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

2013

Interim Report

* For identification purpose only

Contents

MANAGEMENT DISCUSSION AND ANALYSIS

The board of directors (the "Board") of Co-Prosperity Holdings Limited (the "Company") presents the unaudited consolidated results and financial position of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2013 (the "period"), together with the comparative figures for the corresponding period in 2012. These condensed consolidated interim financial statements have not been audited but reviewed by the Company's audit committee.

Operational and Financial Review

Overall Performance

	1.1.2013 to 30.6.2013 (unaudited)			1.1.2012 to 30.6.2012 (unaudited and restated)		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Turnover	199,394	54,621	254,015	174,831	70,756	245,587
Cost of goods sold and services provided	(187,985)	(52,378)	(240,363)	(159,954)	(63,584)	(223,538)
Gross profit	11,409	2,243	13,652	14,877	7,172	22,049
Other income	483	155	638	405	101	506
Other expenses, gains and losses	1,000	(260)	740	(4,817)	(389)	(5,206)
Gain in fair value of derivative component of convertible bonds	–	–	–	315	–	315
Loss in fair value of warrants	(4,529)	–	(4,529)	(8,603)	–	(8,603)
Impairment losses recognised in respect of property, plant and equipment	–	(161)	(161)	–	–	–
Reversal of impairment losses in respect of prepaid lease payments	–	4,947	4,947	–	–	–
Distribution and selling expenses	(3,271)	(411)	(3,682)	(3,037)	(440)	(3,477)
Administrative expenses	(14,632)	(5,014)	(19,646)	(14,678)	(2,887)	(17,565)
Finance costs	(11,234)	(6,104)	(17,338)	(10,774)	(3,617)	(14,391)
Loss before taxation	(20,774)	(4,605)	(25,379)	(26,312)	(60)	(26,372)
Taxation	(1,391)	–	(1,391)	(1,436)	–	(1,436)
Loss for the period	(22,165)	(4,605)	(26,770)	(27,748)	(60)	(27,808)

During the period, the Group is principally engaged in the sale of finished fabrics and provision of fabrics processing subcontracting services ("fabrics business"), the trading of goods ("trading business") and the manufacture and sales of high density and high-end yarns ("yarn business") to customers.

On 10 July 2013, the Group reached a sale and purchase agreement (the "Sale and Purchase Agreement") to sell its yarn business entirely through the sale of all of its shareholding and shareholders' loan in its wholly-owned subsidiary, Co-Prosperity Investment Group Limited (the "Proposed Disposal"). Co-Prosperity Investment Group Limited, an investment holding company, wholly owns Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. which is engaged in the manufacture and sales of high-density and high-end yarns. The Sale and Purchase Agreement will be presented for shareholders' approval at an upcoming extraordinary general meeting. Details of the Proposed Disposal including the terms of the Sale and Purchase Agreement and the reasons for the Proposed Disposal are set out in the Company's announcement of 12 July 2013 titled "Very substantial disposal in respect of the proposed disposal of entire issued capital of Co-Prosperity Investment Group Limited and the shareholders' loan and resumption of trading".

For financial reporting purpose, yarn business, of which the results and financial position are represented respectively by the consolidated results and consolidated financial position of Co-Prosperity Investment Group Limited and Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. (collectively, the "Disposal Group"), is grouped under "Discontinued operations" whereas the consolidated results and consolidated financial position of all other companies within the group are reported under "Continuing operations".

Overall speaking, the Group still faced a tough operating environment in the first half of 2013. The unsatisfactory business performance under such a backdrop along with the loss in fair value of warrants led to its consolidated net loss for the period.

The Group's turnover was up by 3.4% to RMB254.0 million (2012: RMB245.6 million). During the period, sales from fabrics business and trading business rose whereas that from yarn business fell.

The Group registered a gross profit of around RMB13.7 million (2012: RMB22.0 million), representing a drop of around 38.1% as compared with the corresponding period last year. The gross profit margin from trading business increased whereas that from both fabrics business and yarn business decreased. However, the three businesses managed to maintain positive gross profit margins in the first half of 2013.

Other income rose by 26.1% to approximately RMB0.6 million (2012: RMB0.5 million), which was principally composed of government grant, rewards and subsidies of RMB0.1 million and an interest income of RMB0.5 million. Other expenses, gains and losses turned to a net gain of RMB0.7 million (2012: net loss of RMB5.2 million), which comprised research and development costs of RMB1.2 million, allowances for doubtful debts of RMB1.0 million and exchange gain of RMB2.9 million. In relation to warrants, a loss in fair value amounting to RMB4.5 million (2012: 8.6 million) was registered. During the period, impairment losses (the "impairment losses") of around RMB0.2 million (2012: Nil), was recognised in respect of property, plant and equipment and reversal of impairment losses (the "reversal of impairment losses") of approximately RMB4.9 million (2012: Nil) was recorded in respect of prepaid lease payments. The impairment losses and the reversal of impairment losses both related to the Disposal Group.

The distribution and selling expenses slightly increased by 5.9% to RMB3.7 million (2012: RMB3.5 million) and the administrative expenses recorded a rise of 11.8% to RMB19.6 million (2012: RMB17.6 million). Finance costs increased by 20.5% to RMB17.3 million (2012: RMB14.4 million), mainly as a result of the higher average level of bank and other interest-bearing loans during the period.

Market Outlook and Future Prospects

The global economy is still full of uncertainties for the rest of 2013. It remains to be seen whether the ongoing United States recovery can persist. The shadow of the potential debt crisis and the current high unemployment rate in certain countries still haunt governments in Europe. The risks of economic slowdown also cause great challenges to China in the coming future. It is really hard to say when the global economy can be wholly out of its present doldrums.

Looking ahead, the Group will continue to work relentlessly and to steer its business in a prudent and pragmatic manner. In the near term, it will remain focused on restoring its profitability whilst maintain a healthy balance sheet and strengthen its overall financial position. The Board considers that, the Proposed Disposal, if materializes, represents a good opportunity for the Group to realize the relevant assets of the Disposal Group and improve the financial performance of the Group as a whole.

Despite the difficulties in the current operating environment, the Group's established foundation will enable it to benefit from the ultimate recovery of the market. The Board is optimistic about the Group's future outlook.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2013, the Group had total assets of approximately RMB993.1 million (As at 31 December 2012: RMB1,008.8 million) which were financed by current liabilities of approximately RMB743.2 million (As at 31 December 2012: RMB641.5 million), non-current liabilities of nil amount (As at 31 December 2012: RMB91.3 million) and shareholders' equity of approximately RMB249.9 million (As at 31 December 2012: RMB276.0 million).

As at 30 June 2013, the Group's cash and bank balances was approximately RMB13.3 million (out of which RMB1.5 million (As at 31 December 2012: RMB10.3 million) was included in "Assets of disposal group classified as held for sale") (As at 31 December 2012: RMB21.3 million), while pledged bank deposits amounted to approximately RMB60.0 million (out of which nil amount (As at 31 December 2012: RMB5.1 million) was included in "Assets of disposal group classified as held for sale") (As at 31 December 2012: RMB53.4 million). As at 30 June 2013, loans from a related party were fixed-rate loan and were denominated in Hong Kong dollars. Other unsecured loan was fixed-rate loan and was denominated in Hong Kong dollars. The mortgage loan was variable-rate loan and was denominated in Hong Kong dollars. Short-term loans from banks and short-term loans from other financial institution were fixed-rate loans and were denominated in Renminbi. As at 30 June 2013, the Group's borrowings were secured by land use rights, certain of property, plant and equipment and certain bank deposits of the Group.

The Group maintained a healthy liquidity position. The current ratio, being a ratio of total current assets to total current liabilities, was approximately 1.2 (As at 31 December 2012: 1.1). Including the respective borrowings under "Liabilities of disposal group classified as held for sale", the gearing ratio, being a ratio of borrowings (comprising loans from a related party, other unsecured loan, mortgage loan and short-term loans from banks and short-term loans from other financial institution) to shareholders' equity, was approximately 218.4% (As at 31 December 2012: 184.0%). The Group has always been adopting a conservative approach in its financial management.

CAPITAL EXPENDITURES

As at 30 June 2013, the Group has capital commitments of approximately RMB0.2 million in respect of purchases of property, plant and equipment (As at 31 December 2012: Nil).

CONTINGENT LIABILITIES AND EXCHANGE RISK EXPOSURE

As at 30 June 2013, the Group did not have any significant contingent liabilities (As at 31 December 2012: Nil). The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group does not foresee significant risk in exchange rate fluctuations and no financial instrument has been used for hedging purposes. The Group will consider holding forward exchange contract for hedging purposes if and when appropriate.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in the section "Management Discussion and Analysis" and note 7 to the consolidated financial statements, the Group has no significant investment held and did not have any material acquisitions or disposals of subsidiaries and associated companies during the period.

EMPLOYMENT

As at 30 June 2013, the Group had about 1,500 employees in Hong Kong and in the PRC (As at 31 December 2012: 1,500 employees). Remuneration packages for the employees are maintained at a competitive level of the jurisdiction within which the employees are employed to attract, retain and motivate the employees. Remuneration packages will be reviewed periodically. In addition, the Group maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contribution to the Group.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	NOTES	1.1.2013 to 30.6.2013 RMB'000 (unaudited)	1.1.2012 to 30.6.2012 RMB'000 (unaudited and restated)
CONTINUING OPERATIONS			
Turnover	3	199,394	174,831
Cost of goods sold and services provided		(187,985)	(159,954)
Gross profit		11,409	14,877
Other income		483	405
Other expenses, gains and losses		1,000	(4,817)
Gain in fair value of derivative component of convertible bonds		–	315
Loss in fair value of warrants	13	(4,529)	(8,603)
Distribution and selling expenses		(3,271)	(3,037)
Administrative expenses		(14,632)	(14,678)
Finance costs		(11,234)	(10,774)
Loss before taxation		(20,774)	(26,312)
Taxation	5	(1,391)	(1,436)
Loss for the period from continuing operations		(22,165)	(27,748)
DISCONTINUED OPERATIONS			
Loss for the period form discontinued operations		(4,605)	(60)
Loss for the period	4	(26,770)	(27,808)

	NOTES	1.1.2013 to 30.6.2013 RMB'000 (unaudited)	1.1.2012 to 30.6.2012 RMB'000 (unaudited and restated)
Other comprehensive income/(expense)			
– Items that will not be reclassified to profit or loss:			
– exchange differences arising on translation		(409)	1,010
– Items that may be subsequently reclassified to profit or loss:			
– exchange differences arising on translation		1,113	295
Total comprehensive expense for the period		(26,066)	(26,503)
Total comprehensive expense for the period arising from:			
– Continuing operations		(25,472)	(20,519)
– Discontinued operations		(594)	(5,984)
		(26,066)	(26,503)
Loss per share	6		
– Basic			
– Continuing operations		(1.892 RMB cents)	(2.369 RMB cents)
– Discontinued operations		(0.393 RMB cents)	(0.005 RMB cents)
		(2.285 RMB cents)	(2.374 RMB cents)
– Diluted			
– Continuing operations		(1.892 RMB cents)	(2.452 RMB cents)
– Discontinued operations		(0.393 RMB cents)	(0.005 RMB cents)
		(2.285 RMB cents)	(2.457 RMB cents)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	NOTES	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		93,177	177,014
Prepaid lease payments		9,120	124,960
Deposits made for acquisition of property, plant and equipment		–	1,108
Total non-current assets		102,297	303,082
CURRENT ASSETS			
Inventories		296,020	413,192
Trade and other receivables	8	98,786	215,076
Prepaid lease payments		221	2,681
Pledged bank deposits		60,040	53,446
Bank balances and cash		11,789	21,324
		466,856	705,719
Assets of Disposal Group classified as held for sale	7	423,906	–
Total current assets		890,762	705,719
CURRENT LIABILITIES			
Trade and other payables	9	140,408	194,996
Loans from a related party	10	68,172	–
Amount due to a related party	11	14,429	15,087
Taxation		4,580	3,985
Warrants	13	14,190	–
Convertible bonds	12	–	41,431
Mortgage loan		405	547
Other unsecured loan	12	20,605	–
Short-term loans from banks		221,500	385,500
Short-term loans from other financial institution	14	35,000	–
		519,289	641,546

	NOTES	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Liabilities of Disposal Group classified as held for sale	7	223,868	–
Total current liabilities		743,157	641,546
Net current assets		147,605	64,173
Total assets less current liabilities		249,902	367,255
NON-CURRENT LIABILITIES			
Warrants	13	–	9,916
Mortgage loan		–	139
Government grant		–	980
Loans from a related party	10	–	47,494
Other unsecured loan		–	32,758
		–	91,287
Net assets		249,902	275,968
CAPITAL AND RESERVES			
Share capital		117,055	117,055
Reserves		132,847	158,913
Total equity		249,902	275,968

The interim financial information on pages 7 to 33 was approved and authorised for issue by the Board of Directors on 29 August 2013 and are signed on its behalf by:

MR. SZE SIU HUNG
CHAIRMAN

MR. SZE CHIN PANG
EXECUTIVE DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Share capital	Share premium	Special reserve	Share option reserve	Translation reserve	Statutory surplus reserve fund	Retained deficit	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	117,055	301,107	98,731	1,669	5,948	98,037	(346,579)	275,968
Loss for the period	–	–	–	–	–	–	(26,770)	(26,770)
Exchange differences arising on translation	–	–	–	–	704	–	–	704
Total comprehensive expense for the period	–	–	–	–	704	–	(26,770)	(26,066)
At 30 June 2013 (unaudited)	117,055	301,107	98,731	1,669	6,652	98,037	(373,349)	249,902
At 1 January 2012	117,055	301,107	98,731	1,669	4,640	97,511	(276,699)	344,014
Loss for the period	–	–	–	–	–	–	(27,808)	(27,808)
Exchange differences arising on translation	–	–	–	–	1,305	–	–	1,305
Total comprehensive expense for the period	–	–	–	–	1,305	–	(27,808)	(26,503)
At 30 June 2012 (unaudited)	117,055	301,107	98,731	1,669	5,945	97,511	(304,507)	317,511

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	1.1.2013 to 30.6.2013 RMB'000 (unaudited)	1.1.2012 to 30.6.2012 RMB'000 (unaudited and restated)
Net cash used in operating activities	(23,024)	(21,085)
Net cash used in investing activities	(6,554)	(1,300)
Net cash from financing activities	21,604	96,884
Net (decrease) increase in cash and cash equivalents	(7,974)	74,499
Cash and cash equivalents at 1 January	21,324	42,004
Effect of foreign exchange rate changes	(12)	(2)
Cash and cash equivalents at 30 June	13,338	116,501
Less: Cash and cash equivalents included in Assets of Disposal Group classified as held for sale	(1,549)	–
	11,789	116,501
Analysis of the balance of cash and cash equivalents		
Bank balances and cash	13,338	116,501

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2013

1. GENERAL

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange and with Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2012.

The condensed consolidated financial statements has been prepared under the historical cost convention. The principal accounting policies adopted in the condensed consolidated financial information are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2012, except for the adoption of:

(1) the newly added accounting policies in respect of "Non-current assets (or disposal groups) held for sale" as stated below:

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amounts 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 non-current 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.

For non-current assets (or disposal groups) classified as held for sale fall within the scope of HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", they are measured at the lower of their carrying amount and fair value less costs to sell;

and

(2) the new or revised standards, amendments and interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA which are mandatory for annual periods beginning 1 January 2013 and relevant to the operations of the Group. The adoption of these new HKFRSs had no material effect to the Group's results and financial position for the current and prior accounting periods.

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

3. SEGMENT INFORMATION

The Group is organised into three operating divisions, namely processing, printing and sales of finished fabrics, manufacture and sales of high density and high-end yarns and trading of goods. The aforesaid three divisions are the basis on which the Group reports its segment information.

The Group's operating segments under HKFRS 8 are as follows:

– Processing, printing and sales of finished fabrics

– Manufacture and sales of high density and high-end yarns

– Trading of goods: Trading of fabrics and clothing

The following is an analysis of the Group's turnover and results by operating segment for the 6 months ended 30 June 2013 (the "period"):

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

For the period, interest income, loss in fair value of warrants, impairment losses recognised in respect of property, plant and equipment, reversal of impairment losses in respect of prepaid lease payments, unallocated corporate income (expenses) and finance costs are shown separately for continuing operations and discontinued operations. This is the measure reported to the chief operating decision maker, the executive directors of the Company, for the purposes of resource allocation and performance assessment for the period. Accordingly, for comparison purpose, interest income, gain in fair value of derivative component of convertible bonds, loss in fair value of warrants, unallocated corporate expenses and finance costs are restated and shown separately for continuing operations and discontinued operations for the 6 months ended 30 June 2012.

	For the six months ended 30 June 2012					
	Unaudited and restated					
	Continuing operations				Discontinued operations	Total
	Processing, printing and sales of finished fabrics RMB'000	Trading of goods RMB'000	Elimination RMB'000	Sub-total RMB'000	Manufacture and sales of high density and high-end yarns RMB'000	RMB'000
Turnover						
– external sales	171,674	3,157	–	174,831	70,756	245,587
– inter-segment sales	343	–	(343)	–	–	–
Total	172,017	3,157	(343)	174,831	70,756	245,587
Segment Results	(1,281)	(1,980)		(3,261)	3,596	335
Interest income				352	31	383
Gain in fair value of derivative component of convertible bonds				315	–	315
Loss in fair value of warrants				(8,603)	–	(8,603)
Unallocated corporate (expenses)				(4,341)	(70)	(4,411)
Finance costs				(10,774)	(3,617)	(14,391)
Loss before taxation				(26,312)	(60)	(26,372)

4. LOSS FOR THE PERIOD

	1.1.2013 to 30.6.2013 (unaudited)			1.1.2012 to 30.6.2012 (unaudited and restated)		
	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000	Continuing operations RMB'000	Discontinued operations RMB'000	Total RMB'000
Loss for the period arrived at after charging:						
Depreciation on property, plant and equipment	7,265	2,147	9,412	8,086	2,535	10,621
Less: Depreciation included in research and development costs	(234)	(70)	(304)	(212)	(147)	(359)
	7,031	2,077	9,108	7,874	2,388	10,262
Operating lease rentals in respect of prepaid lease payments	111	1,229	1,340	125	455	580
Imputed interest expenses of the liability component of convertible bonds	127	–	127	1,858	–	1,858
Allowances for doubtful debts						
– trade receivables	952	–	952	1,598	–	1,598
– other receivables	–	–	–	1,500	–	1,500
Allowances for inventories (which were included in "Cost of goods sold and services provided")	1,908	–	1,908	–	–	–
Impairment losses recognised in respect of property, plant and equipment	–	161	161	–	–	–
and after crediting:						
Reversal of impairment losses in respect of prepaid lease payments	–	4,947	4,947	–	–	–

5. TAXATION

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

At the end of the period, including the Disposal Group, the Group has deductible temporary differences of RMB729,269,000 (31 December 2012: RMB753,520,000). No deferred tax asset has been recognised in relating to deductible temporary difference because it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

Under the 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 relevant PRC subsidiaries amounting to RMB117,664,000 (31 December 2012: RMB134,789,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

6. LOSS PER SHARE

The calculation of the basic loss per share during the six months ended 30 June 2013 (the "period") is based on the consolidated loss from continuing operations and discontinued operations attributable to the owners of the Company and the weighted average number of ordinary shares in issue during the period and the relevant data are shown as follows:

	1.1.2013 to 30.6.2013 RMB'000 (unaudited)
Loss attributable to the owners of the Company	
– Continuing operations	(22,165)
– Discontinued operations	(4,605)
	(26,770)
Weighted average number of ordinary shares for the purpose of basic loss per share	1,171,500,000 shares

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

For comparison purpose,

the data for calculating the basic and diluted loss per share from continuing operations and discontinued operations for the six months ended 30 June 2012 are restated as follows:

	1.1.2012 to 30.6.2012 (unaudited and restated)
Number of shares	
Weighted average number of ordinary shares for the purpose of basic loss per share	1,171,500,000
Effect of dilutive potential ordinary shares arising from:	
– warrants	25,526,485
Weighted average number of ordinary shares for the purpose of diluted loss per share	1,197,026,485

	1.1.2012 to 30.6.2012 RMB'000 (unaudited and restated)
Loss	
Continuing operations:	
Loss for the purpose of basic loss per share	(27,748)
Effect of dilutive potential ordinary shares arising from:	
– gains in relation to warrants	(1,577)
– currency realignment of warrants	(26)
Loss for the purpose of diluted loss per share	(29,351)
Discontinued operations:	
Loss for the purpose of basic and diluted loss per share	(60)

7. DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

(a) Discontinued Operations

On 10 July 2013, the Group reached a sale and purchase agreement (the "Sale and Purchase Agreement") to sell its yarn business entirely through the sale of all of its shareholding and shareholders' loan in its wholly-owned subsidiary, Co-Prosperity Investment Group Limited (the "Proposed Disposal"). Co-Prosperity Investment Group Limited, an investment holding company, wholly owns Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd., which is engaged in the manufacture and sales of high-density and high-end yarns. The Sale and Purchase Agreement will be presented for shareholders' approval at an upcoming extraordinary general meeting. Details (including the facts and circumstances, the expected manner and timing of the Proposed Disposal as well as the terms of the Sale and Purchase Agreement and the reasons for the Proposed Disposal) are set out in the Company's announcement of 12 July 2013 titled "Very substantial disposal in respect of the proposed disposal of entire issued capital of Co-Prosperity Investment Group Limited and the shareholders' loan and resumption of trading".

In accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (the "HKFRS 5"), for financial reporting purpose, the yarn business, of which the results and financial position are represented respectively by the consolidated results and consolidated financial position of Co-Prosperity Investment Group Limited and Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. (collectively, the "Disposal Group"), is presented as "Discontinued Operations".

(b) Loss from Discontinued Operations

The analysis of the loss from the Disposal Group presented as discontinued operations in accordance with HKFRS 5 is as follows:–

	1.1.2013 to 30.6.2013 (unaudited)	1.1.2012 to 30.6.2012 (unaudited and restated)
	Discontinued operations RMB'000	Discontinued operations RMB'000
Turnover	54,621	70,756
Cost of goods sold	(52,378)	(63,584)
Gross profit	2,243	7,172
Other income	155	101
Other expenses, gains and losses	(260)	(389)
Impairment losses recognised in respect of property, plant and equipment [1]	(161)	–
Reversal of impairment losses in respect of prepaid lease payments [1]	4,947	–
Distribution and selling expenses	(411)	(440)
Administrative expenses	(5,014)	(2,887)
Finance costs	(6,104)	(3,617)
Loss for the period	(4,605)	(60)

(1) The Group engaged American Appraisal China Limited ("AACL"), an independent valuer not connected to the Group, to perform a valuation exercise on the fair value less costs to sell of property, plant and equipment and prepaid lease payments of Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd. under the Disposal Group as at 30 June 2013. Accordingly, with reference to the valuation report issued by AACL, impairment losses of RMB161,000 were recognised in respect of property, plant and equipment whereas reversal of impairment losses of RMB4,947,000 was recognised in respect of prepaid lease payments during the current interim period.

(c) Assets and Liabilities of the Disposal Group

The major classes of assets and liabilities of the Disposal Group as at 30 June 2013 are as follows:

	30.6.2013 RMB'000 (unaudited)
Assets classified as held for sale	
Property, plant and equipment	64,858
Prepaid lease payments	121,907
Deposits made for acquisition of property, plant and equipment	733
Inventories	214,219
Trade and other receivables	20,640
Bank balances and cash	1,549
	423,906
Liabilities classified as held for sale	
Trade and other payables	22,958
Amounts due to Widerlink Group Limited#	558,692
Short-term loans from banks	200,000
Government grant	910
	782,560
Amounts due to Widerlink Group Limited which are eliminated on consolidation#	(558,692)
	223,868

As at 30 June 2013, the Disposal Group owed approximately RMB558,692,000 (the "owed amount") to its immediate holding company, Widerlink Group Limited ("Widerlink"). Widerlink is a wholly owned subsidiary of the Company and is a member of the Group. The owed amount is wholly eliminated on consolidation for financial reporting purpose.

(d) Analysis of the Cash Flows from Discontinued Operations

	1.1.2013 to 30.6.2013 (unaudited)	1.1.2012 to 30.6.2012 (unaudited)
	Discontinued operations RMB'000	Discontinued operations RMB'000
Net cash (used in) from operating activities	(67,770)	1,637
Net cash from (used in) investing activities	15,065	(2,013)
Net cash from financing activities	38,648	86,430
	(14,057)	86,054

8. TRADE AND OTHER RECEIVABLES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade receivables	22,768	29,462
Deposit paid to suppliers	72,132	90,947
Other receivables	–	92,860
Value-added tax recoverable	107	87
Other debtors and prepayments	3,779	1,720
	98,786	215,076

Payment terms with customers are mainly on credit together with deposits. Invoices are normally payable by 90 days of issuance.

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Age		
0 to 90 days	19,756	22,081
91 to 180 days	573	2,275
181 to 270 days	1,472	1,225
271 to 365 days	967	3,881
	22,768	29,462

9. TRADE AND OTHER PAYABLES

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Trade payables	43,650	49,411
Bills payables – secured	18,578	47,762
	62,228	97,173
Customers' deposits	33,255	83,225
Payables for acquisition of property, plant and equipment	–	1,480
Deposits received from Kalebird Group Limited[Δ]	39,895	–
Obligations under onerous contracts for acquisition of property, plant and equipment	–	777
Advances from third parties	–	6,400
Other payables and accruals	5,030	5,941
	140,408	194,996

Δ In respect of the Proposed Disposal, as at 30 June 2013, a deposit of HK$50,000,000 has been received from the purchaser, Kalebird Group Limited. Relevant details can be referred to the Company's announcement of 12 July 2013 titled "Very substantial disposal in respect of the proposed disposal of entire issued capital of Co-Prosperity Investment Group Limited and the shareholders' loan and resumption of trading".

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

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Age		
0 to 90 days	25,570	71,502
91 to 180 days	24,072	8,739
181 to 270 days	2,440	6,697
271 to 365 days	791	5,715
Over 365 days	9,355	4,520
	62,228	97,173

10. LOANS FROM A RELATED PARTY

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Loan from Mr. Sze Siu Hung (1) (2)	47,584	47,494*
Loan from Mr. Sze Siu Hung (1) (3)	20,588	–
	68,172	47,494

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

(2) Pursuant to the loan agreement dated 1 June 2012 and the supplemental agreement dated 11 July 2012, the Company borrowed an unsecured loan of principal amount of HK$56.9 million (equivalent to RMB45,401,000) from Mr. Sze for a term of 24 months with interest rate of 4.8% per annum. As at 30 June 2013, the aggregate amount of principal and accrued interest expenses amounted to RMB47,584,000.

(3) Pursuant to the loan agreement dated 26 April 2013, the Company borrowed an unsecured loan of principal amount of HK$25.6 million (equivalent to RMB20,426,000) from Mr. Sze for a term of 12 months with interest rate of 4.8% per annum. As at 30 June 2013, the aggregate amount of principal and accrued interest expenses amounted to RMB20,588,000.

* The amounts were shown under non-current liabilities in the 2012 annual report. For details, please refer to note 29 on page 91 of the 2012 annual report.

11. AMOUNT DUE TO A RELATED PARTY

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Name of related party		
Mr. Sze Siu Hung	14,429	15,087

The amount is unsecured, interest-free and is repayable on demand.

12. OTHER UNSECURED LOAN

The Company issued convertible bonds with principal amount of HK$50,000,000 on 14 January 2011.

On the maturity of convertible bonds dated 13 January 2013, the conversion right attached to the Convertible Bonds has been lapsed. The outstanding principal amount of the convertible bonds is HK$50,000,000, which is equally held by two individual independent bondholders (the "Bondholders") of HK$25,000,000 each. After the discussion and negotiation between the Bondholders and the Company, by the letter dated 14 January 2013 given by each Bondholder to the Company, each Bondholder has agreed to extend the loan under the convertible bonds from 13 January 2013 to 30 April 2013.

During the period from 13 January 2013 to 30 April 2013, each Bondholder has agreed not to exercise his rights under the deed poll constituting the Convertible Bonds to send a notice to the Company declaring the convertible bonds are immediately due and demand for repayment. The conversion option lapsed upon maturity of the convertible bonds on 13 January 2013. It is further agreed that from the next date following 13 January 2013 and up to 30 April 2013, the outstanding debt with principal of HK$50,000,000 shall continue to bear an interest at the rate of 1% per annum and such interest accrued thereon shall be paid on 30 April 2013.

The outstanding principal amounting to HK$25,000,000 and the entire amount of relevant interest expenses were subsequently repaid to one of the Bondholders in the first half of 2013.

After the discussion and negotiation between the Company and the remaining Bondholder to whom the outstanding debt has not been repaid (the "Remaining Bondholder"), by the letter dated 30 April 2013 given by the Remaining Bondholder to the Company, the remaining outstanding loan with principal of HK$25,000,000 (the "Remaining Loan") was further extended to 30 April 2014 at the latest. It was also agreed that from 1 May 2013 and up to 30 April 2014, the Remaining Loan should bear an interest at the rate of 6% per annum and the Remaining Loan and all outstanding interest accrued thereon shall be paid on 30 April 2014 at the latest. As at 30 June 2013, in respect of the Remaining Loan, the aggregate amount of principal and all accrued interest thereon amounted to approximately HK$25,824,000 (RMB20,605,000).

13. WARRANTS

The Company issued 234,000,000 warrants on 30 March 2012. Based on the subscription price of HK$0.14 per subscription share, a maximum of 234,000,000 subscription shares 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.

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 recognized in profit or loss. At 30 June 2013, the fair value of the outstanding warrants valued by AACL using Binomial Model (see note 15) amounted to HK$17,784,000 (RMB14,190,000) (31 December 2012: HK$12,168,000 (RMB9,916,000)). A loss in fair value in relation to warrants, amounting to HK$5,616,000 (RMB4,529,000), was recognized in profit or loss for the period.

14. SHORT-TERM LOANS FROM OTHER FINANCIAL INSTITUTION

This wholly represents a 1-year secured loan borrowed from China Industrial International Trust Limited (興業國際信託有限公司) at an interest rate of 7.2% per annum, which will expire in March 2014.

15. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

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

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

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

Financial liability	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input	Relationship of unobservable inputs to fair value
	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)				
Financial liability at fair value through profit or loss						
Warrants *(Note 1)*	14,190	9,916	Level 3	Binomial Model The key inputs are: share price, exercise price, remaining life of the warrants, risk free interest rate, expected volatility of the future ordinary share price and dividend yield.	Expected volatility of future ordinary share price, which was based on the historical price volatility of the Company, of 68%.	The higher the expected volatility, the higher the fair value.

Note 1:

If the expected volatility is 5% higher/lower while all other variables were held constant, the fair value of the warrants would increase/decrease by RMB373,000/RMB187,000.

There were no transfers into and out of Level 3 in the current period.

In estimating the fair value of the warrants, the Group engages AACL with the use of the Binomial Model, to perform the valuation of warrants at the end of each reporting period. The accounting team of the Company works closely with AACL to establish the appropriate valuation techniques and inputs to the valuation model. A valuation report with analysis is then prepared by AACL and submitted to the management of the Group for discussion and review.

Information about the valuation techniques and inputs used in determining the fair value of liabilities are disclosed above.

Reconciliation of Level 3 fair value measurements of warrants.

	Warrants
	RMB'000
At 1 January 2013	9,916
Total loss:	
– in profit or loss	4,529
– in other comprehensive income	–
Currency realignment	(255)
At 30 June 2013 (unaudited)	14,190

16. CAPITAL COMMITMENTS

	30.6.2013	31.12.2012
	RMB'000	RMB'000
	(unaudited)	(audited)
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of the acquisition of property, plant and equipment	210	–

17. RELATED PARTY TRANSACTIONS

The directors of the Company represented key management of the Group. During the period, directors' remuneration of RMB651,000 (2012: RMB657,000) was charged to the profit or loss.

During the period, the Group has incurred interest expenses of RMB1,256,000 (2012: RMB17,000) for the loans borrowed from Mr. Sze Siu Hung.

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

	30.6.2013 RMB'000 (unaudited)	31.12.2012 RMB'000 (audited)
Short-term loans from other financial institution		
Joint guarantee[1]	35,000	–
Short-term loans from banks		
Mr. Sze Siu Hung	–	24,000
Mr. Cai Chaodun	30,000	30,000
Joint guarantee[2]	30,000	30,000
Joint guarantee[3]	–	30,000
Joint guarantee[4]	30,000	–
Joint guarantee[5]	45,000	45,000
Joint guarantee[6]	20,000	20,000
	155,000	179,000

(1) The credit facility was jointly guaranteed by Mr. Cai Chaodun and Mr. Qiu Fengshou. Mr. Cai Chaodun is the deputy general manager of the Group and a brother-in-law of Mr. Sze Siu Hung. Mr. Qiu Fengshou is the Vice Chairman and executive director of the Company.

(2) 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.

(3) The credit facility was jointly guaranteed by Mr. Cai Chaodun, Mr. Qiu Fengshou and Mr. Ji Congming. Mr. Ji Congming is the 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.

18. EVENTS AFTER THE REPORTING PERIOD

Save as mentioned in note 7, there has been no other material event subsequent to the period end which requires adjustment of or disclosure in these condensed consolidated interim financial statements.

19. COMPARATIVE FIGURES

Certain comparative figures in these condensed consolidated interim financial statements have been restated in order to conform to the current period's presentation of the financial results of the discontinued operations.

DISCLOSURE OF ADDITIONAL INFORMATION

INTERIM DIVIDEND

The Board resolved not to declare an interim dividend for the six months ended 30 June 2013 (For the six months ended 30 June 2012: Nil).

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

As at 30 June 2013, the interests and/or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"), were as follows:

Name	**Capacity in which the Interests are held**	**Nature of Interest**	**Total Interests held**	**Approximate percentage of the issued share capital of the Company as at 30 June 2013** (%)
Directors				
Mr. Sze Siu Hung	Corporate interest and founder of trust *(Note 1)*	Ordinary shares of HK$0.10 each	571,948,720 long position	48.82
	Corporate interest *(Note 2)*	Ordinary shares of HK$0.10 each	28,051,280 long position	2.40
	Beneficial interest *(Note 3)*	Ordinary shares of HK$0.10 each	2,000,000 long position	0.17

Name	Capacity in which the Interests are held	Nature of Interest	Total Interests held	Approximate percentage of the issued share capital of the Company as at 30 June 2013 (%)
Directors (continued)				
Madam Cai Peilei	Corporate interest and beneficiary of trust *(Note 1)*	Ordinary shares of HK$0.10 each	571,948,720 long position	48.82
	Corporate interest *(Note 2)*	Ordinary shares of HK$0.10 each	28,051,280 long position	2.40
	Family interest *(Note 3)*	Ordinary shares of HK$0.10 each	2,000,000 long position	0.17
Mr. Sze Chin Pang	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	1,200,000 long position	0.10
Mr. Lui Siu Keung	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	1,000,000 long position	0.09
Professor Zhao Bei	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	500,000 long position	0.04
Professor Zeng Qingfu	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	500,000 long position	0.04
Chief executive				
Mr. Sze Siu Bun	Beneficial interest	Underlying shares of equity derivatives *(Note 4)*	2,000,000 long position	0.17

Notes:

1. As at 30 June 2013, about 48.82% of shareholding of the Company is owned by Famepower Limited, which is owned as to 100% by Federal Trust Company Limited, a trust company in its capacity as the trustee of The Sze Trust which was a discretionary trust, the founder (as defined in the SFO) of which is Mr. Sze Siu Hung ("Mr. Sze") and the discretionary objects of which are family members of Mr. Sze (including Madam Cai Peilei and excluding Mr. Sze himself). Accordingly, Mr. Sze and Madam Cai Peilei are both deemed to be interested in the relevant shares under the SFO.

2. As at 30 June 2013, about 2.40% of shareholding of the Company is owned by Peilei Charitable Limited ("PCL"), a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned as to 50% by Mr. Sze and as to 50% by Madam Cai Peilei. Mr. Sze and Madam Cai Peilei intend to use the shares held by PCL for charitable purpose.

3. As at 30 June 2013, 2,000,000 shares, representing 0.17% 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 37 to 38 of this interim report.

Save as disclosed above, as at 30 June 2013, none of the directors or chief executive had any interests and/or short positions in any shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2013, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures" above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2013.

SHARE OPTION SCHEME

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

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

There was no change in any terms of the Share Option Scheme during the six months ended 30 June 2013. The details of the terms of the Share Option Scheme have been disclosed in the 2012 annual report.

As at 30 June 2013, details of share options granted under the Share Option Scheme of the Company were as follows:

Name or category of participant	Number of share option									
	At 1 January 2013	Granted during the period *(Note)*	Exercised during the period *(Note)*	Cancelled during the period *(Note)*	Lapsed during the period *(Note)*	At 30 June 2013	Date of grant	Vesting date	Exercise period	Exercise price per share *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	1,000,000	–	–	–	–	1,000,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Professor Zhao Bei	500,000	–	–	–	–	500,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Professor Zeng Qingfu	500,000	–	–	–	–	500,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
(B) Chief Executive										
Mr. Sze Siu Bun	2,000,000	–	–	–	–	2,000,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
(C) Other employees in aggregate	14,800,000	–	–	–	–	14,800,000	27 July 2011	27 July 2011	27 July 2011 to 26 July 2021	0.227
Total	20,000,000	–	–	–	–	20,000,000				

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

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

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

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

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions in the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the period, except as stated below. In respect of code provision A.6.7 of the Corporate Governance Code, Professor Zeng Qingfu and Professor Zhao Bei, both being independent non-executive directors of the Company, were unable to attend the annual general meeting held on 31 May 2013 due to other commitments.

DIRECTORS' COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE REVIEW

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

On behalf of the Board
Sze Siu Hung
Chairman

Hong Kong, 29 August 2013

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Independent Non-Executive Directors

Professor Zeng Qingfu
Professor Zhao Bei
Mr. Lui Siu Keung

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

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

AUDITOR

Deloitte Touche Tohmatsu

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

707

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