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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action you should take, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in Co-Prosperity Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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**CO-PROSPERITY HOLDINGS LIMITED****協盛協豐控股有限公司\****(incorporated in the Cayman Islands with limited liability)**(Stock Code: 707)***MAJOR TRANSACTION INVOLVING  
PROVISION OF FINANCIAL ASSISTANCE**

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A notice convening an extraordinary general meeting of Co-Prosperity Holdings Limited to be held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 13 October 2014 at 3:00 p.m. is set out on pages 27 to 28 of this circular. A form of proxy for use at the extraordinary general meeting is also accompanied with this circular. Whether or not you are able to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company at Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the accompanying proxy form will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

\* *For identification purpose only*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Bank”	Industrial Bank Company Limited# (興業銀行股份有限公司石獅支行), a licensed bank in the PRC, which is an Independent Third Party
“Board”	the board of Directors
“Business Day”	a day on which the licensed banks are open for business in Hong Kong (other than Saturday and any day on which a tropical cyclone warning No. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted between 9:00 a.m. and 17:00 p.m.)
“Company”	Co-Prosperity Holdings Limited (stock code: 707), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal subject to and pursuant to the terms and conditions of the Sale and Purchase Agreement, which took place on 31 December 2013
“connected persons”	has the meanings ascribed to it under the Listing Rules
“Controlling Shareholder” or “Mr. Sze”	Mr. Sze Siu Hung, the controlling Shareholder who is deemed to be interested in an aggregate of 484,850,000 Shares as at the Latest Practicable Date through his controlled corporations and personal interest
“Counter Guarantees”	the 2 letters of guarantee both dated 2 January 2014 and executed by the Existing Owner and the WFOE in favour of the Dyeing Company and the Knitting Company
“Directors”	directors of the Company
“Disposal”	the disposal by Widerlink Group Limited of the Sale Share and the Sale Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“Disposal Group”	the Subject Company and the WFOE
“Dyeing Company”	Shasing Shapheng Dyeing Company Limited (福建協盛協豐印染實業有限公司), a wholly foreign-owned enterprise established in the PRC which is indirectly wholly-owned by the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened and held for the Shareholders to approve, confirm and ratify, among other matters, the Letters of Guarantee and the transactions contemplated thereunder
“Existing Owner”	Kalebird Group Limited, a company incorporated in British Virgin Islands with limited liability, and the purchaser of the Disposal Group under the Disposal, which is an Independent Third Party
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and its connected persons
“Knitting Company”	Xuesheng (Shishi) Printing & Knitting Industry Co., Ltd. (協盛(石獅市)染織實業有限公司), a wholly foreign-owned enterprise established in the PRC which is indirectly wholly-owned by the Company
“Latest Practicable Date”	19 September 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Letters of Guarantee”	the 2 letters of guarantee both dated 2 January 2014 and executed by the Dyeing Company and the Knitting Company respectively in favour of the Bank for the liability of the WFOE
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China but excluding, for the purposes of this circular, Hong Kong, the Macau Special Administrative Region and Taiwan
“Previous Letters of Guarantee”	the 2 letters of guarantee entered into by Dyeing Company and Knitting Company respectively in favour of the Bank for the liabilities of the WFOE, which expired on 9 January 2014
“Sale Loan”	the shareholders’ loans owing by the Subject Company to Widerlink Group Limited and all interest, right and benefit in it accumulated up to the date of Completion
“Sale Share”	the one (1) issued share of US\$1.00 in the capital of the Subject Company

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## DEFINITIONS

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“Sale and Purchase Agreement”	the Sale and Purchase Agreement dated 10 July 2013 and entered into between Widerlink Group Limited and the Existing Owner (as supplemented by the supplemental agreement dated 27 November 2013) in relation to the sale and purchase of the Sale Share and the Sale Loan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder’s Indemnity”	the deed of indemnity dated 2 April 2014 and executed by the Controlling Shareholder in favour of the Dyeing Company and the Knitting Company
“Shareholders”	holders of the issued shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subject Company”	Co-Prosperity Investment Group Limited, a company incorporated in the British Virgin Islands which has ceased to be a subsidiary of the Group upon Completion
“VSD Circular”	the circular of the Company dated 22 November 2013 containing information in relation to, among other matters, the Disposal
“Widerlink Group Limited”	a company incorporated in the British Virgin Islands with limited liability which is a directly wholly-owned subsidiary of the Company
“WFOE”	Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd., a wholly foreign-owned enterprise established in the PRC and a direct wholly-owned subsidiary of the Subject Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

# *English translation of the Chinese name is included in this circular for information purpose only, and should not be regarded as the official English translation of such name.*

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## LETTER FROM THE BOARD

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### CO-PROSPERITY HOLDINGS LIMITED

協盛協豐控股有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 707)

*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

*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

23 September 2014

*To the Shareholders*

Dear Sir or Madam,

### MAJOR TRANSACTION INVOLVING PROVISION OF FINANCIAL ASSISTANCE

#### INTRODUCTION

Reference is made to the VSD Circular dated 22 November 2013 in relation to, among other matters, the Disposal of the entire issued share capital of the Subject Company, a former indirect wholly-owned subsidiary of the Company which in turn is holding the entire equity interest in the WFOE. The Completion took place on 31 December 2013 and the Subject Company and the WFOE ceased to be subsidiaries of the Company and their financial results ceased to be consolidated into the accounts of the Company since then. Reference is also made to the announcement of the Company dated 8 April 2014 in relation to the Letters of Guarantee.

Since January 2010 and prior to the Completion, the Dyeing Company and the Knitting Company, which are the indirect wholly-owned subsidiaries of the Company, entered into the Previous Letters of Guarantee in favour of the Bank for the outstanding liabilities of the WFOE incurred from time to time under certain loan facilities. At the same time, the WFOE also provided counter guarantees in favour of the Dyeing Company and the Knitting Company for any loss that they may suffer under the Previous Letters of Guarantee. Both of the Previous Letters of Guarantee expired on 9 January 2014.

\* For identification purpose only

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## LETTER FROM THE BOARD

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The purposes of this circular are to provide you with, among others, (i) further details of the Letters of Guarantee, (ii) the financial information of the Group, and (iii) the notice of the EGM.

### **The Letters of Guarantee and Counter Guarantees**

Close to the expiry of the Previous Letters of Guarantee, since the Bank requested for the renewal of the Previous Letter of Guarantees by the Dyeing Company and the Knitting Company as a condition to the continuous granting of the loan facility to the WFOE, therefore, at the request of the Existing Owner, on 2 January 2014, the Dyeing Company and the Knitting Company executed the respective Letter of Guarantee in favour of the Bank for the liabilities of the WFOE under the existing loan facility in the maximum amount of RMB70 million and RMB80 million respectively.

In order to protect the interest of the Dyeing Company and the Knitting Company against any loss which might suffer under the Previous Letters of Guarantee and/or the Letters of Guarantee, on 2 January 2014, the Existing Owner and the WFOE in return executed 2 Counter Guarantees in favour of the Dyeing Company and the Knitting Company for any loss that might suffer under the Letters of Guarantee.

Each of the Letters of Guarantee has a term of 3 years and will expire on 1 January 2017. While the terms of the Previous Letters of Guarantee were 1 year, such terms of 3 years for the existing Letters of Guarantee is requested by the Bank and so far as the Company understands, this is a common arrangement of the Bank for guarantors with relatively good credit worthiness, in which the bank would save its administrative costs by entering into letters of guarantee with trusted guarantors for 3 years in one go instead of renewing and reviewing the background and condition of the guarantor year by year. The Company considers that such difference in the terms between the Previous Letters of Guarantee and the existing Letters of Guarantee does not cause any prejudice to the Group since (i) if the underlying loan facility is not renewed the Group will not have the risk of the Letters of Guarantee being enforced even during the guarantee period; and (ii) the liability under the Letters of Guarantee will be covered and indemnified by the Counter Guarantees.

To the best of the information, knowledge and belief of the Company having made all reasonable enquiries, the Existing Owner is an Independent Third Party. The principal business of the Existing Owner is investment holding, and the WFOE is carrying on the business of production and sales of high quality yarns, while the ultimate owner of the Existing Owner is engaging in the business of metal parts manufacturing and electroplating. The Company and its connected person on the one part and the Existing Owner on the other has no shareholding, financial and business relationship with each other prior to the Disposal, and the Existing Owner was introduced to the Company by an Independent Third Party when the Company was contemplating the Disposal in 2013. Save for the Disposal, there is no other business relationship or cooperation between the Company and its connected persons on the one part and the Existing Owner on the other.

### **The Shareholder's Indemnity**

In view of providing better protection to the Group under the Letters of Guarantee, on 2 April 2014, the Controlling Shareholder also executed the deed of indemnity in favour of the Dyeing Company and the Knitting Company, pursuant to which the Controlling Shareholder agreed to indemnify the Dyeing Company and the Knitting Company any loss which they might suffer under the Letters of Guarantee to the maximum amount of RMB300 million, representing 200% of the aggregate maximum liability of the Dyeing Company and the Knitting Company under the Letters of Guarantee.

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## LETTER FROM THE BOARD

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The Shareholder's Indemnity shall expire at the earlier of (i) the expiry of the Letters of Guarantee or (ii) the Dyeing Company and the Knitting Company cease to be subsidiaries of the Company.

The Company has conducted a financial due diligence review on the WFOE and is satisfied with the results thereof, and considers the financial position of the WFOE is sound. According to the latest management accounts of the WFOE as at 31 July 2014 prepared under PRC Generally Accepted Accounting Principles, its net asset value was approximately RMB227.5 million. The Company has also reviewed the assets of the ultimate owner of the Existing Owner and was satisfied that he has enough assets to provide financial support to the Existing Owner and the WFOE when their obligations to indemnify the Group under the Counter Guarantees arise.

Based on the previous record of the Group and the information provided by the Bank, the Company was given to understand that WFOE was and remains in healthy financial position and WFOE has never defaulted in loan repayment in the past and up to the Latest Practicable Date, hence reflecting a good credit record. As such, the Company believes that risk of defaulting the loans by the WFOE which will trigger the enforcement of the Letters of Guarantee is slim. Moreover, since WFOE itself has enough assets to cover the liabilities under the Counter Guarantee itself and does not only rely on the Existing Owner, the Company is of the view the risk that the Counter Guarantee becoming unenforceable is slim. The Dyeing Company and the Knitting Company had negotiated with the Existing Owner and WFOE for the provision of security, but the parties finally could not agree on the relevant arrangement and therefore no security was provided by the Existing Owner and the WFOE. However, the Directors considered that the interests of the Company and the Shareholders could be protected by the Counter Guarantees together with Shareholder's Indemnity, and therefore it is not necessary to further ask for security from the WFOE or the Existing Owner at the moment. Moreover, upon further negotiation by the Company with the Existing Owner, the WFOE and the Existing Owner have also undertaken with the Company that they will (i) furnish their quarterly management accounts to the Company for reference; (ii) consult the Company and seek for the Company's consent whenever they wish to dispose of assets that amount to more than 20% of their net assets value as at the relevant time, so that the Company would be in a better position to monitor the financial position of the WFOE and the Existing Owner and to ensure their ability to perform their obligations under the Counter Guarantees.

Taking into account the reasons explained in the section headed "Reasons for entering into the Letters of Guarantee" below, in particular, the avoidance of the possibility that liabilities be incurred against the Dyeing Company and the Knitting Company under the Previous Letters of Guarantee in the event that the Bank refuses to renew the loan facility to the WFOE when no guarantor acceptable to them could be located, and also taking into account the fact that the Counter Guarantee and the Shareholders' Indemnity shall be sufficient to protect the interest of the Company and the Shareholders as a whole, the Directors are of the view that they have already exercised due care and diligence and demonstrated a standard of competence commensurate with their position as Directors in handling the transactions contemplated under the Letters of Guarantee.

The Company also wishes to clarify that, although the Letters of Guarantee were entered into in favour of the Bank for the WFOE after the completion of the Disposal, the matters relating to the Letters of Guarantee are not material information that needed to be disclosed in the VSD Circular of the Company dated 22 November 2013 in relation to the very substantial disposal of the Disposal Group, since (i) the Previous Letters of Guarantee were documents of intra-group nature and did not create material financial



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## **LETTER FROM THE BOARD**

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effect on the Group at the material time of the Disposal; and (ii) the execution of the Letters of Guarantee was not contemplated and considered by the parties to the Disposal before completion thereof, although the Existing Owner only realised such Previous Letters of Guarantee were going to expire shortly after the Completion and therefore sought for the cooperation of the Company. Hence, the entering into of the Letters of Guarantee did not affect the terms for the Disposal negotiated between the parties. As such, there was no omission of material information in the VSD Circular.

### **REASONS FOR ENTERING INTO THE LETTERS OF GUARANTEE**

The Group is principally engaged in processing, printing and sales of finished fabrics (comprising the sale of finished fabrics and the provision of fabrics processing subcontracting services) and trading of goods. The Subject Company is principally engaged in investment holding and the WFOE is principally engaged in the manufacture and sales of high density and high-end yarns.

The Company originally contemplated to terminate the arrangement under the Previous Letters of Guarantee upon the Completion when the WFOE ceased to be a subsidiary of the Company. However, since the Bank requested for their renewal but the Disposal has only been completed shortly before the expiry of the Previous Letters of Guarantee while the Existing Owner, at the material time, was not yet able to restructure the Disposal Group to facilitate the obtaining of other new loan facility or to go through the necessary procedure of the Bank to assess and approve the provision of the Letters of Guarantee by the Existing Owner itself or other third party, the Existing Owner requested the Company to renew and enter into the Letters of Guarantee so as to facilitate the continuous granting of the facility granted by the Bank to the WFOE. Moreover, although the Previous Letters of Guarantee expired on 9 January 2014, the obligation of the Dyeing Company and the Knitting Company would not cease if the loan to the WFOE was also default on 9 January 2014. In the event that the loan facility of the WFOE was not renewed at the same time while the WFOE is unable or refuse to repay the loan for whatever reason, and the Letters of Guarantee were not entered into to facilitate the renewal of the loan, taking into account the time needed by the Bank to evaluate and approve other guarantors for the loan as mentioned above, the loan would fall due immediately and the Bank could still enforce the Previous Letters of Guarantee against the Dyeing Company and the Knitting Company. Therefore, the Dyeing Company and the Knitting Company agreed to enter into the Letters of Guarantee as a step to protect the interest of the Group.

In return, to protect the interest of the Group, on 2 January 2014, the Existing Owner and the WFOE executed the 2 Counter Guarantees in favour of the Dyeing Company and the Knitting Company to indemnify any loss which might be suffered by the Dyeing Company and the Knitting Company under the Letters of Guarantee. Furthermore, as disclosed in the section headed “The Letters of Guarantee and Counter Guarantees” above, upon the expiry of the Previous Letters of Guarantee, the execution of the Letters of Guarantee by the Dyeing Company and the Knitting Company was a condition for the continuous granting of the loan facility by the Bank to the WFOE. Therefore, in light of the willingness of the Existing Owner and the WFOE to fully indemnify any loss that might be suffered by the Dyeing Company and the Knitting Company, the Company believed that no actual prejudice would be caused to the Company by entering into the Letters of Guarantee. Moreover, the execution of the Shareholder’s Indemnity will give further protection to the Group and mitigate the risk under the Letters of Guarantee.

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## LETTER FROM THE BOARD

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The Company provides the guarantee under the Letters of Guarantee without charging a commission or service fees from the WFOE since the Company was advised by the PRC legal advisers that providing guarantee to third parties for a fee constitutes a business of loan guaranteeing business while the Dyeing Company and Knitting Company are not authorised by the PRC authorities to engage in such business under their respective business licences. Given the provision of the Counter Guarantees by the WFOE and the Existing Owner, and the protection in favour of the Company under the Shareholder's Indemnity, the Company considers that the entering into of the Letters of Guarantee is still fair and reasonable and will not prejudice the interests of the Company and the Shareholders as a whole.

### **Financial effect of the Letters of Guarantee**

The entering into of the Letters of Guarantee will not have any immediate effect on the earnings, assets and liabilities of the Group.

The Board would also like to draw shareholders' attention to the relevant financial impact brought by the provision of such guarantees to the Bank disclosed in the financial statements of the Company for the year ended 31 December 2013. As at 31 December 2013, the Group provided financial guarantees to the Bank in respect of bank borrowings granted to WFOE amounting to RMB150,000,000 pursuant to the Previous Letters of Guarantee.

Fair value of these financial guarantee contracts valued 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 HKAS 39 "Financial instruments: recognition and measurement" ("**HKAS 39**") after taking into consideration of the Previous Letters of Guarantee being expired effectively on 2 January 2014 and were subsequent renewed (by entering into the Letters of Guarantee) on 2 January 2014 with maturity on 1 January 2017. Relevant disclosure has been included in note 28 to the Group's consolidated financial statements as set out in the Company's annual report for the year ended 31 December 2013 ("**2013 annual report**"). The directors of the Company considered that the entering into the Letters of Guarantee represented effectively continuous renewal of Previous Letters of Guarantee and the related aggregate fair value of RMB46,965,000 was assessed on the basis that the guarantee period of these guarantee contracts were up to 1 January 2017 and had been accounted for in the 2013 annual report.

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

### **Further Guideline on documents review and approval system and remedial action**

In order to avoid the breaches as mentioned in the section headed "Listing Rules Implications" from happening again, the Company has adopted a further guideline on documents review and approval system, which including the following salient guidelines:

- (i) the relevant senior management and/or directors of the relevant member of the Group (which are proposed to enter into a material contract) shall issue a notice (the "**Transaction Notice**") to the chairman of the Board (the "**Chairman**"), notifying the background

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## LETTER FROM THE BOARD

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information of the transaction contemplated under the subject contract, the details of the parties to such contract, the latest draft of such contract, and the proposed terms and amount involved (or in the event that the Chairman is a party involved in the negotiation of such contract, he shall issue and notice and report to the designated Director);

- (ii) the Chairman or the designated Director shall, within 5 business days, review the Transaction Notice and the information contained therein;
- (iii) in the event that the requisite information are not fully provided in the Transaction Notice, the Transaction Notice shall be returned to the relevant member of the Group for supplement or update. In the event that the Transaction Notice contains all requisite information for the Board to review, a meeting of the Board shall be convened and held as soon as possible for the Board to discuss and consider the subject contract and the transactions contemplated thereunder;
- (iv) the Board may also appoint relevant professional advisers to assist in the reviewing and considering the subject contract.

Furthermore, the Company has been negotiating with the Bank for the release of the Letters of Guarantee but as at the Latest Practicable Date, the Bank has not yet agreed with the release thereof.

### **RISK FACTORS RELATING TO THE LETTERS OF GUARANTEE**

Under the Letters of Guarantee, the Group has guaranteed the liability of the WFOE in favour of the Bank up to a maximum aggregate amount of RMB150 million. In the event that the WFOE cannot satisfy its liabilities under the loan from the Bank and the Existing Owner cannot satisfy such liability personally upon it falls due, the Bank may enforce the Letters of Guarantee against the Dyeing Company and the Knitting Company. Although in such event the Dyeing Company and Knitting Company are entitled to enforce the Counter Guarantees against the Existing Owner and the WFOE, there is no guarantee that they will perform their duties thereunder or they will have enough assets to compensate the Dyeing Company and the Knitting Company by that time. In such event, the Company can only rely on the Shareholder's Indemnity and request the Controlling Shareholder to compensate the loss which might be suffered by the Company, while there is no guarantee that the Controlling Shareholder would have enough assets to fully compensate the Company for the loss which might be suffered from the Letters of Guarantee at the relevant time.

### **LISTING RULES IMPLICATIONS**

As one of the applicable percentage ratios under the Listing Rules is more than 25%, the entering into of the Letters of Guarantee by the Dyeing Company and the Knitting Company constitutes a major transaction on the part of the Company and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. Under Rule 14.34 of the Listing Rules, as soon as possible after the terms of a major transaction have been finalized, the Company must publish an announcement. Under Rule 14.40, a major transaction must be made conditional on approval by shareholders. As a result, the late publication of the relevant announcement and the failure to convene a general meeting of the Company for the approval of the Letters of Guarantee prior to their becoming

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## LETTER FROM THE BOARD

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effective, constitutes breaches by the Company of the Listing Rules. The Company had previously believed, mistakenly, that the liability of the Group under the Letters of Guarantee has been set off by the benefit under the Counter Guarantees, therefore, the Company did not make announcement at the time of the entering into of the Letters of Guarantee and did not convene an extraordinary general meeting for the Shareholders to approve the same at the relevant time. The Company has adopted a further guideline on the document review and approval system to avoid similar breaches from happening again in future, details of which has been disclosed in the paragraph headed “Further guideline on documents review and approval system and remedial action” above.

Since the Controlling Shareholder is a connected person as defined under the Listing Rules, the entering into of the Shareholder’s Indemnity in favour of the Dyeing Company and the Knitting Company constitutes connected transaction on the part of the Company. Pursuant to Rule 14A.90 of the Listing Rules, financial assistance provided by a connected person for the benefit of the Company on normal commercial terms where no security over the assets of the Company is granted in respect of the financial assistance, is exempted from reporting, announcement and independent shareholders’ approval requirements. As such, the financial assistance provided in favour of the Group under the Shareholder’s Indemnity is exempted from reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

Pursuant to Rule 14.38A of the Listing Rules, a circular shall be issued to the Shareholders for a major transaction to provide further information as required under the Listing Rules. However, subsequent to the announcement of the Company dated 8 April 2014, the Company has spent time on negotiating with the Bank for possible arrangement on release of the Letters of Guarantee, and to prepare necessary financial information and indebtedness statement to be included in this Circular, therefore this Circular could not be published earlier until the date hereof.

### **EGM**

A notice convening the EGM to be held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 13 October 2014 at 3:00 p.m. at which an ordinary resolution shall be proposed to the Shareholders to approve, confirm and ratify the Letters of Guarantee and the transactions contemplated thereunder is set out on pages 27 to 28 of this circular.

A form of proxy for use at the EGM is enclosed. If you are unable to attend the EGM in person, you are requested to complete and return the form of proxy to the Company’s share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

The resolution approving, confirming and ratifying the Letters of Guarantee and the transactions contemplated thereunder will be voted by way of a poll at the EGM. To the best knowledge of the Directors, no Shareholder has a material interest in the Letters of Guarantee which is different from the other Shareholders and accordingly, no Shareholder shall be required to abstain from voting at the EGM.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Directors are of the opinion that, taking into account the reasons as disclosed in the section headed “Reasons for entering into the Letters of Guarantee” above, and the existence of the Shareholder’s Indemnity and Counter Guarantees which minimizes the risk facing the Group under the Letters of Guarantee, the Letters of Guarantee shall be approved, confirmed and ratified. Moreover, after discovery of the breaches, the Company attempted to seek all possible remedial actions, including discussing with the Bank on the termination of the Letters of Guarantee, but no consent could be obtained from the Bank up to the Latest Practicable Date. In the event that the resolution for ratifying the Letters of Guarantee was not passed, the Company will be in a difficult position and may risk facing potential claim by the Bank if the Letters of Guarantee are unilaterally terminated. On the other hand, the Company considers that the risk of the Letter of Guarantee being enforced upon default by the WFOE under the loan facility could be largely eliminated by the Counter Guarantees. Furthermore, the Shareholder’s Indemnity gives further protection to the interest of the Company and the other Shareholders. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve, confirm and ratify the Letters of Guarantee and the transactions contemplated thereunder.

### FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully  
For and on behalf of the Board of  
**Co-Prosperty Holdings Limited**  
**Sze Siu Hung**  
*Chairman*

**1. FINANCIAL SUMMARY**

The audited financial information of the Group for each of the three years ended 31 December 2011, 2012 and 2013 can be referred to the annual reports of the Company for the years ended 31 December 2011 (pages 27 to 87), 2012 (pages 30 to 97) and 2013 (pages 33 to 111) respectively.

The above-mentioned financial information has been published on both the website of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the designated website of the Company (<http://www.capitalfp.com.hk/eng/index.jsp?co=707>). The auditors of the Company have not issued any qualified opinion on the Group's financial statements for the financial years ended 31 December 2011, 2012 and 2013.

**2. STATEMENT OF INDEBTEDNESS**

At the close of business on 31 July 2014, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group had (i) short-term bank loans of approximately RMB240,100,000; of which RMB222,100,000 are secured and RMB18,000,000 are unsecured (ii) short-term unsecured loan from other financial institution of RMB5,500,000 which is supported by personal guarantees given by certain directors and related parties.

As at 31 July 2014, the Group had pledged (i) bank deposits of RMB53,410,000; (ii) certain leasehold land and buildings with a total carrying value of RMB7,327,000 (iii) certain property, plant and equipment with a total carrying value of RMB53,788,000 and (iv) prepaid lease payments with total carrying value of RMB9,240,000 to secure banking facilities granted to the Group, in which the banking facilities amounted to RMB100,300,000 are also supported by personal guarantees given by certain directors and related parties and a third party.

As at 31 July 2014, the Group had outstanding guarantees amounting to RMB163,000,000 given to the banks in respect of banking facilities granted to third parties.

As at 31 July 2014, the Group had unsecured non-trade payables amounting to RMB25,030,000 and unsecured amount due to a director amounting to RMB6,005,000.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group did not have outstanding at the close of business on 31 July 2014 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

**3. WORKING CAPITAL**

The Directors are of the opinion that, after taking into account the impact of the major transaction involving provision of financial assistance as mentioned in this circular and the present available financial resources, including banking and credit facilities presently available to the Group, the Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular in the absence of unforeseen circumstances.

#### 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2013, being the date to which the latest audited consolidated financial statements of the Group were made up.

#### 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in processing, printing and sales of finished fabrics (comprising the sale of finished fabrics and the provision of fabrics processing subcontracting services) and trading of goods. It is anticipated that the markets are likely to remain volatile for the rest of 2014. Operating environment faced by the Group remains very challenging as the macro-economic conditions around the world remain uncertain and complex.

The Board remains cautious for the Group's outlook in the short term. Yet it is fully confident about the Group's future growth and development. Looking ahead, the monetary policies of the United States will continue to have a significant impact on the global economy. In particular, the pace and scale of tapering of asset purchases by the United States and any change of the prevailing low interest rate environment will greatly affect the global economic landscape. The latest development of European economies and the economic growth rate of China down the road will further add to the uncertainties and volatilities of the global business environment. The Board also expects the competition among players in the market will remain very keen and the market consolidation will continue. Nevertheless, the steady economic growth and growing affluent population in China will boost the domestic demand for high quality fabrics and textile products in the long run.

The Group will maintain its vigilance to the fast-changing operating environment and modify its business strategies when needed. The Group will stick to its prudent and down-to-earth business operating philosophy. The Group will strive to enhance the profit margins of its products and solidify its overall financial position. In addition, it will continue to explore and capitalize 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 coming future. The Board is optimistic about the Group's future development.

#### 6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE PERFORMANCE OF THE GROUP

For the the financial years ended 31 December 2011, 2012 and 2013, the Group was principally engaged in the sale of finished fabrics ("**fabrics sales business**"), the provision of fabrics processing subcontracting services ("**processing business**"), the trading of goods ("**trading business**") and the manufacture and sale of high density and high-end yarns ("**yarn business**") to customers. For the six months ended 30 June 2014, the Group was principally engaged in fabrics sales business, processing business and trading business.

Set out below is the management discussion and analysis on the Group:

**(i) For the six months ended 30 June 2014**

*Business and Financial review*

During the six months ended 30 June 2014 (the “current period”), the Group’s total turnover was down by 24.2% to approximately RMB151.2 million as compared to the six months ended 30 June 2013 (the “prior period”). During the current period, the revenue from fabrics sales business, processing business and trading business all dropped. Lower average unit selling price was recorded for both fabrics sales business and processing business.

The Group registered a gross profit of around RMB25.6 million for the current period, compared with a gross profit of RMB11.4 million for the prior period. During the current period, the gross profit margin from fabrics sales business and trading business rose whereas processing business recorded a mild drop in its gross profit margin. Better product mix in the current period resulted in the rise in the gross profit margins of fabrics sales business and trading business. The sluggish market caused the mild drop in the gross profit margin of processing business.

Overall speaking, the Group’s result was a consolidated net profit of RMB8.3 million attributable to owners of the Company.

*Liquidity and Financial Resources*

As at 30 June 2014, the Group had total assets of approximately RMB583.6 million which were financed by current liabilities of approximately RMB411.1 million and shareholders’ equity of approximately RMB172.5 million.

As at 30 June 2014, the Group’s cash and bank balances was approximately RMB18.8 million, while pledged bank deposits amounted to approximately RMB55.2 million. As at 30 June 2014, short-term bank loans and short-term loan from other financial institution were fixed-rate loans and were denominated in Renminbi.

The Group’s gearing ratio, being a ratio of borrowings (comprising short-term bank loans and short-term loan from other financial institution) to shareholders’ equity, was 141.4%. The Group always adopted a conservative approach in its financial management.

*Charges on Assets*

As at 30 June 2014, the Group’s borrowings were secured by assets with a total carrying value of approximately RMB125.9 million.

*Capital Expenditures*

As at 30 June 2014, the Group has capital commitments of approximately RMB0.2 million in respect of purchases of property, plant and equipment.



*Contingent Liabilities and Exchange Risk Exposure*

Save as disclosed in note 14 to the consolidated financial statements shown in the interim report of the Company for the six months ended 30 June 2014, the Group did not have any significant contingent liabilities.

The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group did not foresee significant risk in exchange rate fluctuations and no financial instrument had been used for hedging purposes.

*Significant Investments and Material Acquisitions and Disposals*

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

*Employment*

As at 30 June 2014, the Group had about 1,000 employees in Hong Kong and in the PRC.

Remuneration packages for the employees were maintained at a competitive level of the jurisdiction within which the employees were employed to attract, retain and motivate the employees and are reviewed periodically. In addition, the Group maintained a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

**(ii) For the year ended 31 December 2013***Business and Financial review\**

During the year ended 31 December 2013, the Group's total turnover decreased mildly by 0.1% to approximately RMB515.1 million for the year. During the year, the revenue from fabrics sales business and processing business increased whereas those from trading business and yarn business fell. Lower average unit selling price was recorded for all fabrics sales business, processing business and yarn business.

The Group registered a gross loss of approximately RMB30.2 million for the year, compared with a gross profit of RMB38.5 million for the year ended 31 December 2012. During the year, the gross profit margin from processing business and trading business rose, fabrics sales business registered a gross loss and yarn business posted a lower gross profit margin. Better product mix in the year resulted in the rise in the gross profit margins of processing business and trading business. The persistent depressed market and the lower average unit selling prices led to the gross loss of fabrics sales business. The rise in the unit cost of cotton and the decrease in the average unit selling price during the year caused the decline in the gross profit margin of yarn business.

Overall speaking, the Group's result was a consolidated net loss of RMB164.6 million attributable to owners of the Company.

- \* To facilitate the review of the overall performance of the Group for the year ended 31 December 2013, the results of the Disposal Group and the resultant gain on disposal of the Disposal Group were combined line by line with corresponding items of the other remaining businesses of the Group. For details, please also refer to pages 5 to 7 of the annual report of the Company for the year ended 31 December 2013.

#### *Liquidity and Financial Resources*

As at 31 December 2013, the Group had total assets of approximately RMB550.5 million which were financed by current liabilities of approximately RMB439.7 million and shareholders' equity of approximately RMB110.8 million with non-current liabilities amounting to nil.

As at 31 December 2013, the Group's cash and bank balances was approximately RMB52.2 million, while pledged bank deposits amounted to RMB58.3 million. As at 31 December 2013, the mortgage loan was variable-rate loans and was denominated in Hong Kong dollars. Short-term bank loans and short-term loan from other financial institution were fixed-rate loans and were denominated in Renminbi.

The Group's gearing ratio, being a ratio of borrowings (comprising mortgage loan, short-term bank loans and short term loan from other financial institution) to shareholders' equity, was 217.2%. The Group always adopted a conservative approach in its financial management.

#### *Charges on Assets*

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

#### *Capital Expenditures*

As at 31 December 2013, the Group has capital commitments of approximately RMB9.0 million in respect of purchases of property, plant and equipment.

#### *Contingent Liabilities and Exchange Risk Exposure*

Save as disclosed in note 28 to the consolidated financial statements shown in the annual report of the Company for the year ended 31 December 2013, the Group did not have any significant contingent liabilities.

The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group did not foresee significant risk in exchange rate fluctuations and no financial instruments had been used for hedging purposes.

#### *Significant Investments and Material Acquisitions and Disposals*

Except for the Disposal completed on 31 December 2013 which has been disclosed in note 12 to the consolidated financial statements shown in the annual report of the Company for the year ended 31 December 2013, the Group had 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 2013, the Group had about 1,300 employees in Hong Kong and in the PRC.

Remuneration packages for the employees were maintained at a competitive level of the jurisdiction within which the employees were employed to attract, retain and motivate the employees and are reviewed periodically. In addition, the Group maintained a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

**(iii) For the year ended 31 December 2012***Business and Financial review*

During the year ended 31 December 2012, the Group's total turnover decreased by 16.8% to approximately RMB515.8 million for the year. During the year, the revenue from fabrics sales business, processing business, trading business and yarn business all fell. Lower average unit selling price was recorded for all fabrics sales business, processing business and yarn business.

The Group registered a gross profit of approximately RMB38.5 million for the year, representing a drop of approximately 21.6% as compared with last year. The Group's overall gross profit margin for the year was approximately 7.5%. During the year, the gross profit margin from yarn business rose whereas those from fabrics sales business, processing business and trading business fell. The decline in the purchase cost of cotton during the year resulted in the increase in gross profit margin of yarn business. The persistent depressed market and the lower average unit selling prices dragged down the gross profit margins of fabrics sales business and processing business.

Overall speaking, the result was a consolidated net loss of RMB69.4 million attributable to owners of the Company.

*Liquidity and Financial Resources*

As at 31 December 2012, the Group had total assets of approximately RMB1,008.8 million which were financed by current liabilities of approximately RMB641.5 million, non-current liabilities of approximately RMB91.3 million and shareholders' equity of approximately RMB276.0 million.

As at 31 December 2012, the Group's cash and bank balances was approximately RMB21.3 million, while pledged bank deposits amounted to RMB53.4 million. As at 31 December 2012, the mortgage loan was variable-rate loans and was denominated in Hong Kong dollars. The short-term bank loans were fixed-rate loans and were denominated in Renminbi. The debt component of convertible bonds was fixed-rate loan and was denominated in Hong Kong dollars. The loan from a related party was fixed-rate loan and was denominated in Hong Kong dollars. Other unsecured loan was fixed-rate loan and was denominated in the United States dollars.

The Group's gearing ratio, being a ratio of borrowings (comprising mortgage loan, short-term bank loans, debt component of convertible bonds, loan from a related party and other unsecured loan) to shareholders' equity, was 184.0%. The Group always adopted a conservative approach in its financial management.

#### *Charges on Assets*

As at 31 December 2012, the Group's borrowings were secured by assets with a total carrying value of approximately RMB161.7 million.

#### *Capital Expenditures*

As at 31 December 2012, the Group did not have any capital commitments in respect of purchases of property, plant and equipment.

#### *Contingent Liabilities and Exchange Risk Exposure*

As at 31 December 2012, the Group did not have any significant contingent liabilities.

The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group did not foresee significant risk in exchange rate fluctuations and no financial instruments had been used for hedging purposes.

#### *Significant Investments and Material Acquisitions and Disposals*

The Group had no significant investment held and had not been involved in any material acquisitions or disposals of subsidiaries and associated companies during the year.

#### *Employment*

As at 31 December 2012, the Group had about 1,500 employees in Hong Kong and in the PRC.

Remuneration packages for the employees were maintained at a competitive level of the jurisdiction within which the employees were employed to attract, retain and motivate the employees and are reviewed periodically. In addition, the Group maintained a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

**(iv) For the year ended 31 December 2011***Business and Financial review*

During the year ended 31 December 2011, the Group's total turnover increased by 17.9% to approximately RMB620.1 million for the year. During the year, the revenue from fabrics sales business, processing business and yarn business rose whereas that from trading business fell. Higher average unit selling price was achieved for both yarn business and fabrics sales business. Lower average unit selling price was registered for processing business.

The Group registered a gross profit of approximately RMB49.2 million for the year. The Group's overall gross profit margin for the year was approximately 7.9%. During the year, the gross profit margin from trading business rose whereas those from fabrics sales business, processing business and yarn business fell. The enhancement in sales mix with higher margins during the year resulted in the increase in gross profit margin for trading business. For fabrics sales business, processing business and yarn business, the soaring production costs ate into the margins and caused the decline in their gross profit margins.

Overall speaking, the result was a consolidated net loss of RMB105.5 million attributable to owners of the Company.

*Liquidity and Financial Resources*

As at 31 December 2011, the Group had total assets of approximately RMB880.3 million which were financed by current liabilities of approximately RMB494.7 million, non-current liabilities of approximately RMB41.6 million and shareholders' equity of approximately RMB344.0 million.

As at 31 December 2011, the Group's cash and bank balances was approximately RMB42.0 million, while pledged bank deposits amounted to RMB48.0 million. As at 31 December 2011, the mortgage loan was variable-rate loans and was denominated in Hong Kong dollars. The short-term bank loans were fixed-rate loans and were denominated in Renminbi. The liability component of convertible bonds was fixed-rate loan and was denominated in Hong Kong dollars.

The Group's gearing ratio, being a ratio of borrowings (comprising mortgage loan, short-term bank loans and liability component of convertible bonds) to shareholders' equity, was 108.9%. The Group always adopted a conservative approach in its financial management.

*Charges on Assets*

As at 31 December 2011, the Group's borrowings were secured by assets with a total carrying value of approximately RMB178.7 million.

*Capital Expenditures*

As at 31 December 2011, the Group has capital commitments of approximately RMB1.2 million in respect of purchases of property, plant and equipment.

*Contingent Liabilities and Exchange Risk Exposure*

As at 31 December 2011, the Group did not have any significant contingent liabilities.

The Group's operations, sales and purchases were mainly denominated in Renminbi. The Group did not foresee significant risk in exchange rate fluctuations and no financial instruments had been used for hedging purposes.

*Significant Investments and Material Acquisitions and Disposals*

The Group had 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 2011, the Group had about 1,700 employees in Hong Kong and in the PRC.

Remuneration packages for the employees were maintained at a competitive level of the jurisdiction within which the employees were employed to attract, retain and motivate the employees and were reviewed periodically. In addition, the Group maintained a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****(a) Directors' interests and short positions in the securities of the Company and its associated corporations**

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of the Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "**Model Code**"), were as follows:

*Interests in Shares*

<b>Name of Director</b>	<b>Capacity in which the interests are held</b>	<b>Number of Shares held</b>	<b>Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date</b>
Mr. Sze Siu Hung ("Mr. Sze")	Founder of a discretionary trust ( <i>note 1</i> )	454,798,720 long position	32.52%
	Interest held by controlled corporation ( <i>note 2</i> )	28,051,280 long position	2.01%
	Beneficial owner ( <i>note 3</i> )	2,000,000 long position	0.14%
Madam Cai Peilei	Beneficiary of a discretionary trust ( <i>note 1</i> )	454,798,720 long position	32.52%
	Interest held by controlled corporation ( <i>note 2</i> )	28,051,280 long position	2.01%
	Interest held by spouse ( <i>note 3</i> )	2,000,000 long position	0.14%

*Notes:*

- As at the Latest Practicable Date, about 32.52% of shareholding of the Company is owned by Famepower Limited, which is owned as to 100% by Federal Trust Company Limited, a trust company in its capacity as the trustee of The Sze Trust which was a discretionary trust, the founder (as defined in the SFO) of which is Mr. Sze 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.
- As at the Latest Practicable Date, about 2.01% of shareholding of the Company is owned by Peilei Charitable Limited ("PCL"), a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned as to 50% by Mr. Sze and as to 50% by Madam Cai Peilei. Mr. Sze and Madam Cai Peilei intend to use the shares held by PCL for charitable purpose.
- As at the Latest Practicable Date, 2,000,000 Shares, representing 0.14% of shareholding of the Company, are beneficially owned by Mr. Sze. Madam Cai Peilei is the spouse of Mr. Sze and is deemed to be interested in 2,000,000 Shares.



*Interest in Share Options*

Name of Director/ Chief executive	Capacity	Number of Share Option	Exercise price per Share (HK\$)	Exercisable Period	Approximate percentage of issued share capital
Mr. Sze Chin Pang	Beneficial owner	1,200,000 long position	0.227	27 July 2011 to 26 July 2021	0.09%
Mr. Lui Siu Keung	Beneficial owner	1,000,000 long position	0.227	27 July 2011 to 26 July 2021	0.07%
Professor Zhao Bei	Beneficial owner	500,000 long position	0.227	27 July 2011 to 26 July 2021	0.04%
Professor Zeng Qingfu	Beneficial owner	500,000 long position	0.227	27 July 2011 to 26 July 2021	0.04%
Mr. Sze Siu Bun ( <i>note</i> )	Beneficial owner	2,000,000 long position	0.227	27 July 2011 to 26 July 2021	0.14%

*Note:* Mr. Sze Siu Bun is a chief executive of the Company.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or chief executives of the Company and their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

**(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial Shareholders**

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

*Long positions in the Shares and underlying Shares of the Company*

<b>Name of Substantial Shareholders</b>	<b>Capacity</b>	<b>Total</b>	<b>Position</b>	<b>Approximate percentage of the total issued share capital of the Company as at the Latest Practicable Date</b>
Famepower Limited (Note 1)	Beneficial interest	454,798,720	Long position	32.52%
Peilei Charitable Limited (Note 2)	Beneficial interest	28,051,280	Long position	2.01%

*Notes:*

1. The entire issued share capital of Famepower Limited is owned by Federal Trust Company Limited, a trust company acting in the capacity as trustee for the family trust set up by Mr. Sze, for the benefit of his family. Mr. Sze is the sole director of Famepower Limited.
2. Peilei Charitable Limited is a company incorporated in the British Virgin Islands and the entire issued share capital of which is owned as to 50% by each of Mr. Sze and Madam Cai Peilei (who is the spouse of Mr. Sze and an executive Director).

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than the Directors and the chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

**3. MATERIAL CONTRACTS**

Saved as disclosed below, no other contract (not being contracts in the ordinary course of business) had been entered into by any member of the Group within two years immediately preceding the date of this circular and up to the Latest Practicable Date which are or may be material:

- (i) the Sale and Purchase Agreement dated 10 July 2013 and entered into between Widerlink Group Limited as vendor and the Existing Owner as purchaser (as supplemented by the supplemental agreement dated 27 November 2013) in relation to the sale and purchase of the Sale Share and the Sale Loan for an aggregate consideration of HK\$248,670,000
- (ii) the Letters of Guarantee both dated 2 January 2014 and executed by the Dyeing Company and the Knitting Company respectively in favour of the Bank for the liability of the WFOE up to the amount of RMB150 million.
- (iii) the Shareholder's Indemnity dated 2 April 2014 and executed by the Controlling Shareholder in favour of the Dyeing Company and the Knitting Company for the maximum amount of RMB300 million; and
- (iv) the Counter Guarantees both dated 2 January 2014 and executed by the Existing Owner and the WFOE in favour of the Dyeing Company and the Knitting Company for the maximum liability of the Dyeing Company and the Knitting Company which may incur under the Letters of Guarantee.

**4. DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had any existing or was proposing to enter into any service contracts with the Company or any member of the Group (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation)).

**5. DIRECTORS' INTERESTS IN ASSETS/CONTRACTS AND OTHER INTERESTS**

- (a) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been acquired, or disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group since 31 December 2013, the date to which the latest published audited financial statements of the Group were made up.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group since 31 December 2013, being the date to which the latest published audited financial statements of the Company were made up, and which was significant in relation to the business of the Group.

**6. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which compete or may compete either directly or indirectly with the business of the Group.

**7. LITIGATION**

As at the Latest Practicable Date, none of the member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

**8. MISCELLANEOUS**

- (a) The company secretary of the Company is Mr. Chan Hon Hung who is 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.
- (b) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The headquarter and principal place of business of the Company in Hong Kong is situated at 6th Floor, Comweb Plaza, 12 Cheung Yue Street, Lai Chi Kok, Kowloon, Hong Kong.
- (c) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited located at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection during normal business hours at 6th Floor, Comweb Plaza, 12 Cheung Yue Street, Lai Chi Kok, Kowloon, Hong Kong, during normal business hours on any weekday (except public holidays) for a period of 14 days from the date hereof:

- (a) the memorandum of association and articles of association of the Company;
- (b) the audited annual reports of the Company for the three years ended 31 December 2011, 2012 and 2013;
- (c) a copy of each of the material contracts referred to in the paragraph headed "MATERIAL CONTRACTS" in this appendix; and
- (d) this circular.

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## NOTICE OF EGM

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### CO-PROSPERITY HOLDINGS LIMITED

協盛協豐控股有限公司\*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 707)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting of Co-Prosperity Holdings Limited (the “**Company**”) will be held at Room 1, United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Monday, 13 October 2014 at 3:00 p.m. for the purpose of considering and, if thought fit, passing the following resolution with or without amendment as an ordinary resolution of the Company:

#### ORDINARY RESOLUTION

“**THAT**

- (a) the letters of guarantee (the “**Letters of Guarantee**”) (copies of which have been produced to this meeting marked “A” and signed by the chairman of this meeting for the purpose of identification) both dated 2 January 2014 and executed by (i) Shasing Shapheng Dyeing Company Limited (福建協盛協豐印染實業有限公司), a wholly foreign-owned enterprise established in the People’s Republic of China (the “**PRC**”) and indirectly wholly-owned by the Company and (ii) Xuesheng (Shishi) Printing & Knitting Industry Co., Ltd. (協盛(石獅市)染織實業有限公司), a wholly foreign-owned enterprise established in the PRC and indirectly wholly-owned by the Company respectively in favour of Industrial Bank Company Limited# (興業銀行股份有限公司石獅支行) for guaranteeing the liability of Shasing-Shapheng (Quanzhou) Textile Industrial Co., Ltd., a wholly foreign-owned enterprise established in the PRC up to the aggregate amount of RMB150,000,000, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one of more directors of the Company be and are hereby authorised to do all such things and execute all such documents which are of administrative nature as they consider necessary or expedient for the purposes of giving effect to the Letters of Guarantee and the implementation of all transactions contemplated thereby.”

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

Hong Kong, 23 September 2014

\* For identification purpose only

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## NOTICE OF EGM

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*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

*Notes:*

1. A member of the Company entitled to attend and vote at the extraordinary general meeting (the “EGM”) convened by the above notice is entitled to appoint one or more proxies to attend and, on a poll, vote in his stead in accordance with the Company’s articles of association. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of shares of the Company in respect of which each such proxy is so appointed.
  2. A form of proxy for use at the EGM is enclosed herewith. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof, as the case may be. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
  3. Where there are joint registered holders of any share of the Company (the “Share”), any one of such persons may vote at the EGM, either in person or by proxy, in respect of such Share as if he was solely entitled thereto; but if more than one of such joint holders are present at the EGM in person or by proxy, that one of the said persons so present whose name stands first on the register of member of the Company in respect of such Share shall alone be entitled to vote in respect thereof.
  4. The voting on the resolution at the EGM will be conducted by way of a poll.
- # English translation of the Chinese name is included in this notice for information purpose only, and should not be regarded as the official English translation of such name.