Addchance Holdings Limited

互益集團有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 3344)

Annual Report **2008**


Major cotton agricultural bases
Major dyeing bases
Zhangjiagang
Dyeing Mill
Susong
Spinning
Mill
Xinjiang
Bole Addchance
The Yangtze River
Wuzhou
Knitting
Mill
Cenxi
Knitting
Mill
Luoding
Composite
Mill
Xijiang River
Hong Kong Headquarters
Thailand
Cambodia
Winner Knitting Factory Limited
River Rich Textile Limited

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FINANCIAL HIGHLIGHTS

Key Financial Results

	Year ended 31st December,					
	2008	2007	Changes	2006	2005	2004
	HK$'000	HK$'000	+/-%	HK$'000	HK$'000	HK$'000
Turnover	**1,316,764**	1,167,362	12.8%	925,889	900,482	772,202
Gross profit	**279,529**	278,069	0.5%	214,518	233,019	176,256
Profit for the year	**66,849**	98,302	-32.0%	66,190	75,417	47,745
Profit attributable to:						
Equity holders of the Company	**67,567**	98,546	-31.4%	66,196	75,413	42,021
Minority interests	**(718)**	(244)	194.3%	(6)	4	5,724
Earnings per share (in HK cents)	**16.89**	24.64	-31.5%	16.55	23.27	14.01

Financial Ratios

	Year ended 31st December,				
	2008	2007	2006	2005	2004
Profitability ratios:					
Gross margin (%)	**21.2**	23.8	23.2	25.9	22.8
Net margin (%)	**5.1**	8.4	7.1	8.4	6.2
Liquidity ratios:					
Current ratio (times)	**1.04**	1.1	1.4	1.4	1.4
Stock turnover (days) *(Note 1)*	**206**	172	111	101	116
Debtors turnover (days) *(Note 2)*	**64**	67	68	70	64
Creditors turnover (days) *(Note 3)*	**47**	44	38	31	50
Capital adequacy ratio					
Gearing ratio (%) *(Note 4)*	**43.4**	42.2	30.4	30.2	33.1

Notes:

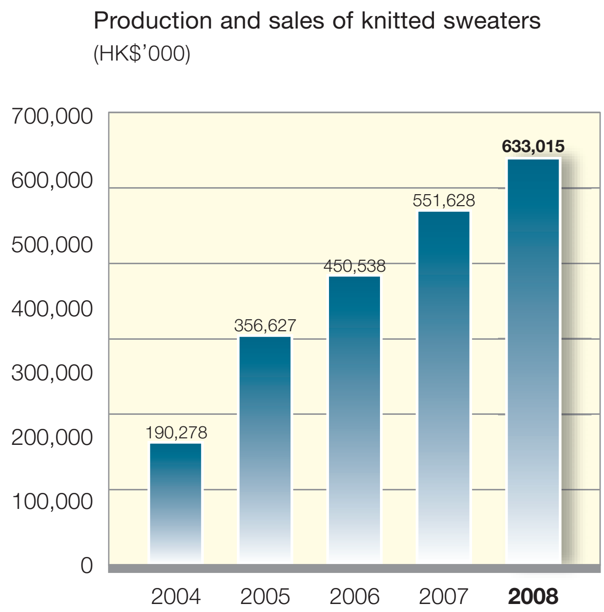
1. The number of stock turnover days is equal to inventory at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

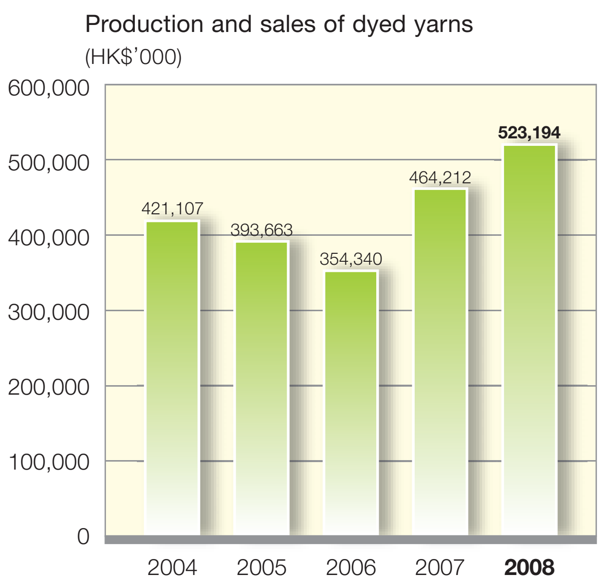
2. The number of debtors' turnover days is equal to trade and bills receivables at the end of the year divided by the sales of the year and then multiplied by 365 days.

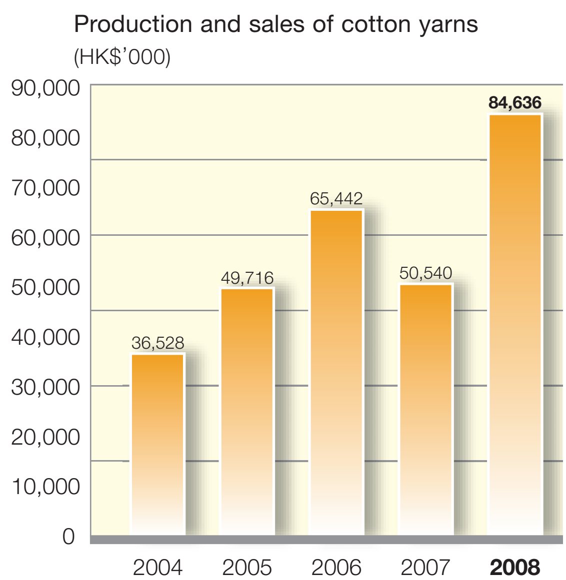
3. The number of creditors' turnover days is equal to trade and bills payables at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

4. The gearing ratio is equal to total bank borrowings at the end of the year divided by total assets at the end of the year.

TURNOVER BY OPERATION



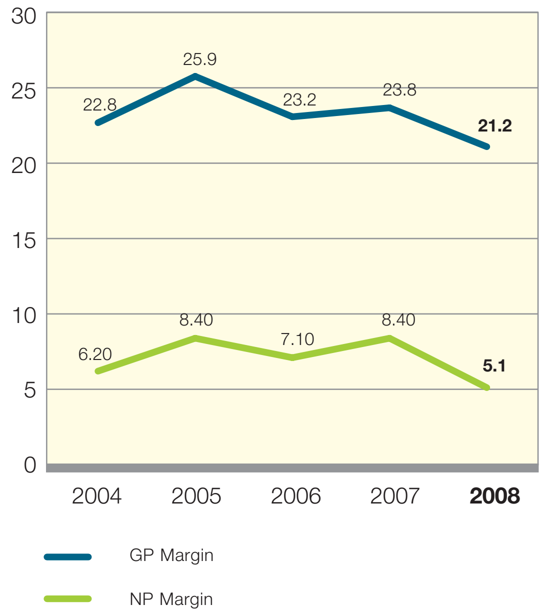




FINANCIAL HIGHLIGHTS

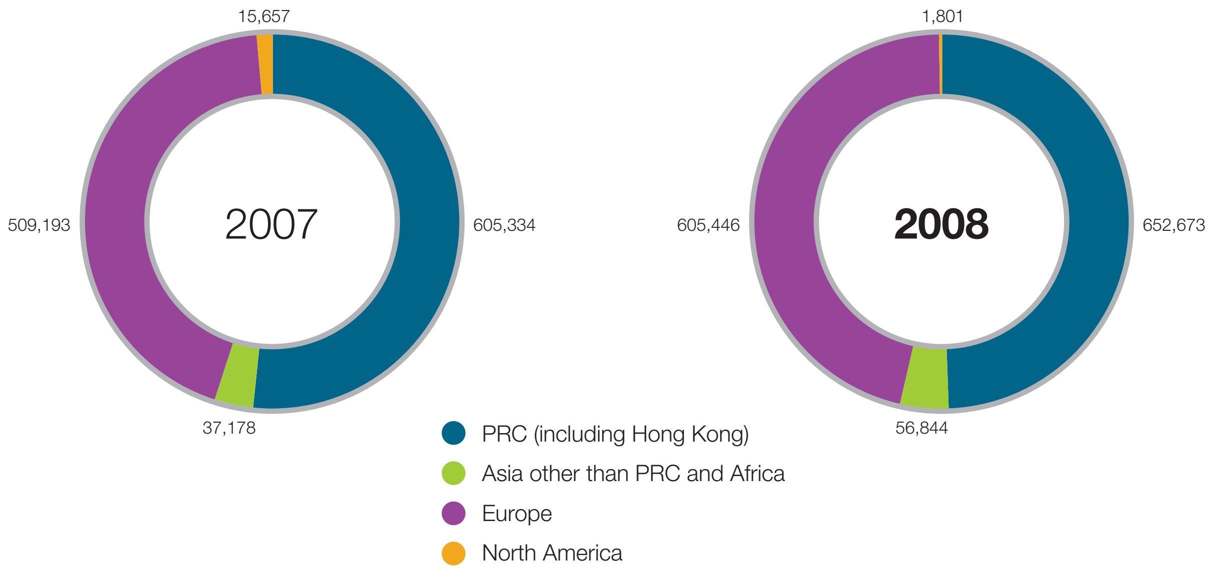
PROFIT MARGIN

(%)



TURNOVER BY GEOGRAPHICAL LOCATION

(HK$'000)



EXECUTIVE DIRECTORS

Dr. SUNG Chung Kwun *(Chairman)*
Mr. WONG Chiu Hong
Ms. MOK Pui Mei
Mr. IP Siu Lam
Mr. SUNG Kim Ping
Mr. CHEUNG Yung Fat, Albert

NON-EXECUTIVE DIRECTOR

Mr. LAU Gary Q.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Tsz Fu, Jacky
Mr. NG Man Kin
Professor CAI Xiu Ling

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. FUNG Ka Lai

MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. CHAN Tsz Fu, Jacky
Mr. NG Man Kin
Professor CAI Xiu Ling

AUTHORIZED REPRESENTATIVES

Mr. WONG Chiu Hong
Ms. MOK Pui Mei

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Sung's Tower
15-19 Lam Tin Street
Kwai Chung
New Territories
Hong Kong

REGISTERED OFFICE

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong) Limited
DBS Bank (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAW

F. Zimmern & Co.

INVESTOR AND MEDIA RELATIONS

Hill & Knowlton Asia Ltd.

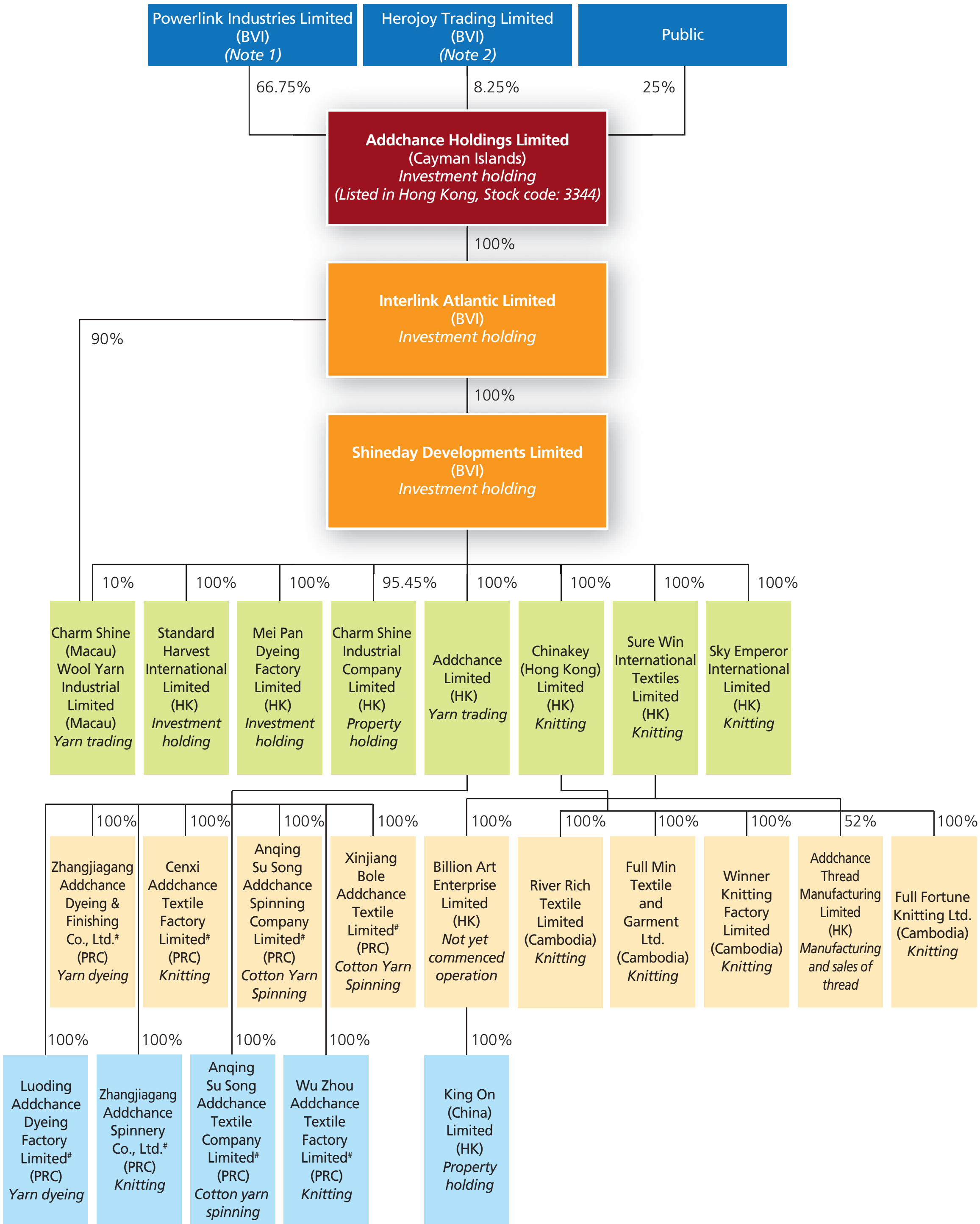
WEBSITE

www.addchance.com.hk
www.irasia.com/listco/hk/addchance/index.htm

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 31ST DECEMBER, 2008



for identification purpose only

Notes:

1. Powerlink Industries Limited is ultimately beneficially owned by GZ Trust Corporation in the capacity as trustee of The CK Sung's Trust, a discretionary family trust set up by Dr. Sung Chung Kwun ("Dr. Sung") as founder (as defined in the Securities and Futures Ordinance), the discretionary objects of which are Mrs. Sung (Ms. Tse Mui Chu, the spouse of Dr. Sung), Mr. Sung Kim Ping ("Mr. Sung") and Mr. Sung Kim Wa.

2. Herojoy Trading Limited is ultimately beneficially owned by GZ Trust Corporation in the capacity as trustee of The Addchance Employee's Trust, a discretionary trust set up by Dr. Sung as settlor and founder (as defined in the Securities and Futures Ordinance) for the benefit of employees of the Group, the discretionary objects of which are the employees of the Group from time to time including Mr. Wong Chiu Hong, Ms. Mok Pui Mei and Mr. Ip Siu Lam but excluding Mr. Sung.

DR. Sung Chung Kwun
Chairman

On behalf of the board of directors (the "Board") of Addchance Holdings Limited (the "Company"), I am pleased to present the annual report of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2008.

2008 was a challenging year for Addchance and all the players in the textile industry because of the uncertain global economic environment brought about by the US subprime mortgage crisis, as well as the escalating fuel and raw material costs. As a result, the operating environment was getting tough for manufacturers and exporters in China.

However, in view of the challenging operating environment, Addchance implemented various strategies to minimize the negative impacts from external environment. Thanks to the continuous effort in upholding our competitive edge and offering excellent products to our customers, we do not only consolidate the leading position in the textile industry, but also pave the way for our future business growth momentum.

During the year under review, all the major business segments performed satisfactorily. Our sweater business achieved encouraging growth in terms of revenue and sales volume, which were mainly driven by the increased average selling prices, sustainable economies of scale and improved operational efficiency. With strong support from the international reputable brands, we further expanded our customer base and gained a number of new customers at the beginning of 2009.

Besides, we have maintained a close relationship with the existing customers of the dyed yarn business, and achieved a 12.7% growth in revenue for this business segment, which resulted in the dyed yarn business to remain as the core business of the Group.

Amid the volatile operating environment, we continued to leverage on our core competence to maintain high standard of facilities and production knowhow in our manufacturing bases in China. Upon the completion of the acquisition of spinning facilities in Xinjiang and the expansion of the spinning mill in Anqing in 2007, our spinning production capabilities were further improved and upgraded. In addition, we strategically implemented a series of production modification process to enhance our production efficiency and product quality.

For the year ahead, we believe that it would be another year of challenge as the uncertain global economic climate will continue to give pressures to the operating environment of the textile industry. Nevertheless, with our production knowhow associated with the strategically located production bases, as well as the persistent effort in promoting vertical integration, we are confident to maintain our competitiveness and consolidate our market position as one-stop service provider for garment customers.

Addchance will strive to achieve a sustainable growth by exercising stringent cost control strategies and pursuing market diversification. We are confident that the China's economy will remain sound and be able to achieve moderate growth given its solid economic foundation and the stimulus packages proposed by the Central Government. Hence, we will continue to expand our production capacity with reference to the market demand and upgrade the equipment and technology on an on-going basis in order to maintain our competitiveness in the industry. We are confident that we will possess the competitive attributes and qualities to further consolidate our market leadership position and upgrade us to the next level.

On behalf of the Board, I would like to take this opportunity to express my gratitude to our staff for their hard work and dedication. I would like to thank our shareholders, business partners and fellow directors for their unwavering support and contribution.

For and on behalf of the Board,

Dr. Sung Chung Kwun
Chairman

Hong Kong, 17th April, 2009

BUSINESS REVIEW AND PROSPECTS

Business Review

The year 2008 was full of challenges for Addchance and the textile industry. The outbreak of US subprime mortgage crisis has developed into a global financial tsunami since the second half of 2008. Customers became more cautious in placing their orders and the financial tsunami had a negative impact on consumer confidence and their purchasing power. The higher prices of oil, coal and other raw materials significantly increased our production costs. Despite such an adverse operating environment, Addchance could still manage to achieve a double-digit growth in turnover in 2008. We believe that increased domestic capital contribution and investment in China will benefit Addchance, and the Company is sizable enough to maintain its strengths amid the consolidation of the textile industry and can actually play a positive role in the process.

The Group has advanced dyeing facilities and enjoys a good reputation in the market. It is equipped with the production know-how associated with its strategically located production bases, and it has made persistent efforts in promoting vertical integration. Addchance has actively developed itself into a one-stop service provider for garment customers, engaging in different stages of production of yarn products – from the supply of cotton yarn to the manufacture of well-knitted sweaters, and from the spinning of cotton into yarn to the provision of yarn dyeing service. The vertically-integrated facilities have well positioned the Group for increasing its market share following the consolidation of the textile supply chain and when demand gradually recovers in the coming years.

We are pleased to report the results of the Group for the 12 months ended 31st December, 2008. The Group has proven its capability to increase sales and expand business during such challenging economic conditions.

Looking forward, the macroeconomic uncertainty triggered by the global financial tsunami will continue to exist. It is anticipated that the global economic environment will remain tough and difficult. With the disappointing sales expectation and uncertain outlook for the year 2009, many retailers and brands have announced plans for store closures. The volatile market conditions and changing operating environment have created utmost challenges for all players in the textile industry and we anticipated that the market will further limit the room for survival of smaller and weaker competitors. In view of these challenges, Addchance will maintain its vigilance to further tighten its cost control measures as well as to enhance its production efficiency and effectiveness. We believe that the Group can enhance its competitiveness and meet new challenges in the market with our solid foundation, well-planned environmental measures and facilities and devoted management team.

Financial Review

Turnover

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarn, the provision of dyeing services and knitting services, and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen and a mixture of the aforesaid products, and knitted sweaters including cardigans and pullovers.

Addchance recorded another year of double-digit growth in turnover in 2008, with its business continuing to expand. For the year under review, the total turnover increased by approximately 12.8% as compared with the previous year, from approximately HK$1,167.4 million to approximately HK$1,316.8 million. Revenue from each of our major business segments grew satisfactorily during the year under review despite the unfavorable global market conditions.

TURNOVER BY operation
(Amount HK$'000)

	2008	2007	Changes +/-%	2006	2005	2004
Production and sale of dyed yarns	523,194	464,212	+12.7%	354,340	393,663	421,107
Production and sale of knitted sweaters	633,015	551,628	+14.8%	450,538	356,627	190,278
Production and sale of cotton yarn	84,636	50,540	+67.5%	65,442	49,716	36,528
Provision of dyeing and knitting services	38,293	31,531	+21.4%	36,105	31,392	20,818
Trading of cotton and yarns	37,626	69,451	-45.8%	19,464	69,084	103,471
	1,316,764	1,167,362	+12.8%	925,889	900,482	772,202

TURNOVER BY operation
(in % of total)

	2008	2007	2006	2005	2004
Production and sale of dyed yarns	39.7%	39.8%	38.3%	43.7%	54.6%
Production and sale of knitted sweaters	48.1%	47.3%	48.7%	39.6%	24.6%
Production and sale of cotton yarn	6.4%	4.3%	7.1%	5.5%	4.7%
Provision of dyeing and knitting services	2.9%	2.7%	3.9%	3.5%	2.7%
Trading of cotton and yarns	2.9%	5.9%	2.0%	7.7%	13.4%
	100%	100.0%	100.0%	100.0%	100.0%

Turnover of the sweater business grew by approximately 14.8%, from approximately HK$551.6 million to approximately HK$633.0 million, representing approximately 48.1% of the Group's total turnover. The knitted sweater segment continued to perform well during the year under review. In term of the output quantity of knitted sweaters, the volume increased by approximately 5.5% whereas the revenue in term of monetary value increased by approximately 14.8%. The growth in revenue was mainly driven by higher average selling prices, sustainable economies of scale and improved operational efficiency. Our sweater products were still mainly exported to Europe. New customers were secured at the start of the year 2009 in order to expand our customer base. In the coming year, the Group will target our new clients in China and try to increase the domestic market share as we believe that China's economic foundation will remain sound in spite of the global financial tsunami. Those favorable economic foundation include high saving rate, large-scale infrastructure and rapid urbanization, availability of work force and improving quality of education.

Dyed yarn remains the core product of Addchance. Turnover derived from the production and sale of dyed yarns for the year under review was approximately HK$523.2 million, which represented an increase of 12.7% as compared with the previous year and accounted for 39.7% of the Group's total turnover. Revenue generated from the provision of dyeing services increased from approximately HK$31.5 million for the previous year to approximately HK$38.3 million during the year under review, represented an increase of approximately 21.6% from the previous year. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production bases in Guangdong, Jiangsu and Zhejiang and sales derived from the PRC, Hong Kong and Macau accounted for approximately 95.0% of the Group's total sales proceeds from dyed yarn. The remainder of the total amount was derived from exports to overseas countries including Thailand, Taiwan and Indonesia.

Following the completion of the acquisition of spinning facilities in Xinjiang and the expansion of the spinning mill in Anqing last year, our spinning production scale and capabilities have increased as expected. Production efficiency and product quality improved through a series of production modification process. Addchance experienced apparent sales growth in the spinning business by approximately 67.5%, from about HK$50.5 million last year to approximately HK$84.6 million for the year under review. Both the internal and external utilization rate of the cotton yarn increased. Through the dedicated effort of our marketing teams in exploring new customers from domestic PRC markets, revenue and net profit of the spinning business increased steadily for the year under review.

Cost of Sales

The new PRC labour contract law launched in the year 2008 has the effect of exerting upward pressure on labour costs, a stronger Renminbi exerted pressure on general overhead and the rising oil and coal prices largely increased the fuel costs of the Group. The sharp rise in commodity prices including fuel costs posed a threat against our production cost. Against such a difficult environment, the cost of sales increased by approximately 16.6% from HK$889.3 million last year to approximately HK$1,037.2 million for the year under review, with approximately 12.8% increase in turnover.

Raw material costs continued to be the major component of the Company's cost of sales, representing approximately 45.0% of the Company's total cost of sales in the year 2008 with cotton and yarn representing approximately 50% of each of the raw materials portion. With the expansion of the spinning business last year, the purchases of yarn from outsiders decreased by approximately 24.0% compared with the same period last year. Fuel and coal costs also increased by approximately 65.0% compared with last year because of the sharp rises in the unit prices of oil and coal since the 3rd quarter of the year 2008.

However, with the continuous implementation of stringent cost control measures, enhancement in overall operational efficiency as well as the high level of flexibility achieved from the strong production bases located in a wide range of areas, the Group's cost of sales only increased by approximately 16.6% compared with last year, despite the exaggerated uplift of the unit costs of commodities.

Gross profit and gross profit margin

The Group recorded approximately HK$279.5 million in gross profit for the year under review, representing a slight increase of approximately 0.5% from HK$278.1 million for the previous year. Gross profit margin decreased from 23.8% for last year to approximately 21.2% for the year under review. Although the Group managed to increase the average selling price of our products in each of the segments, the higher fuel and labour costs had brought an adverse impact on the profit margin. During the year under review, difficult trading environment resulting from the global financial tsunami continued to undermine the garment industry and affect the profit margin. We will continue to exercise stringent cost controls, efficient order schedulings and production planning so as to improve the profit margins in the coming year.

Net profit margin

With the drop in gross profit margin, net profit margin decreased accordingly. Net profit decreased by HK$31.5 million, or approximately 32.0% from approximately HK$98.3 million in 2007 to approximately HK$66.8 million for the year under review.

Other revenue

Other revenue of approximately HK$58.3 million mainly comprised the gain on disposal of investment properties in Hong Kong, income derived from the disposal of those scrapped materials, exchange gain and interest income.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. For the year under review, the Group's selling and distribution costs amounted to about HK$88.3 million, representing approximately 6.7% of the Group's turnover, which is lower than the corresponding 7.2% of the turnover in 2007 as a result of the implementation of ongoing cost saving strategies of the Group.

Administrative expenses

Administrative expenses of approximately HK$128.8 million mainly consisted of staff cost, which included employees' salary and welfare, directors' remuneration, bank charges and depreciation. During the year under review, administrative expenses amounted to HK$128.8 million, representing approximately 9.8% of the Group's turnover, increased in accordance with the business expansion.

Finance costs

Finance costs mainly include interest on bank borrowings and obligations under finance leases. The amount increased by approximately HK$8.3 million to HK$44.5 million for the year under review, which was in line with the corresponding increase in bank borrowings utilization rate. The amount constituted approximately 3.4% of the Group's turnover.

Borrowings

As at 31st December, 2008, the Group had outstanding bank borrowings of approximately HK$720.8 million, of which approximately HK$579.6 million and HK$141.2 million were due within one year and within 2 to 5 years respectively.

In line with the expansion of various business segments in operation, the utilization rate for banking facilities increased and the bank borrowing level increased from approximately HK$651.0 million as at 31st December, 2007 to approximately HK$720.8 million as at 31st December, 2008. The net gearing ratio, which represents total bank borrowings net of bank balances and cash divided by net assets, improved from 1.07 as at 31st December, 2007 to 0.92 as at 31st December, 2008.

The Group will focus on reducing the net gearing ratio continuously to a more sustainable level over the coming year by improving profitability, procuring the disposal of non-core properties as well as implementation of tighter control over cost working capital and capital expenditure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2008, the Group's total assets amounted to approximately HK$1,780.1 million, representing an increase of approximately HK$292.3 million compared with HK$1,487.8 million in 2007. The Group met its funding requirements in its usual course of operation by cash flows from operations, as well as long-term and short-term borrowings.

Net cash inflow in the amount of approximately HK$50.7 million was generated from operating activities, primarily reflecting growth in the Group's core business. Also, the decrease in purchase of inventories and the collection of accounts receivables increased further the net cash inflow generated from operating activities.

For the year under review, the net cash used in investing activities decreased substantially by approximately HK$236.3 million compared with previous year. Capital expenditure for 2008 significantly decreased by approximately HK$108.4 million from HK$282.7 million to approximately HK$174.3 million due to the absence of acquisitions of companies and expansion of factories during the year under review.

The sales of the Group were evenly denominated in Hong Kong dollar, US dollar, Renminbi and EURO respectively, while the purchases of the Group were mainly made in Hong Kong dollar, US dollar and Renminbi. Part of the effect of the appreciation of the Renminbi against the US dollar was naturally hedged through our PRC operations while another part of that effect was mitigated through appropriate hedging arrangements. Fluctuations in foreign currencies such as the US dollar, EURO and the Renminbi remained a concern of the Group. To mitigate foreign currency risk, the Group will enter into appropriate hedging arrangements.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2008 was approximately 206 days, compared with 172 days for the year ended 31st December, 2007. The number increased substantially by about 34 days, compared with that of 31st December, 2007. The increase was due mainly to the piling up of cotton, yarns and knitted panels. Escalating international fuel cost raised the costs of raw materials correspondingly and the Group recorded a relatively high inventory level to keep stable supply cost. Subsequently, the inventory balance started to decrease and the Group will continue to actively monitor the inventory level.

Debtors' turnover days

The debtors' turnover days was slightly improved by 3 days from 67 days last year to 64 days this year with credit control on debt collection and new customers selection procedures being made more stringent continuously. Generally, the Group offers credit terms to its trade customers of 30 days to 120 days taking into account the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and is expected to take into account factors such as the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to the shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the cash required for the Group's operation in the coming year, the Board does not recommend the payment of final dividend for the year ended 31st December, 2008.

The Company is committed to the implementations of good corporate governance practices and procedures.

None of the directors of the Company (the "Directors") is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code on Corporate Governance Practices (the "Code on Corporate Governance Practices") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st December, 2008 (the "Relevant Period"), save for Code provision A.2.1 which requires that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Sung Chung Kwun is the Chairman of the Board and there is no chief executive officer appointed by the Company and the day-to-day management of the Group is led by Dr. Sung Chung Kwun. The Company does not have any plan to change this management structure as the Directors consider that this management structure provides the Group with strong and consistent leadership in both the Company's decision making process and operational process.

The Company has adopted some of the recommended best practices as set out in the Code on Corporate Governance Practices.

Directors' 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 the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with each of the Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code during the Relevant Period.

Board of Directors

The board of directors of the Company (the "Board") is chaired by Dr. Sung Chung Kwun. There are (i) six executive Directors, namely Dr. Sung Chung Kwun, Mr. Wong Chiu Hong, Mr. Ip Siu Lam, Ms. Mok Pui Mei, Mr. Sung Kim Ping and Mr. Cheung Yung Fat, Albert, (ii) one non-executive Director, namely Mr. Lau Gary Q. and (iii) three independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling. The Directors' biographical information is set out on pages 21 to 24 of this report. During the Relevant Period, 5 Board meetings were held. The respective attendance of each member of the Board was as follows:–

Dr. Sung Chung Kwun	(4/5)
Mr. Wong Chiu Hong	(5/5)
Mr. Ip Siu Lam	(3/5)
Ms. Mok Pui Mei	(5/5)
Mr. Sung Kim Ping	(3/5)
Mr. Cheung Yung Fat, Albert	(4/5)
Mr. Lau Gary Q.	(3/5)
Mr. Chan Tsz Fu, Jacky	(4/5)
Mr. Ng Man Kin	(3/5)
Professor Cai Xiu Ling	(4/5)

The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company by formulating the Group's overall strategies and policies, approving the business plans, evaluating the performance of the Group in pursuit of the Group's overall strategy objectives and overseeing the management of the Group. The Board has established three committees, namely the audit committee, the remuneration committee and the nomination committee. The management of the Group is responsible for the day-to-day operations of the Group, which implements the business strategies and plans formulated and approved by the Board.

Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent. Mr. Chan Tsz Fu, Jacky, who is a practising certified public accountant, is the independent non-executive Director with accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Mr. Sung Kim Ping, an executive Director, is the son of Dr. Sung Chung Kwun, the Chairman of the Company. Mr. Lau Gary Q., a non-executive Director, is the son-in-law of Dr. Sung Chung Kwun. Each of the non-executive Directors (including the independent non-executive Directors) is appointed for a specific term. Each of his/ her appointment is for a term of one (1) year from 1st September, 2008 to 31st August, 2009 subject to retirement by rotation at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

The Chairman assumes the leadership of the Board to ensure that the Board works efficiently and discharges its responsibilities and encourages all Directors to make full and active contribution to the Board's affairs for the best interests of the Company. The Chairman has designated the Company Secretary of the Company for compiling the agenda for each Board meeting and is primarily responsible for approving the agenda after having taken into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda.

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the Relevant Period.

Remuneration Committee

According to the Code on Corporate Governance Practices, the Company should establish a remuneration committee with a majority of the members thereof being independent non-executive Directors. The Company has established its remuneration committee (the "**Remuneration Committee**") in August 2005. The members of the Remuneration Committee comprise all the independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling, with Mr. Chan Tsz Fu, Jacky as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and members of the senior management of the Company and to determine the specific remuneration packages of all executive Directors and members of the senior management of the Company. The terms of reference of the Remuneration Committee have been posted on the website of the Company and are available upon request. The Remuneration Committee will consult the Chairman about its proposals relating to the remuneration of other executive Directors. No meeting has been held by the Remuneration Committee during the Relevant Period. The members of the Remuneration Committee will meet as and when required.

The remuneration of Mr. Sung Kim Ping and Mr. Cheung Yung Fat, Albert, the two newly-appointed Executive Directors during the Relevant Period, was decided by the Board taking into account their experiences and their responsibilities in the Group.

Nomination Committee

The Company has established its nomination committee (the "**Nomination Committee**") in August 2005 in adoption of one of the recommended best practices as set out in the Code on Corporate Governance Practices. The members of the Nomination Committee comprise all the independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling, with Mr. Chan Tsz Fu, Jacky as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee have been posted on the website of the Company and are available upon request. No meeting has been held by the Nomination Committee during the Relevant Period. The members of the Nomination Committee will meet as and when required.

The appointment of Mr. Sung Kim Ping and Mr. Cheung Yung Fat, Albert during the Relevant Period was decided by the Board taking into account their experiences, their responsibilities in the Group and the development plan of the Group.

Audit Committee

As required under Rule 3.21 of the Listing Rules and the Code on Corporate Governance Practices, the Company should establish an audit committee comprising at least three members, the majority of which must be independent non-executive Directors and at least one of whom must have the appropriate professional qualifications, or accounting or related financial management expertise. The Company has established its audit committee (the "**Audit Committee**") in August 2005. The members of the Audit Committee comprise all the independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling, with Mr. Chan Tsz Fu, Jacky as the Chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to review the relationship with the Auditors of the Company, review the financial information of the Group and oversee the Group's financial reporting system and internal control procedures. The terms of reference of the Audit Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, 4 Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:–

Mr. Chan Tsz Fu, Jacky	(4/4)
Mr. Ng Man Kin	(4/4)
Professor Cai Xiu Ling	(4/4)

Internal control

An Internal Control Department was set up by the Group in March 2007 to oversee the internal control of the Group and report directly to the Directors. During the Relevant Period, the Directors had conducted at least semi-annually a review of the effectiveness of the system of internal control in respect of the financial, operational, compliance controls and risk management function of the Group.

Auditor's remuneration

During the year under review, the auditors of the Company received from the Company approximately HK$2,000,000 and HK$150,000 for audit service and non-audit service respectively.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the auditors of the Company about their reporting responsibilities are set out on page 33 of this report.

DIRECTORS

Executive Directors

Dr. SUNG Chung Kwun (宋忠官博士), aged 64, is the Chairman of the Group. Dr. Sung is responsible for overseeing the strategic planning of the Group as well as maintaining the Group's relationships with outside parties. Dr. Sung has over 30 years of experience in the textile dyeing industry. Dr. Sung has been a committee member of the Ninth Chinese People's Political Consultative Conference of Fujian Province (中國人民政治協商會議福建省第九屆委員會委員), the Tenth Chinese People's Political Consultative Conference of Fuzhou City, Fujian Province (中國人民政治協商會議福州市第十屆委員會委員), the Third Chinese People's Political Consultative Conference of Yunfu City, Guangdong Province (中國人民政治協商會議雲浮市第三屆委員會委員) and the Twelfth Chinese People's Political Consultative Conference of Wuzhou City, Guangxi Province (中國人民政治協商會議梧州市第十二屆委員會委員). Dr. Sung is also the honorary chairman of the Hong Kong Association for the Foochou Association (福州十邑旅港同鄉會名譽會長) and the Hong Kong Medium and Small Enterprises Association (香港中小型企業聯合會名譽會長), and the vice chairman of Jiangsu Overseas Chinese Enterprise Federation (江蘇省僑聯華商總會(江蘇僑商總會)理事會副會長). In January 2005, Dr. Sung obtained his Honorary Doctorate Degree in Philosophy from the Morrison University, the U.S., and was awarded the title of "World Outstanding Chinese Award (世界傑出華人獎)" by the World Outstanding Chinese Association.

Mr. WONG Chiu Hong (王昭康先生), aged 57, is the Managing Director of the Group. Mr. Wong is responsible for the supervision of the operations, general administration, strategic development and marketing of the Group. Mr. Wong has over 30 years of experience in the textile dyeing industry with extensive experience in administrative management and dyeing techniques. Mr. Wong joined the Group as a general manager in May 1982, and was appointed a director in December 1990. Mr. Wong has been a committee member of the Third Chinese People's Political Consultative Conference of Yunfu City, Guangdong Province (中國人民政治協商會議雲浮市第三屆委員會委員) and the Seventh Chinese People's Political Consultative Conference of Luoding City, Guangdong Province (中國人民政治協商會議羅定市第七屆委員會委員), the Vice President of the Third Yunfu Overseas Friendship Association (雲浮海外聯誼會第三屆副會長). He was also awarded the title of "Excellent General Manager of Foreign Invested Enterprise (外商投資企業優秀總經理) by the People's Government of Zhangjiagang City, Jiangsu Province in 2002 and 2003 consecutively.

Mr. IP Siu Lam (葉少林先生), aged 53, is the Executive Director and the Technical Controller of the Group's yarn-dyeing section. Mr. Ip is responsible for the supervision of the production, technological research and technical support of the dyeing operation of the Group. Mr. Ip obtained an Ordinary Certificate in Mechanical Engineering and a Higher Certificate in Textile Technology from the Hong Kong Polytechnic in 1975 and 1979 respectively. He has over 20 years of experience in textile industry with extensive knowledge in the dyeing technique. Mr. Ip joined the Group in November 1982 and was appointed the executive director of Addchance Limited ("Addchance") in April 1993. He has been the Technical Controller of Luoding Composite Mill since 2000.

Ms. MOK Pui Mei (莫佩薇女士), aged 47, is the Executive Director of the Group. Ms. Mok is responsible for the financial management, corporate finance matters and administrative management of the Group. Ms. Mok has over 20 years of experience in accounting and financial management in the textile industry. Ms. Mok joined the Group as accountant in April 1988 and was appointed the executive director of Addchance in April 1993.

Mr. SUNG Kim Ping (宋劍平先生), aged 39, has been appointed as the Executive Director of the Company on 17th April, 2008 and is a son of Dr. Sung and the brother-in-law of Mr. Lau Gary Q., the non-executive Director. Mr. Sung is responsible for all the operations of the Group's sweater knitting section, including the supervision of the production, strategic development and sales and marketing operations of the Group. Mr. Sung has over 17 years of experience in textile industry and he joined the Group during the period between 1991 and 2004 and re-joined the Group in 2005. Mr. Sung has been a committee member of the Eleventh Chinese People's Political Consultative Conference of Fuzhou City, Fujian Province (中國人民政治協商會議福州市第十一屆委員會委員).

Mr. CHEUNG Yung Fat, Albert (張容發先生), aged 59, has been appointed as the Executive Director of the Company on 17th April, 2008 and is also the General Manager and the Operating Controller of the Group's sweater knitting section. Mr. Cheung is responsible for all the operations of the Group's sweater knitting section, including the formulation of business development strategies and product marketing. Mr. Cheung has over 30 years of experience in the textile industry. He worked as the production and marketing supervisors in sweater and garment manufacturing companies in Hong Kong and Canada, and has accumulated over 20 years of experience in the sweater knitting industry. Mr. Cheung joined the Group as the General Manager of Chinakey (Hong Kong) Limited ("Chinakey") in January 2003 and has been the operating controller of the Group's sweater knitting section since then.

Non-executive Director

Mr. LAU Gary Q. (劉均賀先生), aged 34, is a senior sales manager at Alcatel China Ltd. Mr. Lau graduated from the University of Toronto in 1996 with a Bachelor's degree in Applied Science majoring in Electrical Engineering and attained a Master's degree in Business Administration from the University of Hong Kong in 2000. Prior to his current role at Alcatel China Ltd., Mr. Lau worked in Nortel Networks from March 1998 to January 2003. Mr. Lau was appointed as the non-executive Director on 6th September, 2004 and is the son-in-law of Dr. Sung.

Independent non-executive Directors

Mr. CHAN Tsz Fu, Jacky (陳子虎先生), aged 34, is the director of Jacky Chan CPA Ltd. Mr. Chan has practiced as an accountant since 2001 and has over 14 years of experience in auditing. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, a member of Hong Kong Institute of Certified Public Accountants, a member of the Taxation Institute of Hong Kong and a practising certified public accountant. He was appointed as the independent non-executive Director on 6th June, 2005.

Mr. NG Man Kin (吳文堅先生), aged 45, is a solicitor and a partner of Kwok, Ng & Chan Solicitors. Mr. Ng graduated from the University of Hull with a Bachelor's degree in Laws with Honours in 1988 and obtained a Master degree in Laws from University of London in 1991. In 1989, Mr. Ng passed the Solicitors' Final Examination held by the Law Society of England and Wales. Mr. Ng was appointed as the independent non-executive Director on 6th September, 2004.

Professor CAI Xiu Ling (蔡秀玲教授), aged 46, is the head of the Department of Economics at the 福建師範大學 (Fujian Normal University). Professor Cai is experienced in economic research and has been teaching at the Fujian Normal University for over 24 years. Professor Cai graduated with a Bachelor's degree in Economics from the 廈門大學 (Xiamen University) in 1984 and obtained a Master degree and PhD in Economics from the 福建師範大學 (Fujian Normal University) in 1989 and 2001 respectively. She was appointed as the independent non-executive Director on 2nd August, 2005.

SENIOR MANAGEMENT

Mr. LIN Chun Ming (連振明先生), aged 56, is the director of Chinakey and the Senior Manager of the sales department of the Group. Mr. Lin is responsible for the sales and marketing of the Group's yarn dyeing and sweater knitting sections. Mr. Lin obtained a Diploma in Business Management from the Hong Kong Baptist University in 1977. Mr. Lin has over 27 years of sales and marketing experience in the textile industry. Mr. Lin first joined the Group as a sales representative of Addchance in April 1985 but resigned in April 1990 and founded his own textile business, Lynn's Trading Company. He re-joined the Group in January 2004.

Ms. FUNG Ka Lai (馮嘉勵女士), aged 33, is the Financial Controller, Qualified Accountant and Company Secretary of the Group. Ms. Fung had over 10 years of experience in the field of auditing, accounting and corporate finance. Prior to joining the Group in January 2005, she worked in Deloitte Touche Tohmatsu for over 5 years and later joined St. Teresa's Hospital in 2003. Ms. Fung is responsible for financial management and formulating business strategies for corporate restructuring of the Group. She has obtained a Bachelor's degree in Accountancy from the City University of Hong Kong with first class honours. Ms. Fung is a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a practising certified public accountant in Hong Kong.

Ms. LEUNG Chi Ying (梁織英女士), aged 41, is the Group's Purchasing and Shipping Manager. She is responsible for the cotton and yarn purchasing as well as logistics management of the Group. Ms. Leung has over 15 years of experience in the textile industry with over 11 years of experience in yarn purchasing. Ms. Leung first joined the Group as sales coordinator in October 1987 but resigned in April 1992. She re-joined the Group in October 1994 as Purchasing and Shipping Supervisor and was appointed the Purchasing and Shipping Manager in November 2003.

Mr. NIU Zhenjiang (牛振江先生), aged 54, is the director of Anqing Su Song Addchance Textile Company Limited ("Anqing Addchance") and Xinjiang Bole Addchance Textile Limited ("Xinjiang Bole Addchance"). Mr. Niu is responsible for the production and operation management of the Group's yarn spinning section. Mr. Niu graduated from the People's Liberation Army Forces Airforce Engineering College in 1981 and since then he joined the textile industry. He worked as the managers in various textile companies in Shenzhen and Wuhan, the PRC, and has accumulated over 10 years of experience in the textile industry. Mr. Niu joined the Group in February 2002 as the sales manager of Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. and was appointed the factory manager of Anqing Addchance since December 2002.

Mr. TSANG Fai (曾暉先生), aged 36, is the Assistant General Manager of the Group's sweater knitting section. Mr. Tsang is responsible for the operations and administration of the Group's sweater knitting section. Mr. Tsang obtained his Bachelor's degree in Mathematical Science and Master degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively. He joined the Group in January 1999 as an Assistant to Sales Manager of Addchance and was appointed the Assistant General Manager of the Group's sweater knitting section in January 2004.

Mr. YEUNG Choi Yee (楊賽儀先生), aged 34, is the Quality Assurance Manager of the Group. Mr. Yeung is responsible for the supervision of the Group's Information Technology department, and the development of the Group's ISO9001:2000 management system, quality system and technological research in the Group's yarn-dyeing section. Mr. Yeung obtained his Bachelor's degree in Mathematical Science and Master degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively. He joined the Group in August 1998 as an Assistant to Managing Director and was appointed the Quality Assurance Manager of the Group in November 2003.

The directors present the 2008 annual report and the audited consolidated financial statements of the Group for the year ended 31st December, 2008.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements of the Group.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2008 are set out in the consolidated income statement of the Group on page 35.

On 27th May, 2008, a dividend of HK5.0 cents per share amounting to HK$20,000,000 was paid to shareholders as final dividend for the year ended 31st December, 2007.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 34 to the consolidated financial statements of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31st December, 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2008 amounted to approximately HK$386,886,000 (2007: HK$406,887,000).

DIRECTORS

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

Executive directors:

Dr. Sung Chung Kwun	
Mr. Wong Chiu Hong	
Ms. Mok Pui Mei	
Mr. Ip Siu Lam	
Mr. Sung Kim Ping	(appointed on 17th April, 2008)
Mr. Cheung Yung Fat, Albert	(appointed on 17th April, 2008)
Ms. Sung Lam Ching	(resigned on 14th August, 2008)

Non-executive director:

Mr. Lau Gary Q.

Independent non-executive directors:

Mr. Ng Man Kin
Mr. Chan Tsz Fu, Jacky
Professor Cai Xiu Ling

In accordance with Articles 87(1) and (2) of the Company's Articles of Association, Ms. Mok Pui Mei, Mr. Ip Siu Lam and Professor Cai Xiu Ling shall retire from office by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors of the Company has entered into a service contract with the Company for a term of three years commencing from 1st September, 2005, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the non-executive director and independent non-executive directors of the Company has entered into a letter of appointment with the Company and is appointed for a period of one year commencing from 1st September, 2008 subject to retirement by rotation under the Company's Articles of Association.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the Group within one year without payment of compensation (except for statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31st December, 2008, the interests of the directors and chief executive of the Company in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the shares of HK$0.01 each of the Company (the "Shares")

Name of directors	Capacity	Number of ordinary shares held	*Notes*	Percentage of shareholding
Dr. Sung Chung Kwun ("Dr. Sung")	Founder of discretionary trusts	300,000,000	*1*	75%
Mr. Sung Kim Ping ("Mr. Sung")	Beneficiary of discretionary trust	267,000,000	*2*	66.75%
Mr. Wong Chiu Hong ("Mr. Wong")	Beneficiary of discretionary trust	33,000,000	*3*	8.25%
Ms. Mok Pui Mei ("Ms. Mok")	Beneficiary of discretionary trust	33,000,000	*4*	8.25%
Mr. Ip Siu Lam ("Mr. Ip")	Beneficiary of discretionary trust	33,000,000	*5*	8.25%

Notes:

1. Dr. Sung is deemed to be interested in an aggregate of 300,000,000 Shares in the capacity as (i) the founder of The CK Sung's Trust, the beneficial owner of Powerlink Industries Limited and (ii) the founder and the settlor of The Addchance Employee's Trust. Under the SFO, Dr. Sung is also deemed to be interested in the entire issued share capital of Powerlink Industries Limited, the associated corporation of the Company holding 267,000,000 Shares, representing 66.75% of the issued share capital of the Company.

2. Mr. Sung is deemed to be interested in 267,000,000 Shares in the capacity as a discretionary beneficiary of The CK Sung's Trust, the beneficial owner of Powerlink Industries Limited. Mr. Sung is also deemed to be interested in the entire issued share capital of Powerlink Industries Limited under the SFO.

3. Mr. Wong is deemed to be interested in 33,000,000 Shares in the capacity as a discretionary beneficiary of The Addchance Employee's Trust.

4. Ms. Mok is deemed to be interested in 33,000,000 Shares in the capacity as a discretionary beneficiary of The Addchance Employee's Trust.

5. Mr. Ip is deemed to be interested in 33,000,000 Shares in the capacity as a discretionary beneficiary of The Addchance Employee's Trust.

6. The deemed interest of Dr. Sung as founder of The CK Sung's Trust and all the deemed interests of Mr. Sung were in respect of the same interest and duplicated each other.

7. The deemed interest of Dr. Sung as founder and settlor of The Addchance Employee's Trust and all the deemed interests of Mr. Wong, Ms. Mok and Mr. Ip were in respect of the same interest and duplicated each other.

Other than as disclosed above, none of the directors or the chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2008.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") which enables the Company to grant options to eligible persons as incentive or rewards for their contributions to the Group. Pursuant to the Scheme, the Company may grant options to (a) any full time employee or director of any member of the Group; (b) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the option is offered to such part time employee; or (c) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 40,000,000 Shares, representing 10 per cent. of the Shares in issue as at the date of this report. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12 month period must not exceed 1 per cent. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

The exercise period of an option under the Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Scheme does not require a minimum period for which an option must be held before an option can be exercised. Upon acceptance of the option, the eligible person shall pay HK$1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to options will be a price determined by the Board and will be at least the highest of (i) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share. Subject to the termination provisions, the Scheme will remain valid for a period of 10 years commencing on 29th August, 2005.

No options were granted, exercised, cancelled or lapsed during the year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

As at 31st December, 2008, no contracts of significance to which the Company, its ultimate holding company, or any of its subsidiaries or fellow 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 the year or at any time during the year.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON IN SHARES AND UNDERLYING SHARES

As at 31st December, 2008, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares

Interests of Substantial shareholders

Name	Capacity	Number of shares	*Notes*	Percentage of shareholding
GZ Trust Corporation ("GZ Trust")	Trustee of discretionary trusts	300,000,000	*1*	75%
Powerlink Industries Limited ("Powerlink")	Beneficial owner	267,000,000	*2*	66.75%
Ms. Tse Mui Chu ("Mrs. Sung")	Beneficiary of discretionary trust	267,000,000	*3*	66.75%
Mr. Sung Kim Wa	Beneficiary of discretionary trust	267,000,000	*4*	66.75%

Notes:

1. The entire issued share capital of Powerlink and Herojoy Trading Limited is owned by GZ Trust in its capacity as the trustee of (i) The CK Sung's Trust, a discretionary trust the founder (as defined in the SFO) of which is Dr. Sung and the discretionary objects of which are Mrs. Sung, Mr. Sung and Mr. Sung Kim Wa, and (ii) The Addchance Employee's Trust, a discretionary trust the founder (as defined in the SFO) and the settlor of which is Dr. Sung and the discretionary objects of which are the employees of the Group from time to time including Mr. Wong, Ms. Mok and Mr. Ip (excluding Mr. Sung). Accordingly, GZ Trust is deemed to be interested in an aggregate of 300,000,000 Shares held by Powerlink and Herojoy Trading Limited under the SFO.

2. The 267,000,000 Shares are beneficially owned by Powerlink.

3. Mrs. Sung is deemed to be interested in 267,000,000 Shares in the capacity as a discretionary beneficiary of The CK Sung's Trust.

4. Mr. Sung Kim Wa is deemed to be interested in 267,000,000 Shares in the capacity as a discretionary beneficiary of The CK Sung's Trust.

5. The interest of Powerlink, the deemed interest of GZ Trust as trustee of The CK Sung's Trust and all the deemed interests of Mrs. Sung and Mr. Sung Kim Wa were in respect of the same interest and duplicated each other.

Interest of other person

Name	Capacity	Number of Shares	Percentage of Shareholding
Herojoy Trading Limited	Beneficial owner	33,000,000	8.25%

Save as disclosed above, as at 31st December, 2008, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Dr. Sung is the sole director of Powerlink Industries Limited and Herojoy Trading Limited.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

NON-COMPETITION DEED

In accordance with the terms of a deed of non-competition undertakings in favour of the Company dated 20th September, 2005 (the "Non-competition Deed"), each of Dr. Sung, Ms. Sung Lam Ching, Mr. Wong, Ms. Mok and Mr. Ip (all being the executive directors of the Company at the material time) has provided with the Company an annual confirmation in respect of his/her compliance with the terms of the Non-competition Deed. Under the terms of the Non-competition Deed, each of the aforesaid convenantors has undertaken to the Company to, among others, procure that he/she or any of his/her associates will not directly or indirectly be interested in any business which may compete with or similar to the business of the Group from time to time.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is formulated by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The remuneration of the non-executive directors (including the independent non-executive directors) of the Company are recommended by the Remuneration Committee.

The Company has adopted the Scheme as an incentive to the directors and eligible employees, details of the Scheme are set out in the paragraph headed "Share Option Scheme" above.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 43.6% of the Group's total sales and the sales attributable to the Group's largest customer represented approximately 28.5% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers represented approximately 24.4% of the Group's total purchases and the purchases attributable to the Group's largest supplier represented approximately 6.2% of the Group's total purchases.

Save as disclosed in Note 42 to the consolidated financial statements of the Group, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers or suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2008.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

CHAIRMAN
DR. SUNG CHUNG KWUN
Hong Kong, 17th April, 2009

Deloitte.
德勤

TO THE MEMBERS OF ADDCHANCE HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Addchance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 91, which comprise the consolidated balance sheet as at 31st December, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards issued by International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2008 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
17th April, 2009

CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
Revenue	7	1,316,764	1,167,362
Cost of sales		(1,037,235)	(889,293)
Gross profit		279,529	278,069
Other income		58,310	15,580
Discount on acquisition of business and subsidiaries	37	–	49,306
Selling and distribution costs		(88,333)	(84,419)
Administrative expenses		(128,790)	(110,493)
Finance costs	9	(44,559)	(36,195)
Profit before tax		76,157	111,848
Income tax expense	10	(9,308)	(13,546)
Profit for the year	11	66,849	98,302
Profit attributable to:			
Equity holders of the Company		67,567	98,546
Minority interests		(718)	(244)
		66,849	98,302
Earnings per share, in cents	15		
Basic		16.89	24.64

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
NON-CURRENT ASSETS			
Investment properties	*16*	2,040	9,461
Property, plant and equipment	*17*	768,926	628,648
Prepaid lease payments	*18*	73,127	87,200
Available-for-sale investments	*19*	–	1,325
Deposit paid for acquisition of land use rights and property, plant and equipment	*20*	16,203	38,588
Club debentures	*21*	1,070	1,070
Deferred tax assets	*22*	230	315
		861,596	766,607
CURRENT ASSETS			
Prepaid lease payments	*18*	1,831	2,110
Inventories	*23*	586,080	417,863
Trade receivables, bills receivables and other receivables, deposits and prepayments	*24*	226,866	259,001
Amounts due from related companies	*25*	163	840
Taxation recoverable		–	4,392
Pledged bank deposits	*26*	1,387	6,692
Fixed bank deposits	*26*	–	4,680
Bank balances and cash	*27*	94,208	25,644
		910,535	721,222
Assets classified as held for sale	*28*	7,983	–
		918,518	721,222
CURRENT LIABILITIES			
Trade and other payables	*29*	245,462	128,751
Bills payable	*30*	52,595	53,381
Amount due to a related company	*31*	–	305
Amount due to a minority shareholder	*31*	240	–
Amount due to a director	*31*	–	170
Bank borrowings – due within one year	*32*	570,913	440,848
Obligations under finance leases – due within one year	*33*	8,669	9,027
Taxation payable		7,347	4,519
		885,226	637,001
NET CURRENT ASSETS		33,292	84,221
TOTAL ASSETS LESS CURRENT LIABILITIES		894,888	850,828

CONSOLIDATED BALANCE SHEET

At 31st December, 2008

	Notes	2008 HK$'000	2007 HK$'000
CAPITAL AND RESERVES			
Share capital	34	4,000	4,000
Reserves		730,675	628,041
Equity attributable to equity holders of the Company		734,675	632,041
Minority interests		146	864
		734,821	632,905
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	32	136,184	187,349
Obligations under finance leases – due after one year	33	5,057	13,726
Deferred tax liabilities	22	18,826	16,848
		160,067	217,923
		894,888	850,828

The consolidated financial statements on pages 35 to 91 were approved and authorised for issue by the Board of Directors on 17th April, 2009 and are signed on its behalf by:

DR. SUNG CHUNG KWUN
DIRECTOR

MR. WONG CHIU HONG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2008

	Attributable to equity holders of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 *(Note a)*	Special reserves HK$'000 *(Note b)*	Statutory reserves HK$'000 *(Note c)*	Translation reserve HK$'000	Retained profits HK$'000	Subtotal HK$'000	Minority interests HK$'000	Total HK$'000
At 1st January, 2007	4,000	89,406	173,243	24,673	12,404	15,908	205,220	524,854	148	525,002
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	21,841	–	21,841	–	21,841
Profit for the year	–	–	–	–	–	–	98,546	98,546	(244)	98,302
Total recognised income and expenses for the year	–	–	–	–	–	21,841	98,546	120,387	(244)	120,143
Transfer to statutory reserve	–	–	–	–	55	–	(55)	–	–	–
Capital contribution from minority shareholders	–	–	–	–	–	–	–	–	960	960
Dividend	–	–	(13,200)	–	–	–	–	(13,200)	–	(13,200)
At 31st December, 2007	4,000	89,406	160,043	24,673	12,459	37,749	303,711	632,041	864	632,905
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	55,067	–	55,067	–	55,067
Profit for the year	–	–	–	–	–	–	67,567	67,567	(718)	66,849
Total recognised income and expenses for the year	–	–	–	–	–	55,067	67,567	122,634	(718)	121,916
Dividend	–	–	(20,000)	–	–	–	–	(20,000)	–	(20,000)
At 31st December, 2008	**4,000**	**89,406**	**140,043**	**24,673**	**12,459**	**92,816**	**371,278**	**734,675**	**146**	**734,821**

Notes:

(a) The contributed surplus of the Company represent (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Altantic Limited (being the holding company of companies comprising the group before group reorganisation carried out in 2005), over the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation; and (ii) less dividend paid.

(b) Special reserves of the Group represent (i) the difference between the nominal value of share capital issued by Interlink Atlantic Limited and the nominal value of the share capital of subsidiaries acquired by Interlink Atlantic Limited on 23rd September, 2005; and (ii) the contribution from minority shareholders of net assets value shared by them to Dr. Sung Chung Kwun, the shareholder of Interlink Atlantic Limited.

(c) The Group's statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's PRC and Macau subsidiaries under PRC or Macau laws and regulations for the purpose of staff welfare. In accordance with relevant PRC and Macau Company Laws and Regulations, the PRC and Macau companies are required to transfer 10% to 25% of their profit after taxation recomputed in their statutory financial statements presented under the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2008

	Note	2008 HK$'000	2007 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		76,157	111,848
Adjustments for:			
Finance costs		44,559	36,195
Interest income		(252)	(2,915)
Depreciation of property, plant and equipment		68,186	52,318
Depreciation of investment properties		190	176
Amortisation of prepaid lease payments		2,126	1,632
Impairment loss on available-for-sale investments		1,325	–
Discount on acquisition of business and subsidiaries		–	(49,306)
Gain on disposal of properties		(42,779)	(2,292)
Gain on disposal of property, plant and equipment		(28)	(317)
Allowance for bad and doubtful debts		569	1,765
Operating cash flows before movements in working capital		150,053	149,104
Increase in inventories		(168,217)	(198,113)
Decrease (increase) in trade receivables, bills receivables and other receivables, deposits and prepayments		41,279	(62,661)
Decrease (increase) in amounts due from related companies		677	(246)
Increase in trade and other payables		28,182	22,589
(Decrease) increase in bills payable		(786)	10,299
(Decrease) increase in amount due to a director		(170)	170
(Decrease) increase in amount due to a related company		(305)	176
Increase in amount due to a minority shareholder		240	–
Cash from (used in) operations		50,953	(78,682)
Tax refunded		1,503	–
Tax paid		(1,763)	(7,115)
NET CASH FROM (USED IN) OPERATING ACTIVITIES		50,693	(85,797)
INVESTING ACTIVITIES			
Interest received		252	2,915
Proceeds from disposal of properties		67,652	3,581
Proceeds from disposal of property, plant and equipment		28	1,353
Prepaid lease payments		–	(10,825)
Purchase of property, plant and equipment		(136,132)	(144,616)
Deposit paid for acquisition of land use rights, property, plant and equipment		(1,246)	(34,538)
Acquisition of business and subsidiaries	37	–	(56,032)
Deposits received for disposal of properties		78,000	–
Decrease in pledged bank deposits/fixed bank deposits		9,795	20,161
NET CASH FROM (USED IN) INVESTING ACTIVITIES		18,349	(218,001)

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2008

	2008 HK$'000	2007 HK$'000
FINANCING ACTIVITIES		
Dividend paid	(20,000)	(13,200)
Interest paid	(44,559)	(36,195)
Repayment of bank borrowings	(1,541,879)	(353,309)
Repayment of obligations under finance leases	(9,027)	(4,150)
New bank borrowings raised	1,614,546	651,051
Contribution by minority shareholders	–	960
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(919)	245,157
NET INCREASE (DECREASE IN) CASH AND CASH EQUIVALENTS	68,123	(58,641)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,056	1,045
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	(848)	56,748
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	71,331	(848)
Bank balances and cash	94,208	25,644
Bank overdrafts	(22,877)	(26,492)
	71,331	(848)

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9th June, 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its holding company is Powerlink Industries Limited, a company incorporated in the British Virgin Islands, which is also its ultimate holding company. The address of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" of the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 43.

The consolidated financial statements are presented in Hong Kong Dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations ("new IFRSs") issued by the International Accounting Standards Board, which are or have become effective.

IAS 39 & IFRS 7 (Amendment)	Reclassification of Financial Assets
IFRIC – Int 11	IFRS 2: Group and Treasury Share Transactions
IFRIC – Int 12	Service Concession Arrangements
IFRIC – Int 14	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of those new IFRSs has no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Improvements to IFRSs[1]
IAS 1 (Revised)	Presentation of Financial Statements[2]
IAS 23 (Revised)	Borrowing Costs[2]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
IAS 39 (Amendment)	Eligible Hedged Items[3]
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
IFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
IFRS 3 (Revised)	Business Combinations[3]
IFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[2]
IFRS 8	Operating Segments[2]
IFRIC – Int 9 & IAS 39 (Amendments)	Embedded Derivatives[4]
IFRIC – Int 13	Customer Loyalty Programmes[5]
IFRIC – Int 15	Agreements for the Construction of Real Estate[2]
IFRIC – Int 16	Hedges of a Net Investment in a Foreign Operation[6]
IFRIC – Int 17	Distributions of Non-cash Assets to Owners[3]
IFRIC – Int 18	Transfers of Assets from Customers[7]

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued

[1] *Effective for annual periods beginning on or after 1st January, 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1st July, 2009*
[2] *Effective for annual periods beginning on or after 1st January, 2009*
[3] *Effective for annual periods beginning on or after 1st July, 2009*
[4] *Effective for annual periods ending on or after 30th June, 2009*
[5] *Effective for annual periods beginning on or after 1st July, 2008*
[6] *Effective for annual periods beginning on or after 1st October, 2008*
[7] *Effective for transfers on or after 1st July, 2009*

The application of IFRS 3 (Revised) may affect the accounting for the Group's business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January, 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards issued by International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Business combinations

The acquisition of business is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combination are recognised at their fair values at the acquisition date.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current asset classified as held for sale are measured at the lower of the assets previous carrying amount and fair value less costs to sell.

Revenue recognition

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

Revenue from sales of goods is recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purpose (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment, other than construction in progress, over their estimated useful lives and after taking into account of their estimated residual value, using the straight line method.

Construction in progress represents property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasing

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

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Leasehold land and building

The land and building elements of a lease of land and building are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and account for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

Prepaid lease payments

Prepaid lease payments, which represents up-front payments to acquire leasehold land interest, are stated at cost less subsequent accumulated amortisation and accumulated impairment losses, and amortised over the period of the lease on a straight line basis.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as expenses when employees have rendered service entitling them to the contributions.

Taxation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and its is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss.

Intangible assets – club debentures

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into available-for-sale financial assets and loans and receivables.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Effective interest method – continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, bills receivables and other receivables, amounts due from related companies, pledged bank deposits, fixed bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

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

For certain categories of financial assets such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30-120 days and observable changes in national or local economic conditions that correlate with default on receivables.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Effective interest method – continued

Impairment of financial assets – continued

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the assets is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities include trade and other payables, bills payable, amount due to a related company, amount due to a minority shareholder, amount due to a director, bank borrowings and obligations under finance leases. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the accumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December 2008, the carrying amount of trade receivable is HK$160,964,000, net of allowance for doubtful debts of HK$9,503,000 (2007: HK$132,444,000, net of allowance for doubtful debts of HK$8,934,000).

5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes the bank borrowings and obligations under finance leases disclosed in notes 32 and 33 respectively, net of cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debt or redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2008 HK$'000	2007 HK$'000
Financial assets		
Loans and receivables		
Trade receivables, bills receivables and other receivables	188,452	221,814
Amounts due from related companies	163	840
Pledged bank deposits	1,387	6,692
Fixed bank deposits	–	4,680
Bank balances and cash	94,208	25,644
	284,210	259,670
Available-for-sale financial assets	–	1,325
Financial liabilities stated at amortised cost		
Trade and other payables	104,836	66,260
Bills payable	52,595	53,381
Deposit received for disposal of properties	78,000	–
Amount due to a minority shareholder	240	–
Amount due to a related company	–	305
Amount due to a director	–	170
Bank borrowings	707,097	628,197
Obligations under finance leases	13,726	22,753
	956,494	771,066

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivables and other receivables, amounts due from related companies, pledged bank deposits, fixed bank deposits, bank balances, trade and other payables, bills payable, amount due to a related company, amount due to a minority shareholder, amount due to a director, bank borrowings and obligations under finance leases. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Also, certain trade receivables, bills receivables and other receivables, pledged bank deposits/fixed bank deposits, bank balances, trade payables, bills payable and bank borrowings of the Group are denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the balance sheet date are as follows:

	Assets		Liabilities	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
United State dollars ("USD")	107,321	80,560	162,540	104,656
Renminbi ("RMB")	–	1,079	–	–
EURO ("EUR")	45,686	69,194	78,377	76,922

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk – continued

Sensitivity analysis

The Group is mainly exposed to the EUR.

The following table details the Group's sensitivity to a 5% (2007: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2007: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that HKD is pegged to USD, and adjusts their translation at the year end for a 5% (2007: 5%) change in foreign currency notes. A positive number below indicates an increase in profit where Hong Kong dollars strengthen 5% against the relevant currencies. For a 5% (2007: 5%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be opposite.

	EUR		RMB	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Profit (loss) for the year	1,365	386	–	(54)

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk

The Group is mainly exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 32 for details of those borrowings).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bills payable, bank borrowings and obligations under finance lease as set out in notes 30, 32 and 33 respectively. It is the Group's policy to keep its bills payable, bank borrowings and obligations under finance lease at floating rate of interests so as to minimise the fair value interest rate risk.

Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to variable interest rates bills payable, bank borrowings and obligations under finance leases at the balance sheet date. The analysis is prepared assuming the amount of the asset and liability outstanding at the balance sheet date was outstanding for the whole year. A 50 basis points (2007: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2007: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2008 would decrease/increase by HK$2,943,000 (2007: decrease/increase by HK$2,544,000). The Group's sensitivity to interest rates has increased during the year mainly due to the increase in variable interest rate in bank borrowings.

Credit risk

As at 31st December, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective financial assets as stated in the consolidated balance sheet.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31st December, 2008, the Group had a concentration of credit risk in its five largest customers which comprised approximately HK$70,959,000 (2007: HK$102,418,000) of the Group's trade receivables. Other than that, the Group does not have any other significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by credit-rating agencies.

6. FINANCIAL INSTRUMENTS – continued

(b) **Financial risk management objectives and policies** – continued

Liquidity risk

The Group has net current assets of approximately HK$33,292,000 as at 31st December, 2008 (2007: HK$84,221,000). The Group has sufficient funds to finance its current working capital requirements taking into account of the existing banking facilities and cashflows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure compliance with loan convents.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand HK$'000	1-3 months HK$'000	3 months to 1 years HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2008									
Trade and other payables		47,138	27,869	29,829	–	–	–	104,836	104,836
Bills payable	4.5	15,271	29,947	8,117	–	–	–	53,335	52,595
Deposit received for disposal of properties		78,000	–	–	–	–	–	78,000	78,000
Amount due to a minority shareholder		240	–	–	–	–	–	240	240
Bank borrowings									
– variable rate	3.5	174,925	187,584	126,998	84,376	66,510	216	640,609	617,483
– fixed rate	5.9	29,304	16,896	46,551	–	–	–	92,751	89,614
Obligations under finance leases	5	760	1,514	6,716	5,112	–	–	14,102	13,726
		345,638	263,810	218,211	89,488	66,510	216	983,873	956,494

	Weighted average interest rate %	On demand HK$'000	1-3 months HK$'000	3 months to 1 years HK$'000	1-2 years HK$'000	2-5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2007									
Trade and other payables		30,548	18,862	16,850	–	–	–	66,260	66,260
Bills payable	5.5	17,553	25,266	11,385	–	–	–	54,204	53,381
Amount due to a related company		305	–	–	–	–	–	305	305
Amount due to a director		170	–	–	–	–	–	170	170
Bank borrowings									
– variable rate	5.6	101,413	172,998	89,059	105,903	94,714	8,631	572,718	542,840
– fixed rate	6.4	10,208	17,660	59,625	–	–	–	87,493	85,357
Obligations under finance leases	5	1,174	1,619	7,137	9,146	5,139	–	24,215	22,753
		161,371	236,405	184,056	115,049	99,853	8,631	805,365	771,066

6. FINANCIAL INSTRUMENTS – continued

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

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

7. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

An analysis of the Group's revenue for the year is as follows:

	2008 HK$'000	2007 HK$'000
Production and sale of cotton yarn	84,636	50,540
Production and sale of knitted sweaters	633,015	551,628
Production and sale of dyed yarns	523,194	464,212
Provision of dyeing services	38,293	31,531
Trading of cotton and yarns	37,626	69,451
	1,316,764	1,167,362

8. SEGMENT INFORMATION

Business segments

For management purpose, the Group is currently organised into the following five operating divisions. These divisions are the basis on which the Group reports its primary segment information.

An analysis of the Group's revenue and contribution to operating results and segment assets and liabilities by business segments is as follows:

For the year ended 31st December, 2008

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Elimination HK$'000	Total HK$'000
REVENUE							
External	84,636	633,015	523,194	38,293	37,626	–	1,316,764
Inter – segment sales	239,826	510,373	498,241	23,030	153,023	(1,424,493)	–
	324,462	1,143,388	1,021,435	61,323	190,649	(1,424,493)	1,316,764
RESULTS							
Segment results	4,754	53,716	43,165	5,652	(165)	–	107,122
Interest income							252
Rental income							527
Unallocated corporate income							23,219
Unallocated corporate expenses							(10,404)
Finance costs							(44,559)
Profit before tax							76,157
Income tax expense							(9,308)
Profit for the year							66,849

Inter segment sales were charged at cost plus margin basis.

8. SEGMENT INFORMATION – continued

Business segments – continued

As at 31st December, 2008

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Total HK$'000
ASSETS						
Segment assets	416,965	695,112	458,242	52,811	49,903	1,673,033
Unallocated corporate assets						107,081
CONSOLIDATED TOTAL ASSETS						1,780,114
LIABILITIES						
Segment liabilities	33,783	62,262	105,553	4,692	13,767	220,057
Unallocated corporate liabilities						825,236
CONSOLIDATED TOTAL LIABILITIES						1,045,293

For the year ended 31st December, 2008

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Unallocated HK$'000	Total HK$'000
OTHER INFORMATION:							
Capital expenditure	76,488	81,457	13,060	507	2,799	–	174,311
Allowance for bad and doubtful debts	–	66	468	35	–	–	569
Depreciation of property, plant and equipment	13,931	28,871	22,808	1,062	1,514	–	68,186
Amortisation of prepaid lease payments	767	425	545	389	–	–	2,126
Gain on disposal of properties	–	–	15,455	787	3,346	23,191	42,779

8. SEGMENT INFORMATION – continued

Business segments – continued

For the year ended 31st December, 2007

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Elimination HK$'000	Total HK$'000
REVENUE							
External	50,540	551,628	464,212	31,531	69,451	–	1,167,362
Inter – segment sales	139,248	379,380	428,203	11,099	197,193	(1,155,123)	–
	189,788	931,008	892,415	42,630	266,644	(1,155,123)	1,167,362
RESULTS							
Segment results	(2,876)	65,266	37,472	6,231	(2,543)	–	103,550
Discount on acquisition of business and subsidiaries							49,306
Interest income							2,915
Rental income							1,014
Unallocated corporate expense							(8,742)
Finance costs							(36,195)
Profit before taxation							111,848
Income tax expense							(13,546)
Profit for the year							98,302

Inter segment sales were charged at cost plus margin basis.

8. SEGMENT INFORMATION – continued

Business segments – continued

As at 31st December, 2007

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Total HK$'000
ASSETS						
Segment assets	351,691	563,391	413,871	18,726	86,571	1,434,250
Unallocated corporate assets						53,579
CONSOLIDATED TOTAL ASSETS						1,487,829
LIABILITIES						
Segment liabilities	20,780	50,753	86,303	3,842	20,929	182,607
Unallocated corporate liabilities						672,317
CONSOLIDATED TOTAL LIABILITIES						854,924

For the year ended 31st December, 2007

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Unallocated HK$'000	Total HK$'000
OTHER INFORMATION:							
Capital expenditure	161,085	98,805	13,910	767	1,163	6,943	282,673
Allowance for bad and doubtful debts	–	–	1,641	124	–	–	1,765
Depreciation of property, plant and equipment	8,775	23,446	18,288	833	976	–	52,318
Amortisation of prepaid lease payments	489	396	502	245	–	–	1,632
Gain on disposal of property, plant and equipment	41	166	110	–	–	–	317
Gain on disposal of properties	–	–	–	–	–	2,292	2,292

8. SEGMENT INFORMATION – continued

Geographical segments

The following table provides an analysis of the Group's turnover by geographical market, irrespective of the origin of the goods.

	Turnover by geographical market	
	2008 HK$'000	2007 HK$'000
PRC	346,800	287,310
Hong Kong	305,873	318,024
Other Asian countries	56,844	37,178
Europe	605,446	509,193
North America	1,801	15,657
	1,316,764	1,167,362

The following is an analysis of the carrying amount of segment assets and additions to investment properties and property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets	
	2008 HK$'000	2007 HK$'000
PRC	1,017,803	880,575
Hong Kong	380,189	366,978
The Kingdom of Cambodia	274,589	185,922
Macau	452	775
	1,673,033	1,434,250

	Additions to investment properties and property, plant and equipment	
	2008 HK$'000	2007 HK$'000
PRC	102,352	258,460
Hong Kong	12,986	12,082
The Kingdom of Cambodia	58,971	12,124
Macau	2	7
	174,311	282,673

9. FINANCE COSTS

	2008 HK$'000	2007 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	43,574	34,798
Bank borrowings not wholly repayable within five years	375	645
Finance leases	610	752
	44,559	36,195

10. INCOME TAX EXPENSE

	2008 HK$'000	2007 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	6,791	6,616
– Underprovision in prior years	–	990
PRC Enterprise Income Tax	454	3,925
Deferred taxation *(note 22)*		
– Current year	2,290	2,015
– Attributable to a change in tax rate	(227)	–
	9,308	13,546

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax applicable for the year is 16.5% (2007: 17.5%).

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). The first profit-making year of these PRC subsidiaries is the year of 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries will expire in 2009 to 2012.

10. INCOME TAX EXPENSE – continued

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. Under the New Law and Implementation Regulation, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC was reduced from 33% to 25% from 1st January, 2008 onwards. The Tax Holiday continues to be applicable for the PRC subsidiaries after the New Law was implemented.

Starting from 1st January, 2008, the Tax Law of the PRC requires withholding tax upon the distribution of undistributed retained profits earned by the PRC subsidiaries to the shareholders. Deferred tax of approximately HK$2,347,000 has been provided for in the consolidated financial statements in respect of the temporary differences attributable to such profits.

The taxation for the year can be reconciled to the profit before taxation as per the consolidated income statement as follows:

	2008 HK$'000	2007 HK$'000
Profit before taxation	76,157	111,848
Taxation at the applicable tax rate of 16.5% (2007: 17.5%) *(note)*	12,566	19,573
Effect of tax exemptions and reduction granted to PRC and Cambodia subsidiaries	(16,540)	(5,918)
Tax effect of income not taxable for tax purpose	(3,887)	(9,659)
Tax effect of expenses not deductible for tax purpose	5,047	1,436
Underprovision in prior years	–	990
Tax effect of tax losses not recognised	10,120	6,830
Utilisation of tax losses previously not recognised	(273)	(450)
Decrease in opening deferred tax liabilities resulting from a decrease in applicable tax rate	(227)	–
Tax effect of withholding tax on the undistributed profit of PRC subsidiaries earned since 1st January, 2008	2,347	–
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	155	744
Taxation for the year	9,308	13,546

Note: The Hong Kong Profits Tax rate of 16.5% (2007: 17.5%) in the jurisdiction where the operation of the Group is substantially based is used.

11. PROFIT FOR THE YEAR

	2008 HK$'000	2007 HK$'000
Profit for the year has been arrived at after charging:		
Directors' remuneration *(note 12)*	8,721	6,360
Other staff costs	260,089	199,357
Retirement benefits scheme contributions, excluding directors	8,739	5,231
Total staff costs	277,549	210,948
Allowance for bad and doubtful debts	569	1,765
Amortisation of prepaid lease payments	2,126	1,632
Auditor's remuneration	2,000	2,500
Cost of inventories recognised as an expense	1,037,235	865,739
Depreciation of property, plant and equipment	68,310	52,318
Depreciation of investment properties	190	176
Impairment loss on available-for-sale investments included in administrative expenses	1,325	–
and after crediting the following other income items:		
Interest income	252	2,915
Exchange gain	179	4,213
Gain on disposal of properties	42,779	2,292
Gain on disposal of property, plant and equipment	28	317
Gross rental income from investment properties	589	1,014
Less: direct operating expenses from investment properties that generated rental income during the year	(62)	(230)
	527	784

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of 11 (2007: 9) directors were as follows:

For the year ended 31st December, 2008

	Dr. Sung Chung Kwun HK$'000	Mr. Wong Chiu Hong HK$'000	Ms. Mok Pui Mei HK$'000	Mr. Ip Siu Lam HK$'000	Mr. Sung Kim Ping HK$'000	Mr. Cheung Yung Fat, Albert HK$'000	Ms. Sung Lam Ching HK$'000	Mr. Lau Gary Q HK$'000	Mr. Ng Man Kin HK$'000	Mr. Chan Tsz Fu, Jacky HK$'000	Professor Cai Xiu Ling HK$'000	Total HK$'000
Directors												
– fees	–	–	–	–	–	–	–	144	156	156	156	612
– salaries and other benefits	1,800	1,320	900	506	1,213	1,204	225	–	–	–	–	7,168
– bonus	200	180	100	60	80	120	60	0	11	11	11	833
– retirement benefit scheme contributions	12	12	12	12	12	12	5	7	8	8	8	108
	2,012	1,512	1,012	578	1,305	1,336	290	151	175	175	175	8,721

For the year ended 31st December, 2007

	Dr. Sung Chung Kwun HK$'000	Mr. Wong Chiu Hong HK$'000	Ms. Mok Pui Mei HK$'000	Mr. Ip Siu Lam HK$'000	Ms. Sung Lam Ching HK$'000	Mr. Lau Gary Q HK$'000	Mr. Ng Man Kin HK$'000	Mr. Chan Tsz Fu, Jacky HK$'000	Professor Cai Xiu Ling HK$'000	Total HK$'000
Directors										
– fees	–	–	–	–	–	144	153	153	153	603
– salaries and other benefits	1,800	1,320	900	506	540	–	–	–	–	5,066
– bonus	200	180	100	60	60	–	–	–	–	600
– retirement benefit scheme contributions	12	12	12	12	12	7	8	8	8	91
	2,012	1,512	1,012	578	612	151	161	161	161	6,360

No directors waived any emoluments for both years.

The bonus payment for both years is determined at the discretion of the board of directors.

13. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2007: three) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining one (2007: two) individuals were as follows:

	2008 HK$'000	2007 HK$'000
Employees		
– salaries and other benefits	1,096	1,904
– bonus	34	200
– retirement benefit scheme contributions	12	24
	1,142	2,128

Their emoluments were within the following band:

	2008 No. of employees	2007 No. of employees
HK$1,000,001 to HK$1,500,000	1	2

During the year ended 31st December, 2008 and 31st December, 2007, no emoluments were paid by the Group to the five highest paid individuals or directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

14. DIVIDENDS

	2008 HK$'000	2007 HK$'000
Dividend recognised as distribution during the year – Final dividend of HK5.0 cents per share for 2007 (2007: HK3.3 cents per share for 2006)	20,000	13,200

A final dividend for the year 2007 of HK5.0 cents per share amounting to HK$20,000,000 was paid to shareholders during the year.

A final dividend for the year 2006 of HK3.3 cents per share amounting to HK$13,200,000 was paid to shareholders during the year ended 31st December, 2007.

No final dividend was proposed during the year 2008, nor has any dividend been proposed since the balance sheet date.

15. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to the equity holders of the Company of approximately HK$67,567,000 (2007: HK$98,546,000) and on the number of shares in issue during the year of 400,000,000 (2007: 400,000,000).

No diluted earnings per share is presented as the Company had no potential ordinary shares outstanding during both years.

16. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1st January, 2007	6,013
Acquired on acquisition of a subsidiary *(note 37(ii))*	6,943
Disposals	(1,823)
At 31st December, 2007	11,133
Disposals	(8,427)
At 31st December, 2008	2,706
ACCUMULATED DEPRECIATION	
At 1st January, 2007	2,030
Provided for the year	176
Eliminated on disposals	(534)
At 31st December, 2007	1,672
Provided for the year	190
Eliminated on disposals	(1,196)
At 31st December, 2008	(666)
CARRYING VALUES	
At 31st December, 2008	2,040
At 31st December, 2007	9,461

The fair value of the Group's investment properties at 31st December, 2008 was HK$3,150,000 (2007: HK$14,150,000). The fair value has been arrived at based on a valuation carried out by Vigers Appraisal & Consulting Limited, independent valuers not connected with the Group. The valuation was determined based on the basis of capitalization of net rental income derived from the existing tenancy and made allowance for reversionary income potential of the properties and by reference to comparable market transactions.

The above investment properties are depreciated on a straight-line basis at a rate of 1.8% to 2% per annum, which is based on the relevant lease term.

All investment properties are situated on land under long-term lease at the following locations:

	2008 HK$'000	2007 HK$'000
Hong Kong	1,651	9,062
Outside Hong Kong	389	399
	2,040	9,461

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1st January, 2007	166,134	363,918	16,745	20,217	36,700	603,714
Exchange adjustments	4,808	12,450	174	486	1,036	18,954
Additions	29,066	140,612	2,009	3,579	15,384	190,650
Acquired on acquisition of business	39,110	45,266	638	66	–	85,080
Transfer	31,296	597	–	–	(31,893)	–
Disposals	–	(1,409)	(21)	(876)	(705)	(3,011)
At 31st December, 2007	270,414	561,434	19,545	23,472	20,522	895,387
Exchange adjustments	16,767	41,914	542	1,089	1,762	62,074
Additions	42,673	106,671	1,375	2,547	21,045	174,311
Transfer	24,926	483	1,118	–	(26,527)	–
Disposals	(2,263)	–	–	(1,354)	–	(3,617)
Reclassified as assets held for sale	(16,432)	–	–	–	–	(16,432)
At 31st December, 2008	**336,085**	**710,502**	**22,580**	**25,754**	**16,802**	**1,111,723**
DEPRECIATION						
At 1st January, 2007	26,372	151,433	13,410	17,983	–	209,198
Exchange adjustments	704	5,910	134	450	–	7,198
Provided for the year	8,774	40,773	1,227	1,544	–	52,318
Eliminated on disposals	–	(1,139)	(1)	(835)	–	(1,975)
At 31st December, 2007	35,850	196,977	14,770	19,142	–	266,739
Exchange adjustments	2,048	15,922	350	916	–	19,236
Provided for the year	11,408	53,209	1,402	2,167	–	68,186
Eliminated on disposals	(1,395)	–	–	(1,354)	–	(2,749)
Reclassified as assets held for sale	(8,615)	–	–	–	–	(8,615)
At 31st December, 2008	39,296	266,108	16,522	20,871	–	342,797
CARRYING VALUES						
At 31st December, 2008	**296,789**	**444,394**	**6,058**	**4,883**	**16,802**	**768,926**
At 31st December, 2007	234,564	364,457	4,775	4,330	20,522	628,648

17. PROPERTY, PLANT AND EQUIPMENT – continued

The above items of property, plant and equipment are depreciated on a straight-line basis, and after taking into account their estimated residual value, at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 20 to 25 years
Plant and machinery	10% – 20%
Furniture and fixtures	4% – 30%
Motor vehicles	30%

The carrying value of plant and machinery of approximately HK$26,657,000 (2007: HK$41,328,462) is in respect of assets held under finance leases.

The carrying value of the Group's buildings comprises:

	2008 HK$'000	2007 HK$'000
Properties in the PRC held under land use rights		
– short term	–	768
– medium-term lease	204,160	163,159
Properties held under medium-term lease in Hong Kong	834	8,073
Properties held under medium-term lease outside Hong Kong and PRC	91,795	62,564
	296,789	234,564

18. PREPAID LEASE PAYMENTS

	2008 HK$'000	2007 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	6,436	22,232
Leasehold land outside Hong Kong:		
Medium-term lease	68,227	66,749
Short lease	295	329
	74,958	89,310
Analysed for reporting purposes as:		
Current asset	1,831	2,110
Non-current asset	73,127	87,200
	74,958	89,310

19. AVAILABLE-FOR-SALE INVESTMENTS

	2008 HK$'000	2007 HK$'000
Unlisted other investment	–	1,325

The available-for-sale investments represent an investment in a 15% equity interest in a company which was incorporated in Hong Kong with investment cost of HK$2,325,000 acquired during the year ended 31st December, 2006. The investee commenced its business in 2006. It is measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably. As at 31st December, 2007, an impairment loss of HK$1,000,000 was made on the available-for-sale investments.

During the year ended 31st December, 2008, the directors of the Company reviewed the carrying value of the available-for-sale investment by considering the market conditions and financial performance of the investee. The directors of the Company determined that there was an impairment loss and HK$1,325,000 has been recognised in the consolidated income statement.

20. DEPOSIT PAID FOR ACQUISITION OF LAND USE RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

The amount represents the deposits paid for the acquisition of land use rights and property, plant and equipment for the Group's expansion of business.

21. CLUB DEBENTURES

The club debenture represents the club membership of Aberdeen Marine Club. The directors are of opinion that there is no impairment of the club debentures since the market price less costs to sell are higher than its carrying value.

22. DEFERRED TAX ASSETS/LIABILITIES

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior year:

	Accelerated tax depreciation HK$'000	Tax losses HK$'000	Unrealised loss on inventories HK$'000	Withholding tax on undistributed profit of PRC subsidiaries HK$'000	Total HK$'000
At 1st January, 2007	3,936	(405)	1,954	–	5,485
(Credit) charge to consolidated income statement for the year	(119)	90	2,044	–	2,015
Acquisition of business *(note 37(i))*	9,033	–	–	–	9,033
At 31st December, 2007	12,850	(315)	3,998	–	16,533
Effect of change in tax rate	(232)	5	–	–	(227)
(Credit) charge to consolidated income statement for the year	(948)	80	811	2,347	2,290
At 31st December, 2008	11,670	(230)	4,809	2,347	18,596

22. DEFERRED TAX ASSETS/LIABILITIES – continued

For the purpose of balance sheet presentation, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred taxation for financial reporting purposes:

	2008 HK$'000	2007 HK$'000
Deferred tax liabilities	18,826	16,848
Deferred tax assets	(230)	(315)
	18,596	16,533

At the balance sheet dates, the Group's unused tax losses available for offset against future profits were as follows:

	2008 HK$'000	2007 HK$'000
Unused tax losses		
– Recognised as deferred tax asset	1,394	1,800
– Unrecognised tax losses *(Note)*	113,207	53,528
	114,601	55,328

Included in unused tax losses as at 31st December, 2008 is an amount of HK$39,575,000 (2007: HK$3,856,000) which will expire between 2009 to 2013 (2007: 2009 to 2010); all other unused tax losses can be carried forward indefinitely.

Note: Deferred tax asset has not been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams.

23. INVENTORIES

	2008 HK$'000	2007 HK$'000
Raw materials	311,398	258,402
Work in progress	144,756	75,107
Finished goods	129,926	84,354
	586,080	417,863

24. TRADE RECEIVABLES, BILLS RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group generally allows an average credit period of 30 days to 120 days to its trade customers.

Included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$160,964,000 and bills receivables of HK$21,441,000 (31.12.2007: HK$132,444,000 and HK$82,841,000 respectively) and their aged analysis is follows:

	2008 HK$'000	2007 HK$'000
Aged:		
0 – 30 days	115,568	77,524
31 – 60 days	28,969	67,696
61 – 90 days	12,437	30,204
91 – 120 days	7,030	18,467
Over 120 days	27,904	30,328
	191,908	224,219
Less: Allowance for doubtful debts	(9,503)	(8,934)
	182,405	215,285
Prepaid expenses	29,672	29,730
VAT receivables	7,287	5,140
Deposits	1,455	2,317
Others	6,047	6,529
	226,866	259,001

Before accepting any new customers, the Group will assess and understand the potential customer's credit quality and defines its credit limits. Credit limits attributed to each customer are reviewed regularly.

24. TRADE RECEIVABLES, BILLS RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS – continued

Ageing of trade receivables which are past due but not impaired

	2008 HK$'000	2007 HK$'000
Over 120 days	27,904	30,328
Less: Allowance for doubtful debts on trade receivables	(9,503)	(8,934)
	18,401	21,394

The Group has not provided for impairment loss on trade receivables of HK$18,401,000 (2007: HK$21,394,000) which are past due but not impaired as considering the historical repayment by these trade receivables. The Group does not hold collateral over these trade receivables.

Movement in allowances for doubtful debts

	2008 HK$'000	2007 HK$'000
Balance at beginning of the year	8,934	7,169
Allowance for doubtful debts on trade receivables	569	1,765
Balance at the end of the year	9,503	8,934

The allowance for doubtful debts made on trade receivables is mainly because of those trade receivables have financial difficulties.

The amount of the Group's trade receivables, bills receivables and other receivables denominated other than the functional currency of the relevant group entities are set out below:

	USD HK$'000	EUR HK$'000	RMB HK$'000	Total HK$'000
At 31st December, 2008				
Trade receivables, bills receivables and other receivables	55,521	45,650	–	101,171
At 31st December, 2007				
Trade receivables, bills receivables and other receivables	64,801	69,194	1,075	135,070

Note: Included in trade receivables, bills receivables and other receivables, deposits and prepayments is bills receivables of approximately HK$20,134,000 (2007: HK$77,897,000 representing bills discounted with recourse with maturity period of 0-90 days. The Group retains all the risk and reward of ownership of such discounted bills receivables and accordingly, the Group continues to recognise the full carrying amount of such bills receivables and has recognised the cash received on such discounted bills receivables of HK$20,134,000 (2007: HK$77,897,000) as secured bank borrowings.

25. AMOUNTS DUE FROM RELATED COMPANIES

Details of amounts due from related companies are as follows:

	Note	2008 HK$'000	2007 HK$'000
Anford Trading Limited	*(i)*	36	37
China Light Investment Limited	*(i)*	30	11
Soundyet Enterprises Limited	*(ii)*	9	9
Wai Yee Knitting Factory Limited	*(iii)*	88	783
		163	840

The amounts due from related companies are unsecured, non-interest bearing and are repayable on demand.

Note:

(i) Dr. Sung Chung Kwun, Wong Chiu Hong and Mok Pui Mei, being directors of the Company, have beneficial interest in the company.

(ii) Dr. Sung Chung Kwun, Wong Chiu Hong, Sung Kim Ping and Sung Kim Wa have beneficial interest in this company. Sung Kim Ping and Sung Kim Wa are the sons of Dr. Sung Chung Kwun.

(iii) Sung Chung Man, a brother of Dr. Sung Chung Kwun has beneficial interests in this company.

26. PLEDGED BANK DEPOSITS/FIXED BANK DEPOSITS

The pledged bank deposits represents bank deposits pledged to banks to secure bank borrowings facilities due within one year granted to the Group and therefore are classified as current asset. The amount bears fixed interest rate at ranged from 0.1% to 2% per annum (2007: 3% to 4% per annum).

Fixed bank deposits are short-term bank deposits with an original maturity of six months period. For the year ended 31st December, 2007, fixed bank deposits carry fixed interest rate ranged from 3% to 5% per annum.

The Group's pledged bank deposits/fixed bank deposits denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2008 HK$'000	2007 HK$'000
Pledged bank deposits/fixed bank deposits	–	9,280

27. BANK BALANCES AND CASH

Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The amount carries variable interest rate at ranged from 0% to 2% per annum (2007: 2% to 3% per annum).

The amount of the Group's bank balances and cash denominated in currency other than the functional currencies of the relevant group entities are set out below:

	EUR	RMB	USD	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 31st December, 2008				
Bank balances and cash	36	–	51,800	51,836
At 31st December, 2007				
Bank balances and cash	–	4	6,479	6,483

28. ASSETS CLASSIFIED AS HELD FOR SALE

In August, 2008, the directors of the Company committed a plan to dispose of certain of its properties. Accordingly, the carrying value of those properties including buildings amounted to HK$7,817,000 and prepaid lease payments of HK$166,000 were reclassified as assets held for sale as at 31st December, 2008 and are presented separately in the consolidated balance sheet.

On 30th December, 2008, the Group entered into a conditional sale and purchase agreement with an independent third party, to dispose of the said properties for a consideration of HK$78,000,000. As at 31st December, 2008, the Group has received a deposit of US$10,000,000 (equivalent to HK$78,000,000) for such disposal.

The disposal was completed on 14th January, 2009.

29. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	2008 HK$'000	2007 HK$'000
Aged:		
0 – 60 days	38,145	31,452
61 – 90 days	15,450	5,906
Over 90 days	26,417	15,820
	80,012	53,178
Receipt in advance	4,131	4,146
Payable for acquisition of property, plant and equipment	13,284	3,560
Payable for acquisition of prepaid lease payments	1,424	1,450
Accrued expenses	62,626	62,491
VAT tax payables	3,679	898
Other payables	2,306	3,028
Deposit received for disposal of properties	78,000	–
	245,462	128,751

The average credit period on purchases of goods is 60 days to 90 days.

The Group's trade and other payables that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	USD HK$'000
At 31st December, 2008	
Trade and other payables	6,720
At 31st December, 2007	
Trade and other payables	2,598

30. BILLS PAYABLE

The amounts carry variable interest ranging from 3% to 6% per annum (2007: 4% to 6% per annum) and are repayable on demand or within four months.

The Group's bills payable that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	USD HK$'000
At 31st December, 2008	
Bills payable	10,315
At 31st December, 2007	
Bills payable	14,178

31. AMOUNT DUE TO A MINORITY SHAREHOLDER/RELATED COMPANY/DIRECTOR

The amounts are unsecured, non-interest bearing and repayable on demand.

32. BANK BORROWINGS

	2008 HK$'000	2007 HK$'000
Bank overdrafts	22,877	26,492
Bank loans	543,253	461,585
Trust receipt loans	140,967	140,120
	707,097	628,197
Analysed by:		
Secured	22,419	92,841
Unsecured	684,678	535,356
	707,097	628,197
Total bank borrowings:		
Fixed-rate	89,614	87,492
Variable-rate	617,483	540,705
	707,097	628,197
Carrying amount repayable:		
On demand or within one year	570,913	440,848
In more than one year but not more than two years	77,409	96,609
In more than two years but not more than three years	31,326	48,158
In more than three years but not more than four years	23,679	21,345
In more than four years but not more than five years	3,594	14,147
In more than five years	176	7,090
	707,097	628,197
Less: Amounts due within one year shown under current liabilities	(570,913)	(440,848)
Shown under non-current liabilities	136,184	187,349

Bank overdrafts are repayable on demand. Trust receipt loans are repayable within one year. The bank borrowings were secured by the Group's certain property, plant and equipment, bills receivable, bank deposits and corporate guarantee given by the Company.

32. BANK BORROWINGS – continued

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD HK$'000	EUR HK$'000	Total HK$'000
As at 31st December, 2008			
Bank loans	79,222	78,377	157,599
Trust receipt loans	66,283	–	66,283
	145,505	78,377	223,882
As at 31st December, 2007			
Bank loans	15,260	76,922	92,182
Trust receipt loans	72,620	–	72,620
	87,880	76,922	164,802

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2008 HK$'000	2007 HK$'000
On demand or within one year	89,614	87,492

In addition, the Group has variable-rate borrowings which carry interest at HIBOR or LIBOR. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2008	2007
Effective interest rate:		
Fixed-rate borrowings	5% to 8%	5% to 8%
Variable-rate borrowings	3% to 6%	4% to 7%

33. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its plant and machinery under finance leases. The average remaining lease term is two years (2007: three years). The interest rate is HIBOR + 1.05% to 1.1% (2007: HIBOR + 1.05% to 1.1%). The average effective interest rate is 5% (2007: 5%) per annum. The leases have no terms of renewal or purchase options and escalation changes and no arrangements have been entered into for contingent rental payments.

	Minimum lease payments As at 31st December,		Present value of minimum lease payments As at 31st December,	
	2008 HK$'000	2007 HK$'000	2008 HK$'000	2007 HK$'000
Amounts payable under finance leases:				
Within one year	8,991	9,930	8,669	9,027
In more than one year but not more than two years	5,111	9,146	5,057	8,669
In more than two years but not more than three years	–	5,139	–	5,057
	14,102	24,215	13,726	22,753
Less: future finance charges	(376)	(1,462)	N/A	N/A
Present value of lease obligations	13,726	22,753	13,726	22,753
Less: Amount due for settlement within one year and shown under current liabilities			(8,669)	(9,027)
Amount due for settlement after one year			5,057	13,726

The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

34. SHARE CAPITAL

	Number of share	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January, 2007, 31st December, 2007 and 31st December, 2008	10,000,000,000	100,000
Ordinary shares of HK$0.01 each		
Issued and fully paid:		
At 1st January, 2007, 31st December, 2007 and 31st December, 2008	400,000,000	4,000

35. SUMMARISED BALANCE SHEET OF THE COMPANY

The Company's summarised balance sheet at the balance sheet dates are as follows:

	2008 HK$'000	2007 HK$'000
Total assets		
Interests in subsidiaries	160,803	160,803
Amounts due from subsidiaries	250,115	255,515
Cash	7	2
	410,925	416,320
Total liabilities		
Other payable	5	–
Amount due to a subsidiary	20,034	5,433
	20,039	5,433
	390,886	410,887
Capital and reserves		
Share capital	4,000	4,000
Reserves *(Note)*	386,886	406,887
	390,886	410,887

35. SUMMARISED BALANCE SHEET OF THE COMPANY – continued

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2007	89,406	330,868	(186)	420,088
Loss for the year and expenses recognised directly in the equity	–	–	(1)	(1)
Dividend	–	(13,200)	–	(13,200)
At 31st December, 2007	89,406	317,668	(187)	406,887
Loss for the year and expenses recognised directly in the equity	–	–	(1)	(1)
Dividend	–	(20,000)	–	(20,000)
At 31st December, 2008	**89,406**	**297,668**	**(188)**	**386,886**

The contributed surplus of the Company represents (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Altantic Limited, over the nominal value of the share capital of the Company issued in exchange thereof and (ii) less dividend paid.

36. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and consultants and adviser ("Eligible Persons") of the Group.

Pursuant to the terms of the Scheme which will expire on 28th August, 2015, the board of directors of the Company may grant options to Eligible Persons to subscribe for shares in the Company at a consideration of HK$1 per grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date the options are granted.

No options were outstanding at 31st December, 2008 and 31st December, 2007 under the Scheme. No options were granted, exercised, cancelled or lapsed during the year.

37. ACQUISITION OF BUSINESS AND SUBSIDIARIES

For the year ended 31st December, 2007

(i) Acquisition of business

On 24th April, 2007, the Group entered into an agreement (the "Agreement") with the liquidation committee of 博州博棉紡織(集團)有限公司 Bozhou Bo Mian Textile (Group) Limited Liability Company ("Bozhou Bo Mian") in relation to the acquisition of certain assets and the business owned by Bozhou Bo Mian at an aggregate consideration of RMB45,000,000 (equivalent to HK$45,764,000). The acquisition was completed on 30th April, 2007. Bozhou Bo Mian was a state-owned enterprise established in the PRC in 1998 and was principally engaged in cotton yarn spinning. Bozhou Bo Mian has been incurring loss since 2001 and applied to the Intermediate People's Court of Mongol Autonomous Prefecture, Boertala, Xinjiang 中國新疆博爾塔拉蒙古自治州中級人民法院 (the "Court") for winding-up. On 30th December, 2006, the Court declared the winding-up of Bozhou Bo Mian and made an order that a liquidation committee appointed by the Court to take over the management and control of Bozhou Bo Mian.

In accordance with the Agreement, the Group was required to continue to employ the existing employees of Bozhou Bo Mian and continue to complete the sales orders of customers received by Bozhou Bo Mian. In addition, the Group was required to continue to carry out the existing business of cotton yarn spinning owned by Bozhou Bo Mian.

The fair value of the assets acquired in the transaction, and the discount on acquisition arising, was as follows:

	Carrying amount before acquisition HK$'000	Fair value adjustments HK$'000	Fair value HK$'000
Assets acquired:			
Prepaid lease payment	32	–	32
Premium on prepaid lease payments	–	16,284	16,284
Property, plant and equipment	65,721	19,359	85,080
Inventories	2,707	–	2,707
Deferred taxation	–	(9,033)	(9,033)
	68,460	26,610	95,070
Discount on acquisition of business			(49,306)
Total consideration			45,764
Cash outflow arising on acquisition			
Cash consideration paid			(45,764)

37. ACQUISITION OF BUSINESS AND SUBSIDIARIES – continued

(i) Acquisition of business – continued

The discount on acquisition was a result of losses incurred by Bozhou Bo Mian in prior years' operation and the additional capital to be injected by the Group to expand the production facilities in future.

The business acquired contributed HK$1,137,000 to the Group's profit for the period between the date of acquisition and 31st December, 2007. The directors are of the view that it is impracticable to disclose the revenue and the result of Bozhou Bo Mian for the period from 1st January, 2007 to 31st December, 2007 as if the acquisition had been effected at the 1st January, 2007 since the pre-acquisition financial information was not provided by the liquidation committee of Bozhou Bo Mian.

(ii) Acquisition of subsidiaries

For the year ended 31st December, 2007

On 9th August, 2007, the Group acquired 100% interest in King On (China) Limited ("King On") for a consideration of approximately HK$10,272,000. King On is a property holding company.

The net assets acquired in the transaction was as follows:

	Amount HK$'000
Net assets acquired:	
Investment properties	6,943
Prepaid lease payment	16,318
Trade and other receivables	31
Bank balances and cash	4
Other payables	(94)
Bank borrowings	(12,930)
	10,272
Total consideration satisfied by:	
Cash	10,272
Net cash outflow arising on acquisition:	
Cash consideration paid	(10,272)
Cash and cash equivalents acquired	4
	(10,268)

38. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases:

	2008 HK$'000	2007 HK$'000
Office premises	390	550

At the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2008 HK$'000	2007 HK$'000
Within one year	345	310
In the second to fifth years inclusive	299	279
Over five years	229	–
	873	589

Operating lease payments represent rental payable by the Group for its office premises. Lease are negotiated for an average term of two to twenty years with fixed rental.

The Group as lessor

Property rental income earned during the year was HK$589,000 (2007: HK$1,014,000). All of the properties held have committed tenants for the next seven years.

At the balance sheet dates, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31st December,	
	2008 HK$'000	2007 HK$'000
Within one year	225	885
In the second to fifth years inclusive	106	686
Over five years	3	–
	334	1,571

39. PLEDGE OF ASSETS

At the balance sheet dates, the Group pledged the following assets to banks for the credit facilities granted to the Group:

	2008 HK$'000	2007 HK$'000
Investment properties	–	6,878
Prepaid lease payments	–	16,148
Property, plant and equipment	5,114	5,556
Bank deposits	1,387	6,692
	6,501	35,274

The Group also had bill receivables discounted with recourse amounted to HK$20,134,000 (2007: HK$77,897,000).

40. CAPITAL COMMITMENTS

	2008 HK$'000	2007 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	24,768	4,328

41. PENSION/RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

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

During the year, the retirement benefit scheme contributions amounted to approximately HK$8,847,000 (2007: HK$5,322,000).

42. RELATED PARTY DISCLOSURES

Details of the balances with related parties are set out in notes 25 and 31.

During the year, the Group entered into the following transactions with related companies/parties:

Company	Relationship	Nature of transactions	2008 HK$'000	2007 HK$'000
Dr. Sung Chung Kwun	*(Note 1)*	Rental expense paid	272	240
P.T. Shinetama Interfashion	*(Note 2)*	Purchases of cotton yarn	–	80,443
Wai Yee Knitting Factory Limited	*(Note 3)*	Sales of raw white and dyed yarn	–	2,423
		Sales of dyed materials	–	6
		Rental income	90	120
Dinghu Yongsheng Textiles Fty., Ltd.	*(Note 4)*	Purchases of raw white yarn	681	928

In the opinion of the directors, the above transactions were undertaken in the ordinary course of business on terms mutually agreed between the Group and the related parties.

(Note 1) Dr. Sung Chung Kwun is a director and substantial shareholder of the Company.

(Note 2) Sung Chung Man, a brother of Dr. Sung Chung Kwun has beneficial interests in this company.

(Note 3) Sung Kit Ching and Wong Chun Fong, a daughter and daughter-in-law of Dr. Sung Chung Kwun, have beneficial interest in this company.

(Note 4) Sung Liang Hua, a brother of Dr. Sung Chung Kwun, has beneficial interest in this company.

Compensation of key management personnel

Compensation of key management personnel and directors (represented by the directors' emoluments and top five employee's emoluments) during the year is set out in note 12 and 13.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st December, 2008 and 2007 are as follows:

Name of subsidiary	*Notes*	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activities
Interlink Atlantic Limited	*(i)*	British Virgin Islands ("BVI") 24th November, 1999	Ordinary share US$1	100%	–	Investment holding
Addchance Limited	*(i)*	Hong Kong 2nd October, 1981	Ordinary shares HK$1,500,000	–	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services, trading of cotton raw white yarn and fancy yarn and property holding
Chinakey (Hong Kong) Limited	*(i)*	Hong Kong 22nd October, 1997	Ordinary shares HK$1,000,000	–	100%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited	*(i)*	Hong Kong 12th March, 1997	Ordinary shares HK$10,000	–	100%	Trading of knitted sweaters
Sure Win International Textiles Limited	*(i)*	Hong Kong 15th July, 1993	Ordinary share HK$15,000	–	100%	Provision of knitting services
Charm Shine (Macau) Wool Yarn Industrial Limited	*(i)*	Macau 15th September, 1987	MOP$500,000	–	100%	Trading of dyed yarn and raw white yarn
Mei Pan Dyeing Factory Limited	*(i)*	Hong Kong 1st May, 1987	Ordinary shares HK$1,240,000 Ordinary Shares A HK$760,000	–	100%	Investment holding
Billion Art Enterprise Limited	*(i)*	Hong Kong 17th October, 2005	Ordinary share HK$2,000,000	–	100%	Incorporated for the purchase of manufacturing and sales of knitted sweaters but operations not yet commenced
Addchance Thread Manufacturing Limited	*(i)*	Hong Kong 24th April, 2008	Ordinary shares HK$2,000,000	–	52%	Manufacturing and sales of thread
King On (China) Limited	*(i) and (iv)*	Hong Kong 3rd October, 2007	Ordinary share HK$10,000	–	100%	Property holding

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	*Notes*	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activities
張家港互益染整有限公司 Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. ("Zhangjiagang Addchance")	*(ii)*	PRC 9th March, 2001	Registered capital US$35,044,000	–	100%	Manufacturing of dyed yarn and provision of dyeing services
羅定互益染廠有限公司 Luoding Addchance Dyeing Factory Ltd. ("Luoding Addchance")	*(ii)*	PRC 6th November, 1986	Registered capital US$24,124,000	–	100%	Provision of yarn dyeing services
安慶市宿松互益紡織有限公司 Anqing Su Song Addchance Textiles Co., Ltd. ("Anqing Addchance")	*(ii)*	PRC 9th September, 2002	Registered capital US$10,000,000	–	100%	Manufacturing of cotton yarn
張家港互益紡織有限公司 Zhangjiagang Addchance Spinnery Co., Ltd. ("Zhangjiagang Addchance Spinnery")	*(ii)*	PRC 12th December, 2003	Registered capital US$12,000,000	–	100%	Manufacturing of knitted sweaters and provision of knitting services
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd. ("Cenxi Addchance")	*(ii)*	PRC 27th September, 2003	Registered capital US$2,000,000	–	100%	Provision of knitting services
廣西梧州互益紡織有限公司 Wu Zhou Addchance Textile Factory Limited ("Wu Zhou Addchance")	*(ii)*	PRC 16th December, 2005	Registered capital US$3,500,000 Paid up capital US$3,500,000	–	100%	Manufacturing of knitted sweaters
安慶市宿松互益精紡有限公司 An Qing Su Song Addchance Spinning Company Limited ("Su Song Addchance")	*(ii)*	PRC 14th April, 2007	Registered capital US$10,000,000	–	100%	Manufacturing of cotton yarn
新疆博樂互益紡織有限公司 Xinjiang Bole Addchance Textiles Limited	*(ii) and (iv)*	PRC 3rd April, 2007	Registered capital US$15,000,000 Paid up capital US$13,200,000	–	100%	Manufacturing of cotton yarn

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Notes	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/ registered capital held by the Company Directly	Indirectly	Principal activities
River Rich Textile Limited	*(i)*	The Kingdom of Cambodia 13th August, 2004	Registered capital US$1,000,000 Paid up capital US$1,000,000	–	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Winner Knitting Factory Limited	*(i)*	The Kingdom of Cambodia 3rd April, 1997	Registered capital US$1,000,000 Paid up capital US$1,000,000	–	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Full Fortune Knitting Ltd.	*(iii) and (iv)*	The Kingdom of Cambodia 30th July, 2007	Registered capital US$7,000,000	–	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Fu Min Textile and Garment Ltd.	*(iii) and (iv)*	The Kingdom of Cambodia 19th October, 2007	Registered capital US$3,000,000	–	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves

Notes:

(i) These companies are limited liability companies.

(ii) These companies are wholly-foreign owned enterprise.

(iii) The registered capital has not been paid up as at 31st December, 2008.

(iv) Subsidiaries incorporated in 2007.

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

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

FINANCIAL SUMMARY

For the year ended 31st December, 2008

RESULTS

	2004 HK$'000	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000
Turnover	772,202	900,482	925,889	1,167,362	1,316,764
Profit before tax	54,652	83,346	72,991	111,848	76,157
Income tax expense	(6,907)	(7,929)	(6,801)	(13,546)	(9,308)
Profit for the year	47,745	75,417	66,190	98,302	66,849
Profit attributable to:					
Equity holders of the Company	42,021	75,413	66,196	98,546	67,567
Minority interests	5,724	4	(6)	(244)	(718)
	47,745	75,417	66,190	98,302	66,849

ASSETS AND LIABILITIES

	2004 HK$'000	2005 HK$'000 *(Note)*	2006 HK$'000	2007 HK$'000	2008 HK$'000
Total assets	790,205	840,658	982,941	1,487,829	1,780,114
Total liabilities	(697,252)	(379,609)	(457,939)	(854,924)	(1,045,293)
	92,953	461,049	525,002	632,905	734,821
Equity attributable to equity holders of the Company	92,803	460,895	524,854	632,041	734,675
Minority interests	150	154	148	864	146
	92,953	461,049	525,002	632,905	734,821

Note: The Company was incorporated in the Cayman Islands on 9th June, 2004 and became the holding company of the Group with effect from 29th August, 2005 as a result of a group reorganisation. The results of the Group for year ended 31st December, 2004 and the assets and liabilities as at 31st December, 2004 have been prepared on a combined basis as if the current group structure had been in existence throughout those years and have been extracted from the Company's prospectus dated 23rd September, 2005.

NOTICE IS HEREBY GIVEN that the annual general meeting of Addchance Holdings Limited (the "Company") will be held at Hilltop Country Club, No. 10 Hill Top Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Wednesday, 3rd June, 2009 at 12:00 noon for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the directors and auditors for the year ended 31st December, 2008.

2. To re-elect directors and to authorise the remuneration committee of the Company to fix their remuneration.

3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

A. "THAT:

(a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

(b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;

(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or scrip dividend scheme or similar arrangement of the Company or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

B. "**THAT**:

(a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and

(c) for the purposes of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earlier of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and

(iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

C. "**THAT** conditional upon resolution no. 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 4B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4A above."

By Order of the Board
Fung Ka Lai
Company Secretary

Hong Kong, 23rd April, 2009

Principal Office:
Sung's Tower
15-19 Lam Tin Street
Kwai Chung
New Territories
Hong Kong.

Note:

A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.