Chaodun(1)	31,000	30,000
Mr. Qiu Fengshou(2)	22,000	30,000
Joint guarantee(3)	30,000	30,000
Joint guarantee(4)	27,000	30,000
Joint guarantee(5)	45,000	45,000
Joint guarantee(6)	–	20,000
	155,000	185,000
Short-term loan from other financial institution		
Joint guarantee(4)	10,000	35,000
	165,000	220,000

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

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

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

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

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

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

27. 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 Quanzhou 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 Quanzhou (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 22.

28. SHARE CAPITAL

	Authorised	
	Number of shares '000	Amount 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 '000	Amount RMB'000	Amount 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.

29. SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme was adopted on 15 March 2006 (the "Share Option Scheme") and will remain in force for 10 years from that date. The purpose of the Share Option Scheme is to enable the Company to grant options to directors, eligible employees and other outside third parties under the Share Option Scheme, in the sole discretion of the directors of the Company, who have contributed or will contribute to the growth and development of the Group.

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

The total number of shares issued and to be issued upon exercise of options granted and to be granted to each grantee under the Share Option Scheme in any 12-month period shall not exceed 1% of the issued share capital of the Company from time to time.

There is no general requirement that an option must be held for any minimum period before it can be exercised but the directors of the Company is empowered to impose its discretion any such minimum period at the time of grant of any particular option. The period during which the options may be exercised will be notified by the board of directors to each grantee upon grant of each option, provided that it shall commence on a date not earlier than the date of the grant of an option and not be more than ten years from the date of grant of the option. An offer of grant of an option must be accepted within 21 days after the date of grant. The amount payable on acceptance of the grant is HK$1, which must be received by the Company within 21 days from the date of grant or within such other period of time as may be determined by the board of directors pursuant to the Listing Rules.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the board of directors at its absolute discretion and shall not be less than the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the shares.

29. SHARE-BASED PAYMENT TRANSACTIONS – continued

Details of the movements of share options are as follows:

Type of participants	Date of grant	Vesting date	Exercisable period	Exercise price per share	Number of share options Outstanding at 31.12.2013 and 31.12.2014
				HK$	
Executive directors	27.7.2011	27.7.2011	27.7.2011 – 26.7.2021	0.227	1,200,000
Independent non-executive directors	27.7.2011	27.7.2011	27.7.2011 – 26.7.2021	0.227	2,000,000
Executive director and chief executive	27.7.2011	27.7.2011	27.7.2011 – 26.7.2021	0.227	2,000,000
Employees	27.7.2011	27.7.2011	27.7.2011 – 26.7.2021	0.227	14,800,000
					20,000,000

During the year ended 31 December 2014 and 2013, no share option was granted, exercised, cancelled or lapsed.

At the end of the reporting period, the maximum number of shares issuable pursuant to the grant of share options were 86,150,000 (2013: 86,150,000) shares which represented 5.13% (2013: 7.35%) of the shares of the Company in issue on that date and 5.13% (2013: 6.16%) of the shares of the Company in issue on the date of the annual report.

30. CAPITAL COMMITMENTS

	2014 RMB'000	2013 RMB'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	–	8,998

31. RETIREMENT BENEFITS SCHEME

The Group's qualifying employees in Hong Kong participate the MPF in Hong Kong. The assets of the MPF are held separately from those of the Group in funds under the control of trustee. The Group and each of the employees make monthly mandatory contributions to the MPF schemes.

The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

32. RELATED PARTY TRANSACTIONS

The related party transaction and balance for the year is set out in note 26.

The details of remuneration of key management personnel represents emoluments of the directors and executive officer of the Company are set out in note 13.

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are indirectly wholly-owned by the Company, at the end of the reporting period are as follows:

Name of subsidiary	Place of incorporation/ establishment/operations	Issued and fully paid up share/ registered capital 2014	Issued and fully paid up share/ registered capital 2013	Principal activity
Co-Prosperity (Hong Kong) Limited	Hong Kong	2 Ordinary shares – HK$2	2 Ordinary shares – HK$2	Trading of fabrics
*福建協盛協豐印染實業有限公司 (Shasing Shapheng Dyeing Co., Ltd.)	PRC for a term of 50 years commencing 20 June 2003 as a wholly foreign owned enterprise ("WFOE")	Registered capital – HK$100,000,000	Registered capital – HK$100,000,000	Processing, printing and sales of finished fabrics
協豐（福建）印染有限公司 (Xiefeng (Fujian) Printing & Dyeing Co., Ltd.)	PRC for a term of 50 years commencing 26 May 1999 as a WFOE	Registered capital – US$10,000,000	Registered capital – US$10,000,000	Processing, printing and sales of finished fabrics
協盛（石獅市）染織實業有限公司 (Xuesheng (Shishi) Printing & Knitting Industry Co., Ltd.)	PRC for a term of 50 years commencing 16 September 1993 as a WFOE	Registered capital – US$5,000,000	Registered capital – US$5,000,000	Processing, printing and sales of finished fabrics
新協豐（福建）印染實業有限公司 (Xiefeng (Fujian) Printing & Dyeing Industrial Co., Ltd.)	PRC for a term of 30 years commencing 24 May 2006 as a WFOE	Registered capital – HK$30,000,000 *(Note a)*	Registered capital – HK$10,000,000	Processing, printing and sales of finished fabrics
新協盛（石獅市）染織實業有限公司 (Xuesheng (Shishi) Printing & Knitting Industrial Co., Ltd.)	PRC for a term of 30 years commencing 15 December 2006 as a WFOE	Registered capital – HK$25,000,000 *(Note b)*	Registered capital – HK$15,000,000	Processing, printing and sales of finished fabrics

* The subsidiary will be disposed of after year 2014.

Notes:

(a) On 24 April 2014, registered capital of Xiefeng (Fujian) Printing & Dyeing Industrial Co., Ltd. was increased to HK$30,000,000 by the additional capital of HK$20,000,000.

(b) On 28 April 2014, registered capital of Xuesheng (Shishi) Printing & Knitting Industrial Co., Ltd. was increased to HK$25,000,000 by the additional capital of HK$10,000,000.

33. PRINCIPAL SUBSIDIARIES – continued

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. Except for the above, the Group has five subsidiaries acting as investment holding companies. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had any debt securities outstanding at the end of the year, or at any time during the year.

34. 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.

FINANCIAL SUMMARY

For the year ended 31 December 2014

	Year ended 31 December				
	2010	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
Turnover	525,975	620,051	515,786	515,090	345,762
(Loss)/profit before taxation	(528,813)	(101,554)	(66,825)	(161,728)	23,256
Taxation	(8,656)	(3,976)	(2,529)	(2,895)	(2,494)
(Loss)/profit for the year	(537,469)	(105,530)	(69,354)	(164,623)	20,762

	As at 31 December				
	2010	2011	2012	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS AND LIABILITIES					
Total assets	980,236	880,243	1,008,801	550,521	560,461
Total liabilities	(534,568)	(536,229)	(732,833)	(439,707)	(343,055)
Net assets	445,668	344,014	275,968	110,814	217,406