Annual Report 2009

Addchance Holdings Limited

互益集團有限公司

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

(Stock Code: 3344)

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

FINANCIAL HIGHLIGHTS

Key Financial Results

	Year ended 31st December,					
	2009	2008	Changes	2007	2006	2005
	HK$'000	HK$'000	+/-%	HK$'000	HK$'000	HK$'000
Turnover	**1,214,255**	1,316,764	-7.8	1,167,362	925,889	900,482
Gross profit	**176,775**	279,529	-36.8	278,069	214,518	233,019
Profit for the year	**50,898**	66,849	-23.9	98,302	66,190	75,417
Profit attributable to:						
Owners of the Company	**49,880**	67,567	-26.2	98,546	66,196	75,413
Minority interests	**1,018**	(718)	-241.8	(244)	(6)	4
Earnings per share (in HK cents)	**12.47**	16.89	-26.2	24.64	16.55	23.27

Financial Ratios

	Year ended 31st December,				
	2009	2008	2007	2006	2005
Profitability ratios:					
Gross margin (%)	**14.6**	21.2	23.8	23.2	25.9
Net margin (%)	**4.2**	5.1	8.4	7.1	8.4
Liquidity ratios:					
Current ratio (times)	**1.13**	1.04	1.1	1.4	1.4
Stock turnover (days) *(Note 1)*	**164**	206	172	111	101
Debtors turnover (days) *(Note 2)*	**60**	64	67	68	70
Creditors turnover (days) *(Note 3)*	**32**	47	44	38	31
Capital adequacy ratio					
Gearing ratio (%) *(Note 4)*	**40.5**	43.4	42.2	30.4	30.2

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.

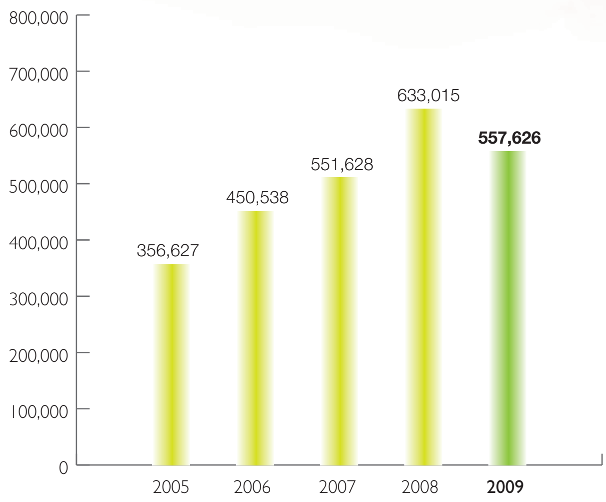
3. The number of creditors' turnover days is equal to trade and bills payables at the end of the year divided by the cost of sales for the year and then multiplied by 365 days.

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.

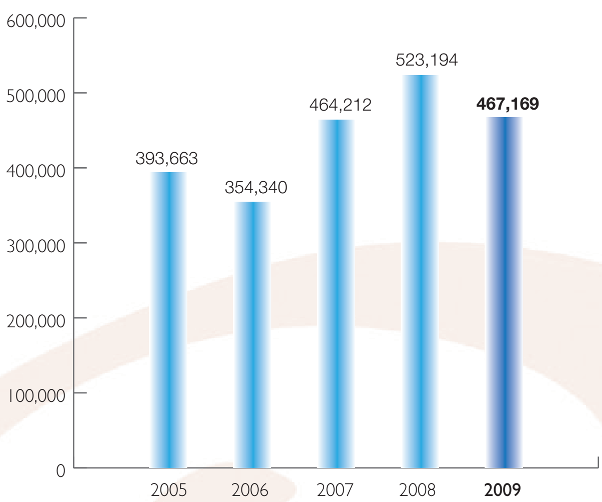
FINANCIAL HIGHLIGHTS

TURNOVER BY OPERATION

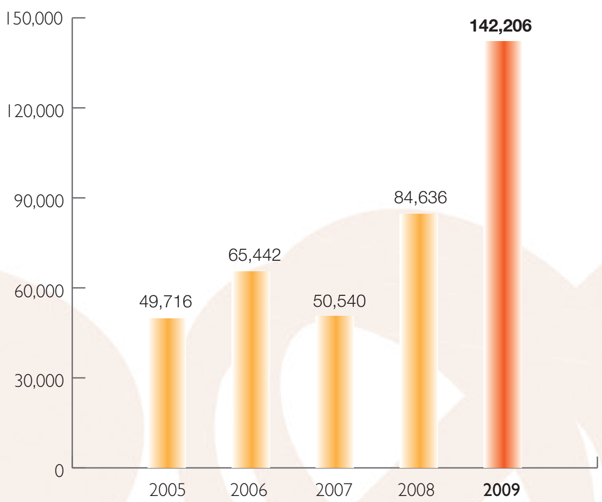
Production and sales of knitted sweaters
(HK$'000)



Production and sales of dyed yarns
(HK$'000)

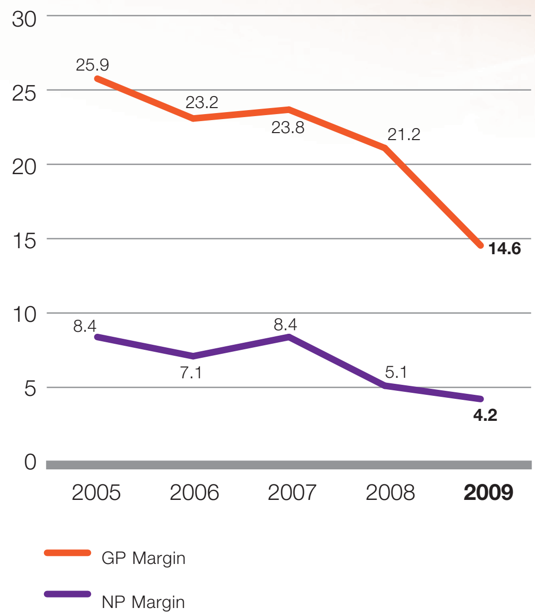


Production and sales of cotton yarns
(HK$'000)

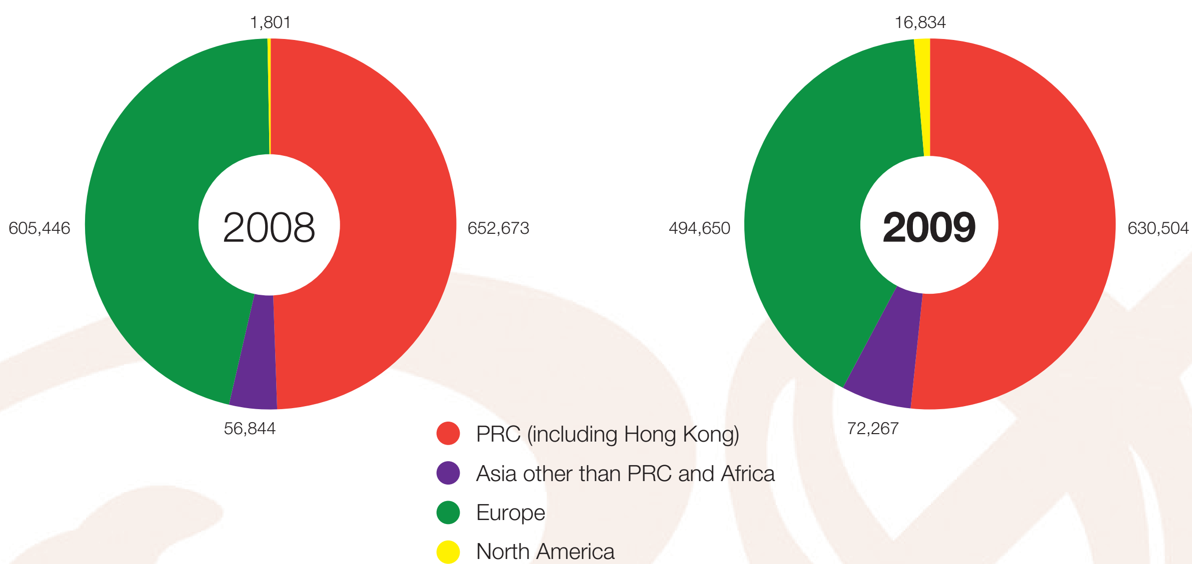


FINANCIAL HIGHLIGHTS

PROFIT MARGIN
(%)



TURNOVER BY
GEOGRAPHICAL LOCATION
(HK$'000)



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.

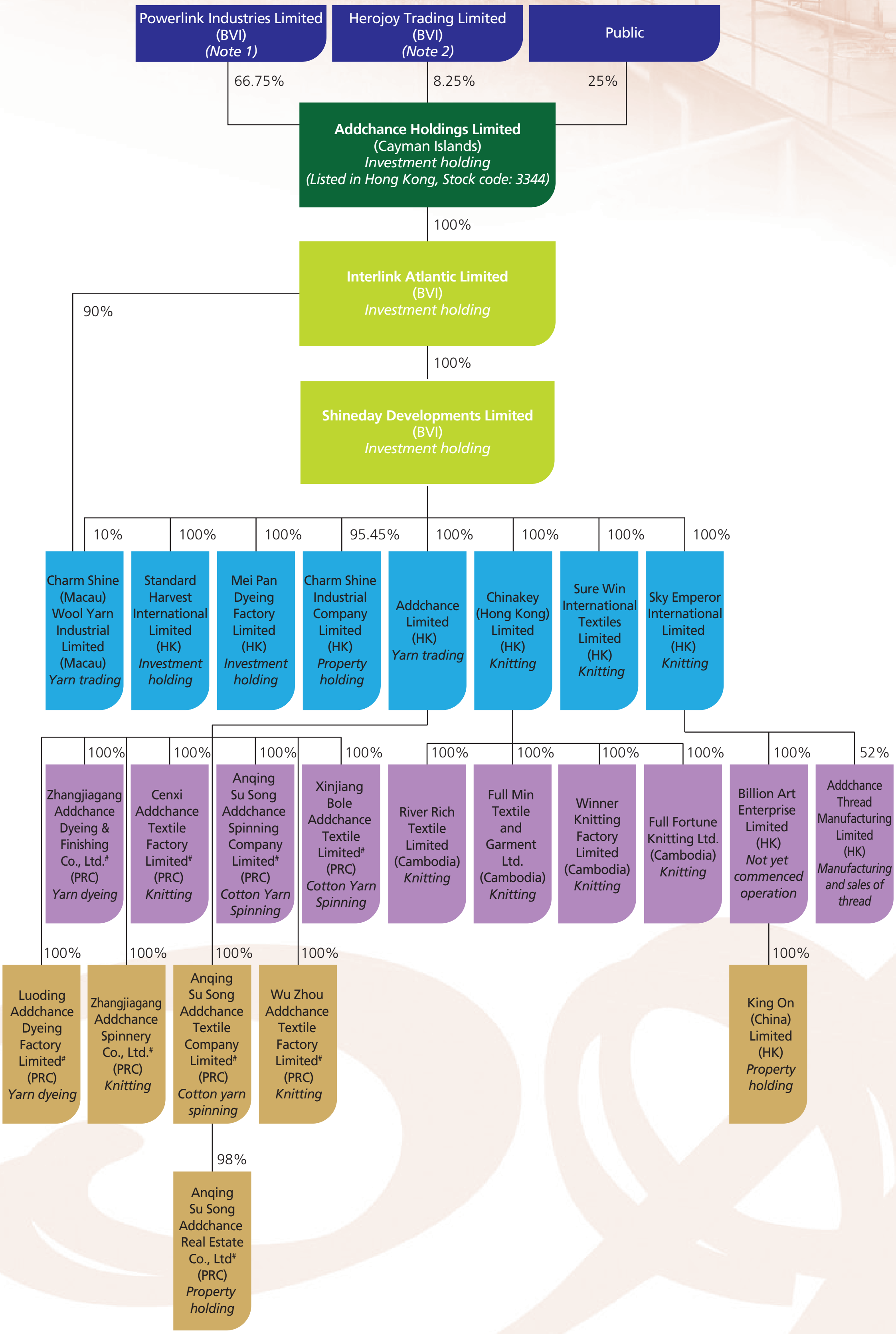
WEBSITE

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

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 31ST DECEMBER, 2009



for identification purpose only

CORPORATE STRUCTURE AS AT 31ST DECEMBER, 2009

Notes:

1. The entire issued share capital of Powerlink Industries Limited is wholly and beneficially owned by Dr. Sung Chung Kwun, the Chairman of the Company.

2. The entire issued share capital of Herojoy Trading Limited is owned as to 50%, 40% and 10% by Mr. Wong Chiu Hong, Ms. Mok Pui Mei and Mr. Ip Siu Lam respectively, all being the executive Directors.

CHAIRMAN'S STATEMENT

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, 2009.

2009 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 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 the 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, our purchase orders received decreased slightly. Our sweater business was affected by the uncertain global economic environment and achieved a slower growth in the year 2009. Amid this unfavourable market environment, we can still maintain our average market price at a similar level comparing with that of last year. With strong support from the reputable brands, we further expanded our customer base and gained a number of new customers in the beginning of 2009.

CHAIRMAN'S STATEMENT

Since the PRC economical environment is driven by domestic demand, it is free from the turbulence in Europe and America. The Group maintains its production advantages in various regions and further improves its production capacity management.

Looking forward to next year, there will be strong demand in the textile industry and spinning yarn will be in shortage. The Group will penetrate into the market by enhancing our upstream textile production efficiency and product quality. The Group has engaged in Cambodia, one of the three foreign regions (namely, Cambodia, Bangladesh, Vietnam) emerging with development advantages in textile industry. The Group will leverage on the export custom free policy and its extensive human resources as well as updating our equipment technology again. The Group is full of confidence in our competitiveness, which will bring our business into the next level.

Addchance will strive to achieve a sustainable growth by exercising stringent cost control strategies and pursuing market diversification. We are confident that 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 in accordance with 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 take us into the next level.

On behalf of the Board, I would like to take this opportunity to extend 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, 21 April, 2010

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

We are pleased to report the results of the Group for the 12 months ended 31st December, 2009. The Group's consolidated revenue slightly decreased by about 7.8% to HK$1,214.3 million. Profit attributable to owners of the Company was approximately HK$49.9 million.

During the financial year under review, the operating environment was full of challenges for Addchance and the textile industry. The outbreak of US subprime crisis has led to 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 the financial tsunami has a negative impact on customer confidence and their purchasing power. They have been aggressively reducing their inventories and delayed in placing orders with us. All these changes affected our purchasing orders received in the year of 2009.

As a leading textile manufacturer and 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. 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.

Prospects

Looking forward, the macro uncertainty triggered by the global financial tsunami continues to cloud visibility. It is anticipated that the global economic environment will remain tough and difficult. The economic outlook for the year of 2010 depends largely on the effectiveness of the various economic stimulus plans being implemented in the US and EU. 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 year, the Group will continue to locate new clients in the PRC and target 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. Those favorable economic foundations include high saving rate, large-scale infrastructure and rapid urbanization, availability of work force and improving quality of education. We believe that the Group can enhance its competitiveness and meet new challenges in the market with our strong market position, 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 above, and knitted sweaters including cardigans and pullovers. 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 stable level.

The Group's total revenue for the year ended 31st December, 2009 decreased slightly by about 7.8% to HK$1,214.3 million as compared to the approximately HK$1,316.8 million last year.

TURNOVER BY operation
(Amount HK$'000)

	2009	2008	Changes +/-%	2007	2006	2005
Production and sale of dyed yarns	467,169	523,194	-10.7	464,212	354,340	393,663
Production and sale of knitted sweaters	557,626	633,015	-11.9	551,628	450,538	356,627
Production and sale of cotton yarn	142,206	84,636	68.0	50,540	65,442	49,716
Provision of dyeing and knitting services	25,337	38,293	-33.8	31,531	36,105	31,392
Trading of cotton and yarns	21,917	37,626	-41.8	69,451	19,464	69,084
	1,214,255	1,316,764	-7.8	1,167,362	925,889	900,482

TURNOVER BY operation
(in % of total)

	2009	2008	2007	2006	2005
Production and sale of dyed yarns	38.5%	39.7%	39.8%	38.3%	43.7%
Production and sale of knitted sweaters	45.9%	48.1%	47.3%	48.7%	39.6%
Production and sale of cotton yarn	11.7%	6.4%	4.3%	7.1%	5.5%
Provision of dyeing and knitting services	2.1%	2.9%	2.7%	3.9%	3.5%
Trading of cotton and yarns	1.8%	2.9%	5.9%	2.0%	7.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover of the sweater business dropped by about 11.9%, from approximately HK$633.0 million last year to about HK$557.6 million in the year under review, representing approximately 45.9% of the Group's total turnover. In terms of the output quantity of knitted sweaters, revenue decreased by approximately 12.3% whereas the revenue in terms of monetary value decreased by about 11.9%. Amid this unfavourable market environment, we can still maintain our average market price at a similar level when compared with that of 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.

Dyed yarn remains the core product of Addchance. Turnover from the production and sale of dyed yarns for the year under review was approximately HK$467.2 million, which represented a decrease of 10.7% as compared with the previous year and accounted for 38.5% of the Group's total turnover. Revenue generated from the provision of dyeing services decreased from approximately HK$38.3 million the previous year to about HK$25.3 million during the year under review, a decrease of about 33.8% from the previous year. 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 and sales proceeds 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 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 since 2007, our spinning production facilities 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 68.0%, from about HK$84.6 million last year to about HK$142.2 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.

Turnover derived from the trading of cotton and yarns decreased by approximately HK$15.7 million or about 41.8%, from approximately HK$37.6 million to approximately HK$21.9 million. The decrease was mainly attributable to the policy of the Group to continuously re-allocate 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 year.

Cost of Sales

During the year under review, the cost of sales remained at a similar level as that of last year, from approximately HK$1,037.2 million to about HK$1,037.5 million despite the Group experienced a drop of approximately 7.8% in turnover. The higher average cost products digested in the year 2009 and resulting in the increase of the amount of raw materials consumed by approximately 20.0% as compared with last year, offsetting the decrease of fuel cost, labour and utility costs and subcontracting charges in this year. Also, the decrease in the sales volume of knitted sweaters and dyed yarns drove the increase of the unit cost per product.

Raw material costs continued to be the major component of the Company's cost of sales, representing approximately 54.7% of the Company's total cost of sales in the year 2009 with the costs of cotton and yarn representing about 50% each of the total cost of raw materials. With the expansion of our self-owned spinning business since 2007, the purchases of yarn from outsiders continuously decreased by about 16.6% as compared with that of last year.

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 cost of sales remained at a similar level. Addchance will maintain its vigilance to further tighten its cost control measures as well as to enhance its production efficiency and effectiveness.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

The Group recorded approximately HK$176.8 million in gross profit for the year under review, representing a decrease of approximately 36.8% as compared with approximately HK$279.5 million the previous year. Gross profit margin decreased from about 21.2% last year to approximately 14.6% for the year under review. Although the Group managed to keep the average selling price of its products at a similar level as that of the last year, the decrease in the sales orders affected our sales volumes recorded in the year under review, which in turn increased our unit overhead cost and brought a negative impact on the profit margin. 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$67.1 million from the disposal of the Properties was recognized for the year ended 31st December, 2009.

Excluding the effect of the gain on disposal of the Properties, an approximately HK$16.2 million net loss incurred from the core business of the Group for the year under review.

Other revenue

Other revenue mainly comprised the 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 approximately HK$59.4 million, representing approximately 4.9% of the Group's turnover, which is lower than the corresponding 6.7% of the Group's turnover in the year of 2008 as a result of the implementation of the ongoing cost saving measures of the Group.

Administrative expenses

Administrative expenses of approximately HK$117.3 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 9.7% of the Group's turnover.

Finance costs

Finance costs mainly consisted of interests on bank borrowings and obligations under finance leases. The amount decreased by about HK$16.2 million to HK$28.3 million for the year under review. It represented approximately 2.3% of the Group's turnover and was also lower than the corresponding 3.4% of the Group's turnover last year. The decrease was in line with the corresponding decrease in the bank borrowings utilization rate.

Borrowings

As at 31st December, 2009, the Group had outstanding bank borrowings of approximately HK$629.0 million, of which approximately HK$486.4 million and HK$142.6 million were due within one year and within 2 to 5 years respectively.

Compared with the bank borrowing level last year, the amount apparently decreased from approximately HK$720.8 million to approximately HK$629.0 million with the absence of funds raised for acquisition and investment during the year under review. The net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, improved from 0.92 as at 31st December, 2008 to 0.75 as at 31st December, 2009.

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 31st December, 2009, the Group's total assets amounted to approximately HK$1,658.6 million, in which the cash and cash equivalents represented approximately HK$67.8 million. The Group met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings.

Net cash inflow substantially increased by approximately HK$131.6 million to approximately HK$182.1 million, which was generated from operating activities, primarily reflecting growth in the Group's core business. Also, the decrease in inventories and the collection of accounts receivables increased further the net cash inflow generated from operating activities.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year under review, the net cash used in investing activities decreased substantially to approximately HK$77.1 million compared with the previous year. Capital expenditure for the year of 2009 largely decreased by around HK$82.2 million from HK$174.3 million last year to approximately HK$92.1 million with no material investment and acquisitions being made 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, 2009 was approximately 164 days, compared with 206 days for the year ended 31st December, 2008. The number decreased substantially by about 42 days, compared with that last year. The Group will continuously monitor the inventory level to a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days was improved by 4 days from 64 days last year to 60 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 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 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.

The directors recommend the payment of a final dividend of HK2.0 cents per share for the year ended 31st December, 2009 to shareholders appearing on the register of members of the Company as at 31st May, 2010, which is subject to approval of the shareholders at the forthcoming annual general meeting.

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, 2009 (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 23 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	(5/5)
Mr. Wong Chiu Hong	(5/5)
Mr. Ip Siu Lam	(4/5)
Ms. Mok Pui Mei	(5/5)
Mr. Sung Kim Ping	(4/5)
Mr. Cheung Yung Fat, Albert	(5/5)
Mr. Lau Gary Q.	(4/5)
Mr. Chan Tsz Fu, Jacky	(5/5)
Mr. Ng Man Kin	(5/5)
Professor Cai Xiu Ling	(4/5)

CORPORATE GOVERNANCE REPORT

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 practicing 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, 2009 to 31st August, 2010 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. Meeting was held in April, 2010 to make recommendations to the Board on the remunerations of Directors and members of the senior management.

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.

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	(3/4)

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

For the year ended 31st December, 2009, the auditors of the Company received 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 65, 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會員), 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 Twelve 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 58, 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 54, 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 function 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.

DIRECTORS AND SENIOR MANAGEMENT

Ms. MOK Pui Mei（莫佩薇女士）, aged 48, 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 25 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 40, has been appointed as the Executive Director of the Company on 17th April, 2008 and a son of Dr. Sung. 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. Mr. Sung has over 20 years of experience in textile industry and he joined the Group from 1991 to 2004 and re-joined the Group in 2005. Mr. Sung has been a committee member of the 11th 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會員）.

Mr. CHEUNG Yung Fat, Albert（張容發先生）, aged 60, has been appointed as the Executive Director of the Company on 17th April, 2008 and will retire at the forthcoming annual general meeting 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 setting 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 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 35, 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 35, is the director of Jacky Chan CPA Ltd., Mr. Chan has practiced since 2001 and has over 15 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 46, is a solicitor and a partner of Kwok, Ng & Chan Solicitors. Mr. Ng graduated from the University of Hull with a Bachelor's degree of Laws with Honours in 1988 and obtained a Master degree of 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 47, is the head of Fujian and Taiwan Economics Research Centre and 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 21 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 57, 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 30 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 vacated 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 34, is the Financial Controller, Qualified Accountant and Company Secretary of the Group. Ms. Fung had over 13 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.

DIRECTORS AND SENIOR MANAGEMENT

Ms. LEUNG Chi Ying (梁熾英女士), aged 42, 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 20 years experience in textile industry with over 15 years of experience in yarn purchasing. Ms. Leung first joined the Group as sales coordinator in October 1987 but vacated 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 55, 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 15 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 37, 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 35, 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 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 2009 annual report and the audited consolidated financial statements for the year ended 31st December, 2009.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2009 are set out in the consolidated statement of comprehensive income on page 35.

The directors now recommend the payment of a final dividend of HK2.0 cents per share to the shareholders on the register of members of the Company on 31st May, 2010, amounting to approximately HK$8,860,000.

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.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 33 to the consolidated financial statements.

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

During the year ended 31st December, 2009, 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, 2009 amounted to approximately HK$386,885,000 (2008: HK$386,886,000).

DIRECTORS' REPORT

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
Mr. Cheung Yung Fat, Albert

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 Article 87(1) and (2) of the Company's Articles of Association, Dr. Sung Chung Kwun, Mr. Wong Chiu Hong, Mr. Ng Man Kin and Mr. Cheung Yung Fat, Albert shall retire from office by rotation. Each of Dr. Sung, Mr. Wong and Mr. Ng, being eligible, has offered himself for re-election at the forthcoming annual general meeting. Mr. Cheung Yung Fat, Albert did not offer himself for re-election and shall retire 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 letter of appointment with the Company and is appointed for a period of one year commencing from 1st September, 2009 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 employing company within one year without payment of compensation (except for statutory compensation).

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31st December, 2009, 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:

(i) 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")	Interest in controlled corporation	267,000,000	*1*	66.75%
Mr. Wong Chiu Hong ("Mr. Wong")	Interest in controlled corporation	33,000,000	*2*	8.25%
Ms. Mok Pui Mei ("Ms. Mok")	Interest in controlled corporation	33,000,000	*2*	8.25%
Mr. Ip Siu Lam ("Mr. Ip")	Interest in controlled corporation	3,300,000	*2*	0.825%

Notes:

1. These Shares are held by Powerlink Industries Limited, a company wholly and beneficially owned by Dr. Sung.

2. The 33,000,000 Shares are held by Herojoy Trading Limited, a company owned as to 50%, 40% and 10% by Mr. Wong, Ms. Mok, and Mr. Ip respectively. Accordingly, Mr. Wong and Ms. Mok are deemed to be interested in 33,000,000 Shares under the SFO.

(ii) Long position in the share of Powerlink Industries Limited

Name of director	Capacity	Number of share held	Percentage of shareholding
Dr. Sung	Beneficial owner	one	100%

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, 2009.

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 by way of 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, 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, 2009, 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 SHAREHOLDER AND OTHER PERSON IN SHARES AND UNDERLYING SHARES

As at 31st December, 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 positions in Shares

Interest of Substantial shareholder

Name	Capacity	Number of shares	*Note*	Percentage of shareholding
Powerlink Industries Limited	Beneficial owner	267,000,000	*1*	66.75%

Notes:

1. The entire issued share capital of Powerlink Industries Limited is wholly and beneficially owned by Dr. Sung.

Interest of other person

Name	Capacity	Number of Shares	*Note*	Percentage of Shareholding
Herojoy Trading Limited	Beneficial owner	33,000,000	*2*	8.25%

2. The entire issued share capital of Herojoy Trading Limited is owned as to 50%, 40% and 10% by Mr. Wong, Ms. Mok and Mr. Ip respectively, all being the executive Directors.

Save as disclosed above, as at 31st December, 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 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, Mr. Wong, Ms. Mok and Mr. Ip (all being the executive directors of the Company) 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 executive directors of the Company 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 set up 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.

DIRECTORS' REPORT

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 comprised approximately 36.98% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 17.3% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 31.73% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 7.47% of the Group's total purchases.

Save as disclosed in Note 39 to the consolidated financial statements, 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 and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2009.

AUDITORS

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

On behalf of the Board

CHAIRMAN
DR. SUNG CHUNG KWUN
Hong Kong, 21st April, 2010

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 87, which comprise the consolidated statement of financial position as at 31st December, 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory 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 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, 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. 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.

INDEPENDENT AUDITOR'S REPORT

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, 2009 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
21st April, 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
Revenue	7	1,214,255	1,316,764
Cost of sales		(1,037,480)	(1,037,235)
Gross profit		176,775	279,529
Other income		19,408	58,310
Gain on disposal of assets classified as held for sale	27	67,092	–
Selling and distribution costs		(59,422)	(88,333)
Administrative expenses		(117,295)	(128,790)
Finance costs	9	(28,313)	(44,559)
Profit before tax		58,245	76,157
Income tax expense	10	(7,347)	(9,308)
Profit for the year	11	50,898	66,849
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		773	55,067
Total comprehensive income for the year		51,671	121,916
Profit for the year attributable to:			
Owners of the Company		49,880	67,567
Minority interests		1,018	(718)
		50,898	66,849
Total comprehensive income attributable to:			
Owners of the Company		50,653	122,634
Minority interests		1,018	(718)
		51,671	121,916
Earnings per share, in HK cents	15		
Basic		12.47	16.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investment properties	16	1,988	2,040
Property, plant and equipment	17	758,018	768,926
Prepaid lease payments	18	81,808	73,127
Deposit paid for acquisition of land use rights and property, plant and equipment	19	13,460	16,203
Club debentures	20	1,070	1,070
Deferred tax assets	21	159	230
		856,503	861,596
CURRENT ASSETS			
Prepaid lease payments	18	1,737	1,831
Inventories	22	466,079	586,080
Trade receivables, bills receivables and other receivables, deposits and prepayments	23	248,607	226,866
Amounts due from related companies	24	192	163
Pledged bank deposits	25	5,682	1,387
Bank balances and cash	26	79,826	94,208
		802,123	910,535
Assets classified as held for sale	27	–	7,983
		802,123	918,518
CURRENT LIABILITIES			
Trade and other payables	28	172,889	245,462
Bills payable	29	43,285	52,595
Amount due to a minority shareholder	30	175	240
Bank borrowings – due within one year	31	481,373	570,913
Obligations under finance leases – due within one year	32	5,057	8,669
Taxation payable		6,072	7,347
		708,851	885,226
NET CURRENT ASSETS		93,272	33,292
TOTAL ASSETS LESS CURRENT LIABILITIES		949,775	894,888

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2009

	Notes	2009 HK$'000	2008 HK$'000
CAPITAL AND RESERVES			
Share capital	*33*	4,000	4,000
Reserves		781,328	730,675
Equity attributable to owners of the Company		785,328	734,675
Minority interests		1,391	146
		786,719	734,821
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	*31*	142,574	136,184
Obligations under finance leases			
– due after one year	*32*	–	5,057
Deferred tax liabilities	*21*	20,482	18,826
		163,056	160,067
		949,775	894,888

The consolidated financial statements on pages 35 to 87 were approved and authorised for issue by the Board of Directors on 21st April, 2010 and are signed on its behalf by:

DR. SUNG CHUNG KWUN	MR. WONG CHIU HONG
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 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	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	–	–	–	–	–	55,067	–	55,067	–	55,067
Profit for the year	–	–	–	–	–	–	67,567	67,567	(718)	66,849
Total comprehensive income 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
Exchange differences arising on translation of foreign operations	–	–	–	–	–	773	–	773	–	773
Profit for the year	–	–	–	–	–	–	49,880	49,880	1,018	50,898
Total comprehensive income for the year	–	–	–	–	–	773	49,880	50,653	1,018	51,671
Contribution from minority shareholder	–	–	–	–	–	–	–	–	227	227
At 31st December, 2009	4,000	89,406	140,043	24,673	12,459	93,589	421,158	785,328	1,391	786,719

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, 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. 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 STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
OPERATING ACTIVITIES		
Profit before tax	58,245	76,157
Adjustments for:		
Finance costs	28,313	44,559
Interest income	(105)	(252)
Depreciation of property, plant and equipment	78,130	68,186
Depreciation of investment properties	52	190
Amortisation of prepaid lease payments	1,931	2,126
Impairment loss on available-for-sale investments	–	1,325
Gain on disposal of asset held for sale	(67,092)	–
Gain on disposal of properties	(2,231)	(42,779)
Loss (gain) on disposal of property, plant and equipment	119	(28)
Allowance for bad and doubtful debts	–	569
Operating cash flows before movements in working capital	97,362	150,053
Decrease (increase) in inventories	120,001	(168,217)
(Increase) decrease in trade receivables, bills receivables and other receivables, deposits and prepayments	(21,534)	41,279
(Increase) decrease in amounts due from related companies	(29)	677
Increase in trade and other payables	2,502	28,182
Decrease in bills payable	(9,310)	(786)
Increase (decrease) in amount due to a director	–	(170)
Increase (decrease) in amount due to a related company	–	(305)
Cash from operations	188,992	50,713
Tax refunded	176	1,503
Tax paid	(7,071)	(1,763)
NET CASH FROM OPERATING ACTIVITIES	182,097	50,453
INVESTING ACTIVITIES		
Interest received	105	252
Proceeds from disposal of properties	7,500	67,652
Proceeds from disposal of property, plant and equipment	9,017	28
Purchase of property, plant and equipment	(74,343)	(136,132)
Prepaid lease payment	(15,059)	–
Deposit paid for acquisition of land use rights and property, plant and equipment	–	(1,246)
Deposits received for disposal of properties	–	78,000
Decrease in pledged bank deposits/fixed bank deposits	(4,295)	9,795
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(77,075)	18,349

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2009

	2009 HK$'000	2008 HK$'000
FINANCING ACTIVITIES		
Dividend paid	–	(20,000)
Interest paid	(28,313)	(44,559)
Repayment of bank borrowings	(1,407,697)	(1,541,879)
Repayment of obligations under finance leases	(8,669)	(9,027)
(Decrease) increase in amount due to a minority shareholder	(65)	240
New bank borrowings raised	1,335,941	1,614,546
Contribution by minority shareholders	227	–
NET CASH USED IN FINANCING ACTIVITIES	(108,576)	(679)
NET (DECREASE IN) INCREASE IN CASH AND CASH EQUIVALENTS	(3,554)	68,123
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	–	4,056
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	71,331	(848)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by	67,777	71,331
Bank balances and cash	79,826	94,208
Bank overdrafts	(12,049)	(22,877)
	67,777	71,331

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 entire issued share capital of Powerlink Industries Limited is wholly and beneficially owned by Dr. Sung Chung Kwun, the chairman of the 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 40.

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 ("IFRSs")

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

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 (Amendment)	Improving 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
IFRIC – Int 18	Transfers of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning or after 1st July, 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

IAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and changes in the format and content of the financial statements.

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.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

The adoption of the new and revised IFRSs has had no material effect on the reported results and financial position of the Company for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

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)	Amendment to HKFRS 5 as part of Improvements to IFRSs 2008[1]
IFRSs (Amendments)	Improvements to HKFRSs 2009[2]
IAS 24 (Revised)	Related Party Disclosures[6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[3]
IFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[3]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[7]
IFRIC – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[6]
IFRIC – Int 17	Distributions of Non-cash Assets to Owners[1]
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[5]

[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 and 1st January, 2010, as appropriate.*
[3] *Effective for annual periods beginning on or after 1st January, 2010.*
[4] *Effective for annual periods beginning on or after 1st February, 2010.*
[5] *Effective for annual periods beginning on or after 1st July, 2010.*
[6] *Effective for annual periods beginning on or after 1st January, 2011.*
[7] *Effective for annual periods beginning on or after 1st January, 2013.*

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is 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.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") – continued

In addition, as part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to IAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in IAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to IAS 17 might affect the classification and measurement of the Group's leasehold land.

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 consolidated financial statements.

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 the 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition

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

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 includes 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 profit or loss in the period in which the item is derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 profit or loss in the period in which the item is derecognised.

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 profit or loss 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 statement of financial position 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.

Operating lease payments are recognised as an expense 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 and amortised over the lease term 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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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 end of reporting period, 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 in other comprehensive income and accumulated in equity (the translation reserve).

Borrowing costs

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

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

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 statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of reporting period.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation – continued

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

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 profit or loss in the period 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 in the consolidated statement of financial position 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.

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 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 to the net carrying amount on initial recognition.

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

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 the end of each reporting period 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. Subsequent to initial recognition, loans and receivables (including trade receivables, bills receivables and other receivables, amounts due from related companies, pledged 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 the end of each reporting period. 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

Financial assets – 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.

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.

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, 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. 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 the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets if any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any 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 end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY – continued

Estimated impairment of 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 2009, the carrying amount of trade receivable is HK$144,987,000, net of allowance for doubtful debts of HK$9,503,000 (2008: HK$160,964,000, net of allowance for doubtful debts of HK$9,503,000).

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 net debt, which includes the bank borrowings and obligations under finance leases disclosed in notes 31 and 32 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 and new share issues as well as issue of new debt or redemption of existing debt.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2009 HK$'000	2008 HK$'000
Financial assets		
Loans and receivables		
Trade receivables, bills receivables and other receivables	225,786	188,452
Amounts due from related companies	192	163
Pledged bank deposits	5,682	1,387
Bank balances and cash	79,826	94,208
	311,486	284,210
Financial liabilities stated at amortised cost		
Trade and other payables	96,285	104,836
Bills payable	43,285	52,595
Deposit received for disposal of properties	–	78,000
Amount due to a minority shareholder	175	240
Bank borrowings	623,947	707,097
Obligations under finance leases	5,057	13,726
	768,749	956,494

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, bank balances and cash, trade and other payables, bills payable, amount due to a minority shareholder, 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. The 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, 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 reporting date are as follows:

	Assets		Liabilities	
	2009	2008	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000
United State dollars ("USD")	50,920	107,321	72,127	162,540
Renminbi ("RMB")	2,291	–	223	–
EURO ("EUR")	39,994	45,686	64,576	78,377

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% (2008: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2008: 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% (2008: 5%) change in foreign currency notes. A positive number below indicates an increase in post-tax profit where Hong Kong dollars strengthen 5% against the relevant currencies. For a 5% (2008: 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	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Profit (loss) for the year	1,026	1,365	(105)	–

(ii) Interest rate risk

The Group is mainly exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see note 31 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 29, 31 and 32 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.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk – continued

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 end of reporting period. The analysis is prepared assuming financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points (2008: 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 (2008: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2009 would decrease/increase by HK$2,241,000 (2008: decrease/increase by HK$2,943,000). The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable interest rate bank borrowings.

Credit risk

As at 31st December, 2009, 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 statement of financial position.

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 the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31st December, 2009, the Group has a concentration of credit risk to its five largest customers which comprised approximately HK$67,989,000 (2008: HK$70,959,000) of the Group's trade receivables. Management identified such concentration of credit risk by considering (i) the number of counterparties; (ii) shared characteristic of these customers such as garment and apparel retailing and wholesale industry and regions within Europe and (iii) the amount of risk exposure associated with the trade receivables. The Group normally offer credit term of 30 days to 120 days to these customers. By reviewing regular subsequent settlement of these trade receivables, the directors are of opinion that the default risk of these trade receivables are manageable. 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$93,272,000 as at 31st December, 2009 (2008: HK$33,292,000). 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 covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. 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
2009									
Non-derivative financial liabilities									
Trade and other payables		34,244	36,744	25,297	–	–	–	96,285	96,285
Bills payable	3	17,681	19,102	6,889	–	–	–	43,672	43,285
Amount due to a minority shareholder		175	–	–	–	–	–	175	175
Bank borrowings									
– variable rate	3.5	109,562	121,713	177,042	88,963	46,584	–	543,864	528,646
– fixed rate	5.3	6,669	42,258	32,635	609	16,518	–	98,689	95,301
Obligations under finance leases	5	725	1,450	2,894	–	–	–	5,069	5,057
		169,056	221,267	244,757	89,572	63,102	–	787,754	768,749

	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									
Non-derivative financial liabilities									
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

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:

	2009 HK$'000	2008 HK$'000
Production and sale of cotton yarn	142,206	84,636
Production and sale of knitted sweaters	557,626	633,015
Production and sale of dyed yarns	467,169	523,194
Provision of dyeing services	25,337	38,293
Trading of cotton and yarns	21,917	37,626
	1,214,255	1,316,764

8. 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 maker, Board of Directors, for the purpose of allocating resources to segments and assessing 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 8 changed the basis of measurement of segment profit or loss and segment asset. The Group's operating segments under IFRS 8 are therefore identical to the business segments under IAS 14.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 31st December, 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	142,206	557,626	467,169	25,337	21,917	–	1,214,255
Inter – segment sales	83,660	409,639	423,651	34,818	128,189	(1,079,957)	–
	225,866	967,265	890,820	60,155	150,106	(1,079,957)	1,214,255
SEGMENT PROFIT (LOSS)	3,708	23,054	7,800	352	(12,337)	–	22,577
Interest income							105
Rental income							368
Unallocated income							2,232
Unallocated expenses							(5,816)
Gain on disposal of assets classified as held for sale							67,092
Finance costs							(28,313)
Profit before tax							58,245
Income tax expense							(7,347)
PROFIT FOR THE YEAR							50,898

Inter-segment sales were charged at cost plus margin basis.

8. SEGMENT INFORMATION – continued

Segment revenues and results – continued

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
SEGMENT PROFIT (LOSS)	4,754	53,716	43,165	5,652	(165)	–	107,122
Interest income							252
Rental income							527
Unallocated income							23,219
Unallocated expenses							(10,404)
Finance costs							(44,559)
Profit before tax							76,157
Income tax expense							(9,308)
PROFIT FOR THE YEAR							66,849

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit (loss) represents the profit (loss) derived from each segment without allocation of central administration costs, directors' salaries, gain on disposal of assets classified as held for sale, gain on disposal of properties, interest income, rental income and finance cost. This is the measure reported to the Board of Directors for the purposes of resource allocation and performance assessment.

Inter-segment sales were charged at cost plus margin basis.

8. SEGMENT INFORMATION – continued

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31st December, 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$'000	Total HK$'000
ASSETS						
Segment assets	412,268	680,942	384,411	45,102	47,178	1,569,901
Unallocated corporate assets						88,725
CONSOLIDATED TOTAL ASSETS						1,658,626
LIABILITIES						
Segment liabilities	40,113	69,697	101,100	4,950	12,537	228,397
Unallocated corporate liabilities						643,510
CONSOLIDATED TOTAL LIABILITIES						871,907

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable segments other than investment properties, club debentures, deferred tax assets, bank balances and cash and pledged bank deposits. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and all liabilities are allocated to reportable segments other than bank borrowings, obligation under finance lease, taxation payable and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets. This is the measure reputed to the chief operating decision maker, the Board of Director, for the purpose of resource adoption and performance assessment.

For the year ended 31st December, 2009

The following amount were provided to the chief operating decision maker, the Board of Directors, for the purpose of performance assessment:

	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	30,242	46,970	12,499	2,096	340	–	92,147
Depreciation of property, plant and equipment	15,557	34,893	24,122	2,887	671	–	78,130
Amortisation of prepaid lease payments	1,035	415	456	9	16	–	1,931
Gain on disposal of properties	–	–	–	–	–	2,231	2,231

8. SEGMENT INFORMATION – continued

Segment assets and liabilities – 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

Geographical information

The Group's revenue from external customers based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
PRC	420,353	346,800	639,310	640,119
Hong Kong	210,151	305,873	21,510	30,367
Other Asian countries	72,267	56,844	195,524	190,880
Europe	494,650	605,446	–	–
North America	16,834	1,801	–	–
	1,214,255	1,316,764	856,344	861,366

Note: Non-current assets excluded financial instruments and deferred tax assets.

Information about major customer

Revenue from a customer of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2009 HK$'000	2008 HK$'000
Customer A from segment of production and sale of knitted sweaters	210,064	375,795

9. FINANCE COSTS

	2009 HK$'000	2008 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	28,146	43,574
Bank borrowings not wholly repayable within five years	46	375
Finance leases	121	610
	28,313	44,559

10. INCOME TAX EXPENSE

	2009 HK$'000	2008 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	3,959	6,791
– Underprovision in prior years	496	–
PRC Enterprise Income Tax – current year	1,165	454
Deferred taxation		
– Current year	1,727	2,290
– Attributable to a change in tax rate	–	(227)
	7,347	9,308

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 is calculated at 16.5% of the estimated assessable profit for both year.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

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 range from 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries will expire in 2009 to 2012. The Tax Holiday continues to be applicable for the PRC subsidiaries after the EIT Law on Enterprise Income Tax was implemented.

10. INCOME TAX EXPENSE – continued

The tax charge for the year can be reconciled to the profit as per the consolidated statement of comprehensive income as follows:

	2009 HK$'000	2008 HK$'000
Profit before taxation	58,245	76,157
Taxation at the applicable tax rate of 16.5% *(Note)*	9,610	12,566
Effect of tax exemptions and reduction granted to PRC and Cambodia subsidiaries	(3,620)	(16,540)
Tax effect of income not taxable for tax purpose	(7,441)	(3,887)
Tax effect of expenses not deductible for tax purpose	2,367	5,047
Underprovision in prior years	496	–
Tax effect of tax losses not recognised	7,548	10,120
Utilisation of tax losses previously not recognised	(2,009)	(273)
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	–	2,347
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	396	155
Taxation for the year	7,347	9,308

Note: The Hong Kong Profits Tax rate of 16.5% (2008: 16.5%), being the tax rate in the jurisdiction where the operation of the Group is substantially based, is used.

11. PROFIT FOR THE YEAR

	2009 HK$'000	2008 HK$'000
Profit for the year has been arrived at after charging the following items:		
Directors' remuneration	6,889	8,721
Other staff costs	242,291	260,089
Retirement benefits scheme contributions, excluding directors	7,542	8,739
Total staff costs	256,722	277,549
Allowance for bad and doubtful debts	–	569
Amortisation of prepaid lease payments	1,931	2,126
Auditor's remuneration	2,000	2,000
Cost of inventories recognised as an expense	1,037,480	1,037,235
Depreciation of property, plant and equipment	78,130	68,186
Depreciation of investment properties	52	190
Impairment loss on available-for-sale investments included in administrative expenses	–	1,325
Loss on disposal of property, plant and equipment	119	–
and after crediting the following other income items:		
Interest income	105	252
Exchange gain	1,122	179
Gain on disposal of properties	2,231	42,779
Gain on disposal of property, plant and equipment	–	28
Gross rental income from investment properties	368	589
Less: direct operating expenses from investment properties that generated rental income during the year	(67)	(62)
	301	527

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of 10 (2008: 11) directors were as follows:

For the year ended 31st December, 2009

	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. Cheung Yung Fat, Albert HK$'000	Mr. Sung Kim Ping HK$'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	–	–	–	–	–	–	132	143	143	143	561
– salaries and other benefits	1,350	1,100	750	422	1,024	1,100	–	–	–	–	5,746
– bonus	50	70	25	15	240	78	–	4	4	4	490
– retirement benefit scheme contributions	5	12	12	12	11	12	7	7	7	7	92
	1,405	1,182	787	449	1,275	1,190	139	154	154	154	6,889

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. Cheung Yung Fat, Albert HK$'000	Mr. Sung Kim Ping HK$'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	–	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

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 (2008: four) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining one (2008: one) individuals were as follows:

	2009 HK$'000	2008 HK$'000
Employees		
– salaries and other benefits	806	1,096
– bonus	33	34
– retirement benefit scheme contributions	12	12
	851	1,142

Their emoluments were within the following band:

	2009 No. of employees	2008 No. of employees
HK$nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	–	1

During the year ended 31st December, 2009 and 31st December, 2008, 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

	2009 HK$'000	2008 HK$'000
Dividend recognised as distribution during the year		
– Final dividend of HK5.0 cents per share for 2007	–	20,000

A final dividend for the year 2009 of HK2.0 cents per share amounting to approximately HK$8,860,000 was proposed on 21st April, 2010.

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 owners of the Company of HK$49,880,000 (2008: HK$67,567,000) and on the number of shares in issue during the year 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 years.

16. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1st January, 2008	11,133
Disposals	(8,427)
At 31st December, 2008 and 2009	**2,706**
ACCUMULATED DEPRECIATION	
At 1st January, 2008	1,672
Provided for the year	190
Eliminated on disposals	(1,196)
At 31st December, 2008	666
Provided for the year	52
At 31st December, 2009	**718**
CARRYING VALUES	
At 31st December, 2009	**1,988**
At 31st December, 2008	2,040

The fair value of the Group's investment properties at 31st December, 2009 was HK$3,010,000 (2008: HK$3,150,000). 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:

	2009 HK$'000	2008 HK$'000
Hong Kong	1,609	1,651
Outside Hong Kong	379	389
	1,988	2,040

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1st January, 2008	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
Additions	26,114	40,304	833	1,155	8,680	77,086
Transfer	6,491	42	–	–	(6,533)	–
Disposals	(10,044)	(5,007)	–	(1,629)	–	(16,680)
At 31st December, 2009	**358,646**	**745,841**	**23,413**	**25,280**	**18,949**	**1,172,129**
DEPRECIATION						
At 1st January, 2008	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
Provided for the year	13,030	61,945	1,443	1,712	–	78,130
Eliminated on disposals	(2,311)	(3,009)	–	(1,496)	–	(6,816)
At 31st December, 2009	50,015	325,044	17,965	21,087	–	414,111
CARRYING VALUES						
At 31st December, 2009	**308,631**	**420,797**	**5,448**	**4,193**	**18,949**	**758,018**
At 31st December, 2008	296,789	444,394	6,058	4,883	16,802	768,926

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%

17. PROPERTY, PLANT AND EQUIPMENT – continued

The carrying value of plant and machinery of approximately HK$25,970,000 (2008: HK$26,657,000) is in respect of assets held under finance leases.

The carrying value of the Group's buildings comprises:

	2009 HK$'000	2008 HK$'000
Properties in the PRC held under land use rights		
– medium-term lease	210,885	204,160
Properties held under medium-term lease in Hong Kong	83	834
Properties held under medium-term lease outside Hong Kong and PRC	97,663	91,795
	308,631	296,789

18. PREPAID LEASE PAYMENTS

	2009 HK$'000	2008 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	1,781	6,436
Leasehold land outside Hong Kong:		
Medium-term lease	81,503	68,227
Short lease	261	295
	83,545	74,958
Analysed for reporting purposes as:		
Current asset	1,737	1,831
Non-current asset	81,808	73,127
	83,545	74,958

19. 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.

20. 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.

21. DEFERRED TAX ASSETS/LIABILITIES

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

	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, 2008	12,850	(315)	3,998	–	16,533
Effect of change in tax rate	(232)	5	–	–	(227)
(Credit) charge to profit or loss	(948)	80	811	2,347	2,290
At 31st December, 2008	11,670	(230)	4,809	2,347	18,596
(Credit) charge to profit or loss	(292)	71	1,948	–	1,727
At 31st December, 2009	**11,378**	**(159)**	**6,757**	**2,347**	**20,323**

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. No deferred tax related to the temporary difference of HK$17,156,000 has been provided for during the year ended 31st December, 2009 in the consolidated financial statements (2008: HK$2,347,000 has been provided) in respect of the temporary differences attributable to such profits, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The following is the analysis of the deferred tax balances for financial reporting purposes:

	2009 HK$'000	2008 HK$'000
Deferred tax liabilities	20,482	18,826
Deferred tax assets	(159)	(230)
	20,323	18,596

21. DEFERRED TAX ASSETS/LIABILITIES – continued

At the end of reporting period, the Group's unused tax losses available for offset against future profits were as follows:

	2009 HK$'000	2008 HK$'000
Unused tax losses		
– Recognised as deferred tax asset	961	1,394
– Unrecognised tax losses *(Note)*	149,222	113,207
	150,183	114,601

Included in unused tax losses not recognised as at 31st December, 2009 is an amount of HK$73,143,000 (2008: HK$39,575,000) which will expire between 2010 to 2014 (2008: 2009 to 2013); 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.

22. INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	242,544	311,398
Work in progress	138,034	144,756
Finished goods	85,501	129,926
	466,079	586,080

23. 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.

At 31st December, 2009, included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$144,987,000 and bills receivables of HK$53,686,000 (2008: HK$160,964,000 and HK$21,441,000 respectively) and their aged analysis, presented based on the invoice date at the end of the reporting period is follows:

	2009 HK$'000	2008 HK$'000
Aged:		
0 – 30 days	100,195	115,568
31 – 60 days	57,206	28,969
61 – 90 days	17,532	12,437
91 – 120 days	6,996	7,030
Over 120 days	26,247	27,904
	208,176	191,908
Less: Allowance for doubtful debts	(9,503)	(9,503)
	198,673	182,405
Prepaid expenses	14,309	29,672
VAT receivables	4,690	7,287
Deposits	2,841	1,455
Others	28,094	6,047
	248,607	226,866

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.

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

Ageing of trade receivables which are past due but not impaired

	2009 HK$'000	2008 HK$'000
Over 120 days	26,247	27,904
Less: Allowance for doubtful debts on trade receivables	(9,503)	(9,503)
	16,744	18,401

The Group has not provided for impairment loss on trade receivables of HK$16,744,000 (2008: HK$18,401,000) 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

	2009 HK$'000	2008 HK$'000
Balance at beginning of the year	9,503	8,934
Allowance for doubtful debts on trade receivables	–	569
Balance at the end of the year	9,503	9,503

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	Total HK$'000
At 31st December, 2009			
Trade receivables, bills receivables and other receivables	37,137	39,947	77,084
At 31st December, 2008			
Trade receivables, bills receivables and other receivables	55,521	45,650	101,171

Note: Included in trade receivables, bills receivables and other receivables, deposits and prepayments is bills receivables of approximately HK$46,575,000 (2008: HK$20,134,000) 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$46,575,000 (2008: HK$20,134,000) as secured bank borrowings (trust receipt loans).

24. AMOUNTS DUE FROM RELATED COMPANIES

Details of amounts due from related companies are as follows:

	Note	2009 HK$'000	2008 HK$'000
Anford Trading Limited	*(i)*	37	36
China Light Investment Limited	*(i)*	50	30
Soundyet Enterprises Limited	*(ii)*	11	9
Wai Yee Knitting Factory Limited	*(iii)*	94	88
		192	163

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.

25. PLEDGED BANK DEPOSITS

The pledged bank deposits represents bank deposits pledged to banks to secure short-term banking facilities granted to the Group and therefore are classified as current asset. The amount bears fixed interest rate at ranged from 0.1% to 0.36% per annum (2008: 0.1% to 2% per annum).

26. 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 (2008: 0% to 2% 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:

	USD HK$'000	EUR HK$'000	Total HK$'000
At 31st December, 2009			
Bank balances and cash	47	13,783	13,830
At 31st December, 2008			
Bank balances and cash	36	51,800	51,836

27. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES ASSOCIATED WITH 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 a 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 and a gain of HK$67,092,000 was recognised for the year ended 31st December, 2009.

28. TRADE AND OTHER PAYABLES

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

	2009 HK$'000	2008 HK$'000
Aged:		
0 – 60 days	30,036	38,145
61 – 90 days	7,069	15,450
Over 90 days	9,138	26,417
	46,243	80,012
Receipt in advance	12,280	4,131
Payable for acquisition of property, plant and equipment	43,685	13,284
Payable for acquisition of prepaid lease payments	1,420	1,424
Accrued expenses	60,752	62,626
VAT tax payables	4,904	3,679
Other payables	3,605	2,306
Deposit received for disposal of properties	–	78,000
	172,889	245,462

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

28. TRADE AND OTHER PAYABLES – continued

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, 2009	
Trade and other payables	9,274
At 31st December, 2008	
Trade and other payables	6,720

29. BILLS PAYABLE

The amounts carry variable interest rate ranging from 3% to 6% per annum (2008: 3% 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, 2009	
Bills payable	8,042
At 31st December, 2008	
Bills payable	10,315

30. AMOUNT DUE TO A MINORITY SHAREHOLDER

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

31. BANK BORROWINGS

	2009 HK$'000	2008 HK$'000
Bank overdrafts	12,049	22,877
Bank loans	502,726	543,253
Trust receipt loans	109,172	140,967
	623,947	707,097
Analysed by:		
Secured	124,627	22,419
Unsecured	499,320	684,678
	623,947	707,097
Total bank borrowings:		
Fixed-rate	95,301	89,614
Variable-rate	528,646	617,483
	623,947	707,097
Carrying amount repayable:		
On demand or within one year	481,373	570,913
In more than one year but not more than two years	83,927	77,409
In more than two years but not more than three years	55,416	31,326
In more than three years but not more than four years	3,231	23,679
In more than four years but not more than five years	–	3,594
In more than five years	–	176
	623,947	707,097
Less: Amounts due within one year shown under current liabilities	(481,373)	(570,913)
Shown under non-current liabilities	142,574	136,184

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 receivables, bank deposits and corporate guarantee given by the Company.

31. 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, 2009			
Bank loans	22,398	64,576	86,974
Trust receipt loans	25,483	–	25,483
	47,881	64,576	112,457
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

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

	2009 HK$'000	2008 HK$'000
On demand or within one year	79,392	89,614
In more than one year but not more than two years	15,909	–
	95,301	89,614

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:

	2009	2008
Effective interest rate:		
Fixed-rate borrowings	5% to 8%	5% to 8%
Variable-rate borrowings	3.5% to 5.5%	3% to 6%

32. 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 one year (2008: two years). The interest rate is HIBOR +1.05% to 1.1% (2008: HIBOR +1.05% to 1.1%). The average effective interest rate is 5% (2008: 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,	
	2009 HK$'000	2008 HK$'000	2009 HK$'000	2008 HK$'000
Amounts payable under finance leases:				
Within one year	5,069	8,991	5,057	8,669
In more than one year but not more than two years	–	5,111	–	5,057
	5,069	14,102	5,057	13,726
Less: future finance charges	(12)	(376)	–	N/A
Present value of lease obligations	5,057	13,726	5,057	13,726
Less: Amount due for settlement within one year and shown under current liabilities			(5,057)	(8,669)
Amount due for settlement after one year			–	5,057

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

33. SHARE CAPITAL

	Number of share	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	10,000,000,000	100,000
Ordinary shares of HK$0.01 each		
Issued and fully paid:		
At 1st January, 2008, 31st December, 2008 and 31st December, 2009	400,000,000	4,000

34. 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, 2009 and 31st December, 2008 under the Scheme. No options were granted, exercised, cancelled or lapsed during the year.

35. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2009 HK$'000	2008 HK$'000
Office premises	207	390

35. OPERATING LEASES – continued

The Group as lessee – continued

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

	2009 HK$'000	2008 HK$'000
Within one year	20	345
In the second to fifth years inclusive	3	299
Over five years	–	229
	23	873

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

The Group as lessor

Property rental income earned during the year was HK$368,439 (2008: HK$589,000). All of the properties held have committed tenants for the next seven years.

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	As at 31st December,	
	2009 HK$'000	2008 HK$'000
Within one year	320	225
In the second to fifth years inclusive	125	106
Over five years	3	3
	448	334

36. PLEDGE OF ASSETS

At end of reporting period, the Group pledged the following assets to banks for the credit facilities granted to the Group:

	2009 HK$'000	2008 HK$'000
Prepaid lease payments	18,979	–
Property, plant and equipment	33,113	5,114
Bank deposits	5,682	1,387
	57,774	6,501

The Group also had bill receivables discounted with recourse amounted to HK$46,575,000 (2008: HK$20,134,000).

37. CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	16,374	24,768

38. 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$7,634,000 (2008: HK$8,847,000).

39. RELATED PARTY DISCLOSURES

Details of the balances with related parties are set out in note 24 and 30.

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

Related parties	Relationship	Nature of transactions	2009 HK$'000	2008 HK$'000
Dr. Sung Chung Kwun	*(Note 1)*	Rental expense paid	132	272
Wai Yee Knitting Factory Limited	*(Note 2)*	Rental income	–	90
Dinghu Yongsheng Textiles Fty., Ltd.	*(Note 3)*	Purchases of raw white yarn	–	681

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

(Note 3) 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 the top five employee's emoluments) during the year is set out in note 12 and 13.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st December, 2009 and 2008 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 service
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 manufactory and sales of knitted sweater 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)*	Hong Kong 3rd October, 2007	Ordinary share HK$10,000	–	100%	Property holding

40. 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)*	PRC 3rd April, 2007	Registered capital US$15,000,000 Paid up capital US$13,200,000	–	100%	Manufacturing of cotton yarn

40. 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 Textiles 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)*	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)*	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
安慶市宿松互益房產開發有限公司 Anqing Su Song Addchance Real Estate Co., Ltd.	*(iv)*	PRC 27th July, 2009	Registered capital RMB10,000,000 Paid up capital RMB10,000,000	–	98%	Real estate development

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, 2009.

(iv) A subsidiary established in 2009.

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.

41. EVENT AFTER THE REPORTING PERIOD

The Group has the following significant events subsequent to the end of reporting period:

(i) On 1st March, 2010, Addchance Holdings Limited ("Purchaser") and Sino Energy Logistics Group Limited ("Vendor") entered into a memorandum of understanding (MOU) in relation to a possible acquisition of 100% shareholding interest in Fortune City (China) Limited ("Target group") for a consideration of HK$85.85 million.

The MOU is non-legally binding and the possible acquisition is subject to, among other things, the signing of a formal agreement for the sale and purchase of 100% shareholding interest in the Target Company, the terms and conditions of which are yet to be agreed and finalized.

The Target Company is a company incorporated in Hong Kong and is wholly-owned by the Vendor. Based on the information provided by the Vendor, the Target Company will principally engaged in the exploiting of mine in Anhui, the PRC, upon the receipt of a valid exploitation license for the mining in Anhui, the PRC.

Details of this transaction are included in the Company's announcement dated 1st March, 2010.

(ii) On 30th March, 2010, the Company entered into a placing agreement with the placing agent (the "Placing Agreement") and has conditionally agreed to place a maximum of 43,000,000 placing shares of the Company for a consideration of HK$49,450,000 at a placing price of HK$1.15. As at the date of this report, the transaction has not been completed.

Detail of the placing is set out in the Company's announcement dated 30th March, 2010.

FINANCIAL SUMMARY

For the year ended 31st December, 2009

RESULTS

	2005 HK$'000	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000
Turnover	900,482	925,889	1,167,362	1,316,764	1,214,255
Profit before tax	83,346	72,991	111,848	76,157	58,245
Income tax expense	(7,929)	(6,801)	(13,546)	(9,308)	(7,347)
Profit for the year	75,417	66,190	98,302	66,849	50,898
Profit attributable to:					
Equity holders of the Company	75,413	66,196	98,546	67,567	49,880
Minority interests	4	(6)	(244)	(718)	1,018
	75,417	66,190	98,302	66,849	50,898

ASSETS AND LIABILITIES

	2005 HK$'000	2006 HK$'000 *(Note)*	2007 HK$'000	2008 HK$'000	2009 HK$'000
Total assets	840,658	982,941	1,487,829	1,780,114	1,658,626
Total liabilities	(379,609)	(457,939)	(854,924)	(1,045,293)	(871,907)
	461,049	525,002	632,905	734,821	786,719
Equity attributable to equity holders of the Company	460,895	524,854	632,041	734,675	785,328
Minority interests	154	148	864	146	1,391
	461,049	525,002	632,905	734,821	786,719

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 Monday, 31st May, 2010 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, 2009.

2. To declare a final dividend of HK2.0 cents per share for the year ended 31st December, 2009.

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

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

5. As special business, to consider and, if thought fit, pass 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)."

NOTICE OF ANNUAL GENERAL MEETING

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. 5B 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. 5B 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. 5A above."

By Order of the Board
Fung Ka Lai
Company Secretary

Hong Kong, 28th April, 2010

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

Notes:

(1) 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.

(2) The register of members of the Company will be closed from Wednesday, 26th May, 2010 to Monday, 31st May, 2010 (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the final dividend and the entitlement to attend and vote at the annual general meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with 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 not later than 4:00 p.m. on Tuesday, 25th May, 2010.