Addchance

Addchance Holdings Limited

互益集團有限公司

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

(Stock Code: 3344)

Interim Report **2009**

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

TABLE OF CONTENTS

CORPORATE INFORMATION

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 LAWS

F. Zimmern & Co.

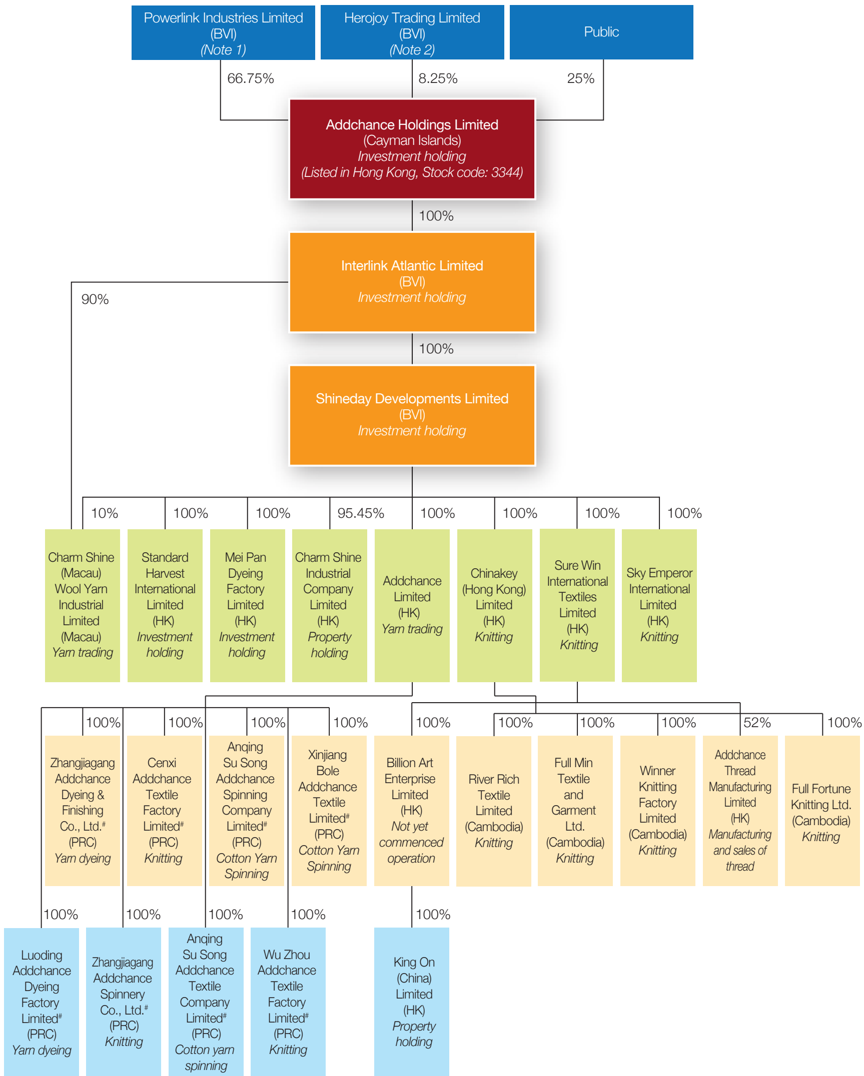
WEBSITE

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

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 30TH JUNE, 2009



for identification purpose only

Notes:

1. *Powerlink Industries Limited was 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 was 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.*

Key Financial Results

	Period ended 30th June		
	2009 HK$'000	2008 HK$'000	Changes +/- %
Turnover	**517,026**	556,664	-7%
Gross profit	**105,943**	146,015	-27%
Profit for the period	**75,086**	11,788	537%
Profit attributable to:			
Equity holders of the Company	**74,068**	12,198	507%
Minority interests	**1,018**	(410)	348%
Earnings per share (in HK cents)	**18.52**	3.05	507%

Financial Ratios

	Period ended 30th June	
	2009	2008
Profitability ratios:		
Gross margin (%)	**20.5**	26.2
Net margin (%)	**14.5**	2.1
Liquidity ratios:		
Current ratio (times)	**1.13**	1.07
Stock turnover (days) *(Note 1)*	**274**	276
Debtors turnover (days) *(Note 2)*	**92**	112
Creditors turnover (days) *(Note 3)*	**79**	57
Capital adequacy ratio		
Gearing ratio (%) *(Note 4)*	**44.0**	51.7

Notes:

1. The number of stock turnover days is equal to the inventory at the end of the period divided by the cost of sales for the period and then multiplied by 181 days.

2. The number of debtors' turnover days is equal to the trade and bills receivables at the end of the period divided by the sales of the period and then multiplied by 181 days.

3. The number of creditors' turnover days is equal to the trade and bills payable at the end of the period divided by the cost of sales for the period and then multiplied by 181 days.

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

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

Introduction

We have reviewed the interim financial information set out on pages 7 to 23 which comprises the condensed consolidated statement of financial position of Addchance Holdings Limited (the "Company") as of 30th June, 2009 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
21st September, 2009

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June, 2009

	NOTES	For the six months ended 30th June, 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Revenue	*3*	517,026	556,664
Cost of sales		(411,083)	(410,649)
Gross profit		105,943	146,015
Other income		8,160	4,241
Gain on disposal of assets classified as held for sale	*11*	70,017	–
Selling and distribution costs		(27,921)	(39,587)
Administrative expenses		(65,318)	(73,414)
Finance costs	*4*	(14,049)	(19,554)
Profit before tax		76,832	17,701
Income tax expense	*5*	(1,746)	(5,913)
Profit for the period	*6*	75,086	11,788
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations		–	16,363
Total comprehensive income for the period		75,086	28,151
Profit for the period attributable to:			
Owners of the Company		74,068	12,198
Minority interests		1,018	(410)
		75,086	11,788
Total comprehensive income attributable to:			
Owners of the Company		74,068	28,561
Minority interests		1,018	(410)
		75,086	28,151
Earnings per share, in HK cents			
Basic	*8*	18.52	3.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

	NOTES	30.6.2009 HK$'000 (unaudited)	31.12.2008 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		2,014	2,040
Property, plant and equipment	*9*	770,789	768,926
Prepaid lease payments		72,364	73,127
Deposit paid for acquisition of land use rights and property, plant and equipment		15,984	16,203
Club debentures		1,070	1,070
Deferred tax assets		186	230
		862,407	861,596
CURRENT ASSETS			
Prepaid lease payments		1,730	1,831
Inventories		621,246	586,080
Trade receivables, bills receivables and other receivables, deposits and prepayments	*10*	301,166	226,866
Amounts due from related companies		81	163
Pledged bank deposits		1,136	1,387
Bank balances and cash		81,089	94,208
		1,006,448	910,535
Assets classified as held for sale	*11*	–	7,983
		1,006,448	918,518
CURRENT LIABILITIES			
Trade and other payables	*12*	208,144	245,462
Bills payable	*12*	78,422	52,595
Amount due to a minority shareholder		175	240
Bank borrowings – due within one year	*13*	554,266	548,036
Obligations under finance leases – due within one year		8,669	8,669
Taxation payable		9,192	7,347
Bank overdrafts		29,476	22,877
		888,344	885,226
NET CURRENT ASSETS		118,104	33,292
TOTAL ASSETS LESS CURRENT LIABILITIES		980,511	894,888

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2009

	NOTE	30.6.2009 HK$'000 (unaudited)	31.12.2008 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital		4,000	4,000
Reserves		804,743	730,675
Equity attributable to owners of the Company		808,743	734,675
Minority interests		1,164	146
		809,907	734,821
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	*13*	151,797	136,184
Obligations under finance leases			
– due after one year		722	5,057
Deferred tax liabilities		18,085	18,826
		170,604	160,067
		980,511	894,888

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2009

	Attributable to owners 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, 2008 (audited)	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	–	–	–	–	–	16,363	–	16,363	–	16,363
Profit for the period	–	–	–	–	–	–	12,198	12,198	(410)	11,788
Total comprehensive income for the period	–	–	–	–	–	16,363	12,198	28,561	(410)	28,151
Dividend *(note 7)*	–	–	(20,000)	–	–	–	–	(20,000)	–	(20,000)
At 30th June, 2008 (unaudited)	4,000	89,406	140,043	24,673	12,459	54,112	315,909	640,602	454	641,056
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	38,704	–	38,704	–	38,704
Profit for the period	–	–	–	–	–	–	55,369	55,369	(308)	55,061
Total comprehensive income for the period	–	–	–	–	–	38,704	55,369	94,073	(308)	93,765
At 31st December, 2008 (audited)	4,000	89,406	140,043	24,673	12,459	92,816	371,278	734,675	146	734,821
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	74,068	74,068	1,018	75,086
Transfer to statutory reserves	–	–	–	–	1,119	–	(1,119)	–	–	–
At 30th June, 2009 (unaudited)	4,000	89,406	140,043	24,673	13,578	92,816	444,227	808,743	1,164	809,907

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 Atlantic 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, the Company's subsidiary, 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 subsidiaries established in The People's Republic of China ("PRC") and Macau 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 relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June, 2009

	For the six months ended 30th June, 2009 HK$'000 (unaudited)	2008 HK$'000 (unaudited)
Net cash generated by (used in) operating activities	19,414	(262,624)
Net cash used in investing activities:		
Purchase of property, plant and equipment	(42,380)	(29,911)
Deposit paid for acquisition of land use rights and property, plant and equipment	(2,386)	(19,148)
Decrease in pledged bank deposits and fixed bank deposits	251	11,372
Other investing cash flows	1,924	1,657
	(42,591)	(36,030)
Net cash generated by financing activities:		
New bank loans raised	743,311	1,084,858
Repayment of bank borrowings	(721,468)	(735,981)
Interest paid	(14,049)	(19,554)
Repayment of obligations under finance leases	(4,335)	(4,693)
	3,459	324,630
Net (decrease) increase in cash and cash equivalents	(19,718)	25,976
Effect of foreign exchange rate changes	–	444
Cash and cash equivalents at 1st January	71,331	(848)
Cash and cash equivalents at 30th June	51,613	25,572
Cash and cash equivalents at end of the period		
Bank balances and cash	81,089	55,233
Bank overdrafts	(29,476)	(29,661)
	51,613	25,572

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by International Accounting Standards Board (the "IASB").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1st January, 2009.

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendments)	Improvement Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC – Int 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC – Int 13	Customer Loyalty Programmes
IFRIC – Int 15	Agreements for the Construction of Real Estate
IFRIC – Int 16	Hedges of a Net Investment in a Foreign Operation
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning on or after 1st July 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

IAS 1 (Revised 2007) has introduced a number of terminology changes, including revised titles for the condensed consolidated financial statements, and has resulted in a number of changes in presentation and disclosure. IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, IAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14 *(see note 3)*. The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs issued in 2008[1]
IFRSs (Amendments)	Improvements to IFRSs issued in 2009[2]
IAS 27 (Revised 2008)	Consolidated and Separate Financial Statements[1]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised 2008)	Business Combinations[1]
IFRIC – Int 17	Distribution of Non-cash Assets to Owners[1]
IFRIC – Int 18	Transfer of Assets from Customers[4]

1 *Effective for annual periods beginning on or after 1st July, 2009*

2 *Amendments that are effective for annual periods beginning on or after 1st July, 2009 or 1st January, 2010, as appropriate*

3 *Effective for annual periods beginning on or after 1st January, 2010*

4 *Effective for transfers on or after 1st July, 2009*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The adoption of IFRS 3 (Revised 2008) may affect the accounting for the Group's business combination for which the acquisition date is on or after 1st January, 2010. IAS 27 (Revised 2008) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of other revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group has adopted IFRS 8 "Operating Segments" with effect from 1st January, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision makers in order to allocate resources to segments and to assess their performance. In contrast, the predecessor standard, IAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS changed the basis of measurement of segment profit or loss and segment asset. The Group's reportable segments under IFRS 8 are therefore identical to the business segments under IAS 14.

3. SEGMENT INFORMATION *(Continued)*

The following is an analysis of the Group's revenue and results by operating segments for the period under review.

For the six months ended 30th June, 2009

	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	52,577	190,005	259,073	9,675	5,696	–	517,026
Inter-segment sales	30,604	162,967	237,153	14,432	65,433	(510,589)	–
	83,181	352,972	496,226	24,107	71,129	(510,589)	517,026
SEGMENT PROFIT (LOSS)	1,507	8,966	13,719	819	(71)	–	24,940
Unallocated corporate income							187
Unallocated corporate expenses							(4,263)
Gain on disposal of assets classified as held for sale							70,017
Finance costs							(14,049)
Profit before tax							76,832
Income tax expense							(1,746)
PROFIT FOR THE PERIOD							75,086

3. SEGMENT INFORMATION *(Continued)*

For the six months ended 30th June, 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	35,002	201,288	279,579	14,534	26,261	–	556,664
Inter-segment sales	122,127	189,270	242,653	8,014	84,488	(646,552)	–
	157,129	390,558	522,232	22,548	110,749	(646,552)	556,664
SEGMENT PROFIT (LOSS)	818	15,206	26,158	1,470	(846)	–	42,806
Unallocated corporate income							561
Unallocated corporate expenses							(6,112)
Finance costs							(19,554)
Profit before tax							17,701
Income tax expense							(5,913)
PROFIT FOR THE PERIOD							11,788

3. SEGMENT INFORMATION *(Continued)*

Segment profit represents profit earned by each segment without allocation of corporate income, corporate expenses, gain on disposal of assets classified as held for sale and finance costs. This is the measure reported to the Group's board of directors for the purposes of resource allocation and assessment of segment performance.

The following is an analysis of the Group's assets by operating segment:

	30.6.2009 HK$'000	31.12.2008 HK$'000
Production and sale of cotton yarn	395,355	416,965
Production and sale of knitted sweaters	762,343	695,112
Production and sale of dyed yarns	487,715	458,242
Production and sale of dyeing services	57,510	52,811
Trading of cotton and yarns	79,191	49,903
	1,782,114	1,673,033

4. FINANCE COSTS

	For the six months ended 30th June,	
	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	13,946	18,730
Bank borrowings not wholly repayable within five years	25	484
Finance leases	78	340
	14,049	19,554

5. INCOME TAX EXPENSE

	For the six months ended 30th June,	
	2009	2008
	HK$'000	HK$'000
The charge comprises:		
Hong Kong Profits Tax	2,017	3,118
PRC Enterprise Income Tax	426	3,499
Deferred taxation:		
– Current year	(697)	(493)
– Attributable to change in tax rate	–	(211)
	1,746	5,913

Hong Kong Profits Tax is recognised at 16.5% for the periods under review.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from the PRC enterprise income tax for the 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 commenced during the period from 2002 to 2008. Accordingly, the Tax Holiday of these PRC subsidiaries will expire from 2009 to 2012. The Tax Holiday continues to be applicable for the PRC subsidiaries after the Law of the PRC on Enterprise Income Tax was implemented.

6. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting) the following items:

	For the six months ended 30th June,	
	2009 HK$'000	2008 HK$'000
Depreciation of investment properties	26	266
Depreciation of property, plant and equipment	41,370	35,147
Impairment loss on available-for-sale investments included in administrative expenses	–	1,325
Amortisation of prepaid lease payments	864	1,067
Interest income	(28)	(461)

7. DIVIDEND

No final dividend was declared to be paid for 2008.

On 11th April, 2008, a dividend of HK5.0 cents per share amounting to HK$20,000,000 in aggregate was declared to be paid to the shareholders whose names appeared on the register of members of the Company as at 27th May, 2008 as the final dividend for 2007.

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2009.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to owners of the Company of approximately HK$74,068,000 (2008: HK$12,198,000) and on the number of shares in issue of 400,000,000 (2008: 400,000,000).

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

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred expenditure of approximately HK$44,985,000 (six months ended 2008: HK$62,549,000), including HK$2,605,000 (six months ended 2008: HK$32,638,000) transferred from deposit paid for acquisition of land use rights and property, plant and equipment, on property, plant and equipment.

Depreciation on property, plant and equipment amounting to HK$41,370,000 (2008: HK$35,147,000) was also provided for in the condensed consolidated statement of comprehensive income during the period.

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

The Group generally allows credit periods of 30 days to 120 days to its trade customers.

At 30th June, 2009, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK$228,728,000 and bills receivables of HK$35,194,000 (31.12.2008: trade receivables of HK$160,964,000 and bills receivables of HK$21,441,000 respectively) and their aged analysis, presented based on the invoice date, is as follows:

	30.6.2009 HK$'000	31.12.2008 HK$'000
Aged:		
0 – 30 days	177,103	115,568
31 – 60 days	45,499	28,969
61 – 90 days	21,074	12,437
91 – 120 days	4,198	7,030
Over 120 days	16,048	18,401
	263,922	182,405
Other receivables, deposits and prepayments	37,244	44,461
	301,166	226,866

11. 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, comprising buildings which 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 statement of financial position.

On 30th December, 2008, the Group entered into conditional sale and purchase agreements 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 and a gain of HK$70,017,000 was recognised for the six months ended 30th June, 2009.

12. TRADE AND OTHER PAYABLES/BILLS PAYABLE

At 30th June, 2009, included in trade and other payables are trade payables of HK$100,953,000 (31.12.2008: HK$80,012,000) and their aged analysis, presented based on the invoice date, is as follows:

	30.6.2009 HK$'000	31.12.2008 HK$'000
Aged:		
0 – 60 days	60,197	38,145
61 – 90 days	10,727	15,450
Over 90 days	30,029	26,417
	100,953	80,012
Other payables and accruals	107,191	165,450
	208,144	245,462

Bills payable are aged within 0 – 90 days.

13. BANK BORROWINGS

During the period, the Group obtained new bank loans in the amount of approximately HK$743,311,000 (six months ended 2008: HK$1,084,858,000) as additional working capital and made repayment of approximately HK$721,468,000 (six months ended 2008: HK$735,981,000). The new loans bear interest ranged from 2% to 8% per annum and are repayable by instalments over a period of one to five years.

14. COMMITMENTS

At 30th June, 2009, the Group had commitments of approximately HK$21,039,000 (31.12.2008: HK$24,768,000) for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment.

15. PLEDGE OF ASSETS

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

	30.6.2009 HK$'000	31.12.2008 HK$'000
Bank deposits	1,136	1,387
Property, plant and equipment	11,432	5,114
Prepaid lease payments	28,414	–
	40,982	6,501

16. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and key executives of the Group is determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to HK$4,154,000 (six months ended 2008: HK$3,918,000).

BUSINESS REVIEW

We are pleased to report to the shareholders the results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2009 (the "period under review"). Profit attributable to equity shareholders grew to approximately HK$74.1 million for the period under review.

During the period under review, the operating environment was full of challenges for Addchance and the textile and garment industry. The outbreak of US subprime mortgage crisis has ultimately developed into a global financial tsunami since the second half of 2008, which has adversely affected both customer confidence and spending habits. The textile and garment industry was suffering from a slower growth rate in terms of investment and export sales, and a lower selling price. Customers became more cautious in placing orders and they have been aggressively reducing their inventories, and various customers have delayed in placing orders with us. All these changes affected our purchasing orders received in the first half of 2009.

The turnover of the Group during the period under review slightly decreased by approximately 7.1% to approximately HK$517.0 million in this difficult economic environment. Revenue in our dyeing and knitting business segments slightly decreased during the period under review amid the unfavourable market condition. Despite the adverse market conditions, revenue derived from the production and sale of cotton yarn reached approximately HK$52.6 million, representing a growth of about 50.2% as compared with the same period last year.

As a leading textile manufacturer and a niche player in the sweater manufacturing business, we believe that the increasing contribution from the domestic market and investment in the People's Republic of China (the "PRC") bode well for Addchance. The Group has advanced dyeing facilities and enjoys a good reputation in the market. The Group has been equipped with 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.

PROSPECTS

Looking forward, it is expected that the macroeconomic uncertainty triggered by the global financial tsunami will continue to exist. The economic outlook for the rest of 2009 depends largely on the effectiveness of the various economic stimulus plans being implemented in the US and the rest of the world. It is anticipated that the PRC would be the first country to stand out from the dark cloud of the economic recession in the world. The consolidation of the textile industry gave us rooms for increasing our market shares in the domestic markets of the PRC. In the coming half of 2009, the Group will continue to target its new clients in the PRC and try to increase the domestic market share as we believe that the PRC's economic foundation will remain sound in spite of the global financial tsunami. We believe that with our solid foundation, vertically-integrated facilities as well as the well-planned environmental measures and facilities, the Group will maintain its sustainability in the second half of 2009 and the coming years. We do have seen improvements in our orders received in the next few months in the second half of 2009.

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 knitted sweaters including cardigans and pullovers.

During the period under review, the Group's turnover decreased slightly by about 7.1% to approximately HK$517.0 million as compared to the approximately HK$556.7 million in the corresponding period last year.

Turnover by operation
(Amount HK$'000)

	Period ended 30th June 2009	2008	Changes +/-%
Production and sale of dyed yarns	259,073	279,579	-7%
Production and sale of knitted sweaters	190,005	201,288	-6%
Production and sale of cotton yarn	52,577	35,002	50%
Provision of dyeing services	9,675	14,534	-33%
Trading of cotton and yarns	5,696	26,261	-78%
	517,026	556,664	-7%

Turnover by operation
(in % of total)

	Period ended 30th June 2009	2008
Production and sale of dyed yarns	50.1%	50.2%
Production and sale of knitted sweaters	36.7%	36.2%
Production and sale of cotton yarn	10.2%	6.3%
Provision of dyeing services	1.9%	2.6%
Trading of cotton and yarns	1.1%	4.7%

Turnover of the sweater business dropped by about 5.6%, from approximately HK$201.3 million in the corresponding period last year to about HK$190.0 million, representing approximately 36.8% of the Group's total turnover. In terms of the output quantity of knitted sweaters, revenue decreased by approximately 7.8% whereas the revenue in terms of monetary value decreased by about 5.6%. Amid this unfavourable market environment, we can still maintain our average market price at the similar level when compared with the same last year. Our sweater products were still mainly exported to Europe. New customers were secured at the beginning of 2009 in order to expand our customer base. Sales to international retail chain stores accounted for approximately HK$163.1 million, which represented about 85.8% of the Group's sales proceeds from knitted sweaters for the period under review.

Dyed yarn remains the core product of Addchance. Turnover from the production and sale of dyed yarns for the period under review was approximately HK$259.0 million, which represented a decrease of about 7.4% as compared with the corresponding period in 2008 and accounted for about 50.1% of the Group's total turnover. With our self-owned manufacturing facilities, the Group can provide comprehensive services to our customers with flexible and efficient production schedules as well as diversified product ranges. We continued to exercise tight cost controls and efficient order scheduling and production planning to maintain the net margin at a similar level as last year. Revenue generated from the provision of dyeing services decreased from approximately HK$14.5 million in first half of 2008 to about HK$9.7 million during the period under review, representing a decrease of about 33.1% from the previous period. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the PRC, Hong Kong and Macau accounted for approximately 95.2% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds was 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 in 2007, our spinning production scale and capabilities have increased as expected. Production efficiency and the product quality improved through a series of production modification process. Addchance experienced apparent sales growth in the spinning business by approximately 50.3%, from about HK$35.0 million in the first half of 2008 to approximately HK$52.6 million for the period under review. Both the internal and external utilization rates of the cotton yarn increased. Through the dedicated effort of our marketing teams in exploring new customers from the domestic PRC markets, both the revenue and net profit of the spinning business increased continuously and steadily for the period under review.

During the period under review, turnover derived from the trading of cotton and yarns decreased by approximately HK$20.6 million or about 78.3%, from approximately HK$26.3 million to approximately HK$5.7 million. The decrease was mainly attributable to the Group's continuous re-allocation of its resources to those segments with high profit margins in order to strengthen our market position amidst keen competition. Therefore, the Group deliberately started to reduce its trading sales volume that carried a lower profit margin since 2008 and we expect the trading sales volume of cotton and yarns will continue to drop in the coming half-year and thereafter.

Cost of Sales

Although we faced with the significant decrease in materials, labour and utility costs during the period under review, the sales volume decreased as the result of the global financial tsunami and the average unit overhead costs increased accordingly. Therefore, the Group's cost of sales for the period under review remained at the similar level as that in last period, from approximately HK$410.6 million to approximately HK$411.1 million despite the 7.1% decrease in turnover. Raw material costs continued to be the major component of the Company's cost of sales, representing approximately 46.9% of the Company's total cost of sales during the period under review with the costs of cotton and yarn representing approximately 45% and 55% of the total cost of the raw materials respectively.

Gross profit and gross profit margin

The Group recorded approximately HK$105.9 million in gross profit for the period under review, representing a decrease of approximately 27.5% as compared with approximately HK$146.0 million in the previous period. Gross profit margin decreased from about 26.2% for the last period to approximately 20.5% for the period under review. Although the Group managed to keep the average selling price of its products at the similar level as that of the last period, the delay in the sales orders affected our sales volumes recorded in the period under review, which in turn increased our unit overhead cost and it had brought an adverse impact on the profit margin. Started from the last quarter in 2008, the sluggish export markets affected our downstream customers. The gross profit margin is expected to go higher from the second half of 2009 as some signs of relief with fresh orders from our overseas customers surfaced near the period end. We will continue to exercise stringent cost controls, efficient order scheduling and production planning so as to improve the profit margins in the coming years.

Net profit margin

On 30th December, 2008, the Group (as vendor) and a purchaser entered into two provisional sale and purchase agreements in respect of certain properties located at Sung's Tower, 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong (the "Properties"), pursuant to which the Group agreed to sell the Properties to the purchaser at an aggregate consideration of US$10.0 million. Completion of the sale and purchase of the Properties took place on 14th January, 2009. Details of the disposal of the Properties are set out in the announcement of the Company dated 2nd January, 2009. A gain of approximately HK$70.0 million from the disposal of the Properties was recognized for the period under review.

Excluding the effect of the gain on disposal of the Properties in Hong Kong, the net profit derived from the core business of the Group slightly decreased from approximately HK$11.8 million to about HK$5.1 million for the period under review as a result of the worldwide economic recession.

Other revenue

Other revenue of approximately HK$78.2 million mainly comprised the gain on disposal of 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 period under review, the Group's selling and distribution costs amounted to approximately HK$27.9 million, representing approximately 5.4% of the Group's turnover, which is lower than the corresponding 7.1% of the Group's turnover in the corresponding period last year as a result of the implementation of ongoing cost saving measures of the Group.

Administrative expenses

Administrative expenses of approximately HK$65.3 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 12.6% of the Group's turnover, which was also lower than the corresponding 13.2% of the Group's turnover in the corresponding period last year with the implementation of the ongoing cost saving measures of the Group. In addition, the reduction in the number of staff and the staff salaries also contributed to the drop in administrative expenses.

Finance costs

Finance costs mainly consisted of interests on bank borrowings and obligations under finance leases. The amount decreased by about HK$5.5 million to HK$14.0 million for the period under review. It represented approximately 2.7% of the Group's turnover and was also lower than the corresponding 3.5% of the Group's turnover in the corresponding period last year. The decrease was in line with the corresponding decrease in the bank borrowings utilization rate.

Borrowings

As at 30th June, 2009, the Group had outstanding bank borrowings of approximately HK$823.4 million, of which approximately HK$670.8 million and HK$152.4 million were due within one year and within 2 to 5 years respectively. The remaining amount of approximately HK$0.2 million was due over 5 years.

Compared with the bank borrowing level in the corresponding period last year, the amount apparently decreased from approximately HK$1,033.1 million to approximately HK$823.4 million with the absence of funds raised for acquisition and investment during the period under review. The net gearing ratio, which represents total bank borrowings net of bank balances and cash divided by net assets, improved from 1.53 as at 30th June, 2008 to 0.92 as at period end.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June, 2009, the Group's cash and cash equivalents amounted to approximately HK$51.6 million, representing an increase of approximately HK$26.0 million compared with that in the corresponding period in 2008. Total assets amounted to approximately HK$1,868.9 million, representing an increase of approximately HK$88.8 million compared with approximately HK$1,780.1 million as at 31st December, 2008. The Group met its funding requirements for its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings.

Net cash inflow in the amount of approximately HK$19.4 million was generated from operating activities, primarily reflecting growth in the Group's core business. Less bank loans were raised during the period under review and therefore the net cash generated in the financing activities decreased apparently. Capital expenditure for the period under review decreased from approximately HK$49.0 million to approximately HK$44.8 million with no material investment and acquisitions being made during the period under review.

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

Stock turnover days

The stock turnover days for the period under review were approximately 274 days and remained at the similar level as in last corresponding period. Seasonality affects the stock pile-up in each interim period and therefore the number of the stock turnover days in interim periods were significantly higher than that as at year ends. Subsequently, the inventory balance started to decrease when the deliveries of knitted panels were made. The Group will continue to actively monitor the inventory level.

Debtors' turnover days

For the first half of 2009, the number of debtors' turnover days was significantly improved from 112 days in the corresponding period last year to 92 days for the period under review with the credit control on debt collection and the 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 subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Board of 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 credit worthiness, 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 second half of 2009, the Board of Directors does not recommend the payment of interim dividend for the six months ended 30th June, 2009.

DISCLOSURE OF INTERESTS

Interests of Directors in the shares, underlying shares and debenture

As at 30th June, 2009, the interests of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

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

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

Notes:

1. Dr. Sung was deemed to be interested in 300,000,000 Shares in the capacities as the founder of The CK Sung's Trust, the beneficial owner of Powerlink Industries Limited and the founder and settlor of The Addchance Employee's Trust. Under the SFO, Dr. Sung was 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% in the entire issued share capital of the Company.

2. Mr. Sung was 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 was also deemed to be interested in the entire issued share capital of Powerlink Industries Limited under the SFO.

3. Mr. Wong was 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 was 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 was 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 the founder of The CK Sung's Trust and the deemed interest of Mr. Sung were in respect of the same interest and duplicated with each other.

7. The deemed interest of Dr. Sung as the 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 with each other.

Save as disclosed above, as at 30th June, 2009, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial shareholders and other persons in the share capital of the Company

As at 30th June, 2009, 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 position in Shares
Interests of substantial shareholders (as defined in the Listing Rules)

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

Notes:

1. The entire issued share capital of Powerlink and Herojoy Trading Limited were owned by GZ Trust in its capacities 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 (excluding Dr. Sung himself), 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 was deemed to be interested in the 300,000,000 Shares under the SFO.

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

3. Mrs. Sung was 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 was 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 30th June, 2009, 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 and Herojoy Trading Limited.

SHARE OPTION SCHEME

On 29th August, 2005, the Company adopted a share option scheme under which the Directors may grant options to eligible persons, including employees and directors of the Group, to subscribe for shares of the Company.

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2009.

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

The Company has not redeemed any of its listed shares during the six months ended 30th June, 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the six months ended 30th June, 2009.

CORPORATE GOVERNANCE

None of 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, as set out in Appendix 14 to the Listing Rules during the six months ended 30th June, 2009 save that Code provision A.2.1 requires that the roles 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. There is no time schedule to change this structure as the Directors consider that this structure provides the Group with strong and consistent leadership in the Company's decision making and operational efficiency.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30th June, 2009.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group, its internal control, financial reporting matters, interim results and the interim report for the six months ended 30th June, 2009.