Interim Report 2010

Addchance

Addchance Holdings Limited

互益集團有限公司

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

(Stock Code: 3344)

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

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

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

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New Territories
Hong Kong

REGISTERED OFFICE

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P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

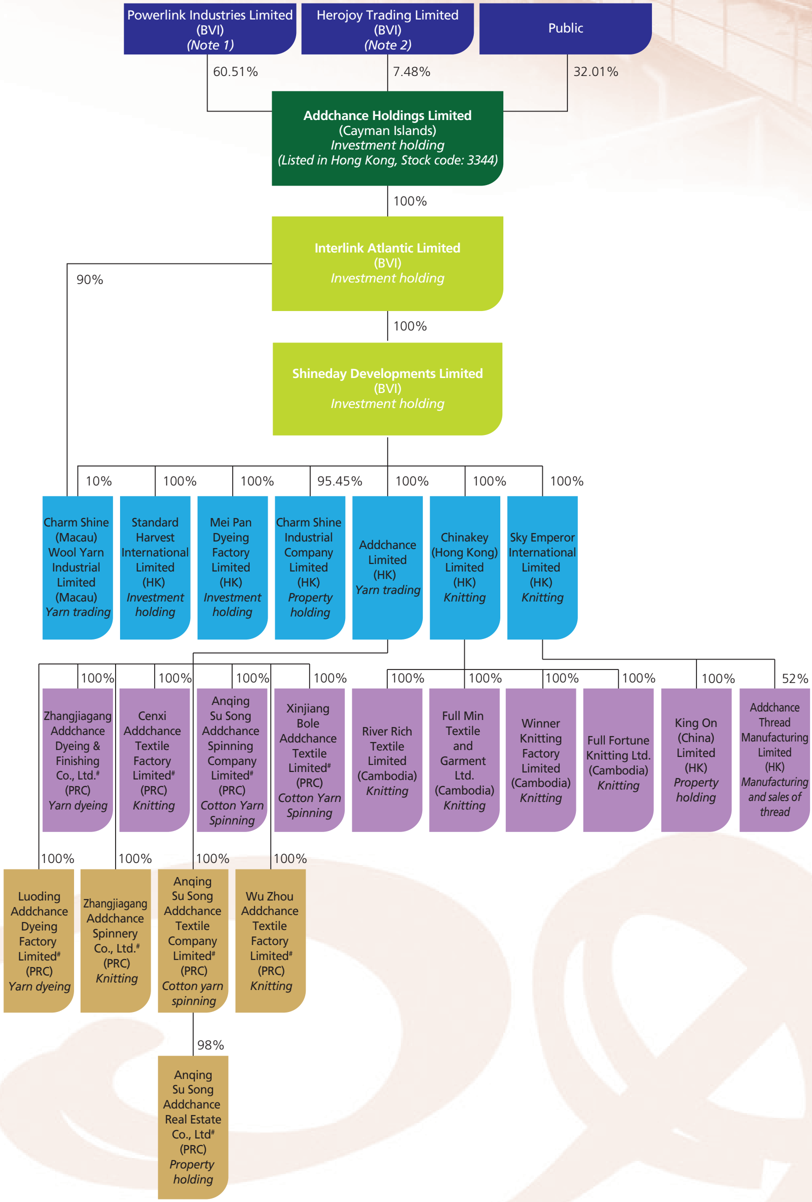
WEBSITE

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

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 30TH JUNE, 2010



for identification purpose only

CORPORATE STRUCTURE AS AT 30TH JUNE, 2010

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.

FINANCIAL HIGHLIGHTS

Key Financial Results

	Period ended 30th June		
	2010 HK$'000	2009 HK$'000	Changes +/- %
Turnover	589,341	517,026	+14%
Gross profit	148,500	105,943	+40%
Profit for the period	51,592	75,086	-31%
Profit attributable to:			
Owners of the Company	51,592	74,068	-30%
Non-controlling interests	–	1,018	-100%
Earnings per share (in HK cents)	12.49	18.52	-33%

Financial Ratios

	Period ended 30th June	
	2010	2009
Profitability ratios:		
Gross margin	25.2%	20.5%
Net margin	8.8%	14.5%
Liquidity ratios:		
Current ratio (times)	1.24	1.13
Stock turnover (days) *(Note 1)*	268	274
Debtors turnover (days) *(Note 2)*	95	92
Creditors turnover (days) *(Note 3)*	95	79
Capital adequacy ratio		
Gearing ratio *(Note 4)*	40.8%	44.0%

Notes:

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

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

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

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

Deloitte.
德勤

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

Introduction

We have reviewed the interim financial information set out on pages 7 to 21, which comprises the condensed consolidated statement of financial position of Addchance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30th June, 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
26th August, 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

		For the six months ended 30th June,	
	NOTES	2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Revenue	*3*	589,341	517,026
Cost of sales		(440,841)	(411,083)
Gross profit		148,500	105,943
Other income		10,048	8,160
Gain on disposal of assets classified as held for sale		–	70,017
Selling and distribution costs		(31,604)	(27,921)
Administrative expenses		(56,665)	(65,318)
Finance costs	*4*	(13,482)	(14,049)
Profit before tax		56,797	76,832
Income tax expense	*5*	(5,205)	(1,746)
Profit for the period	*6*	51,592	75,086
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations		(851)	–
Total comprehensive income for the period		50,741	75,086
Profit for the period attributable to:			
Owners of the Company		51,592	74,068
Non-controlling interests		–	1,018
		51,592	75,086
Total comprehensive income attributable to:			
Owners of the Company		50,741	74,068
Non-controlling interests		–	1,018
		50,741	75,086
Earnings per share, in HK cents	*8*		
Basic		12.49	18.52

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010

	NOTES	30.6.2010 HK$'000 (unaudited)	31.12.2009 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		1,962	1,988
Property, plant and equipment	*9*	736,764	758,018
Prepaid lease payments		58,182	81,808
Deposit paid for acquisition of land use rights and property, plant and equipment		13,460	13,460
Club debentures		1,070	1,070
Deferred tax assets		134	159
		811,572	856,503
CURRENT ASSETS			
Prepaid lease payments		1,374	1,737
Inventories		653,387	466,079
Trade receivables, bills receivables and other receivables, deposits and prepayments	*10*	364,822	248,607
Amounts due from related companies		103	192
Pledged bank deposits		5,682	5,682
Bank balances and cash		65,189	79,826
		1,090,557	802,123
Assets classified as held for sale	*11*	23,317	–
		1,113,874	802,123
CURRENT LIABILITIES			
Trade and other payables	*12*	234,450	172,889
Bills payable	*12*	152,015	43,285
Amount due to a minority shareholder		175	175
Bank borrowings – due within one year	*13*	490,562	469,324
Obligations under finance leases – due within one year		722	5,057
Taxation payable		8,355	6,072
Bank overdrafts		8,789	12,049
		895,068	708,851
NET CURRENT ASSETS		218,806	93,272
TOTAL ASSETS LESS CURRENT LIABILITIES		1,030,378	949,775

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2010

	NOTES	30.6.2010 HK$'000 (unaudited)	31.12.2009 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital	*14*	4,413	4,000
Reserves		867,892	781,328
Equity attributable to owners of the Company		872,305	785,328
Non-controlling interests		1,391	1,391
		873,696	786,719
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	*13*	133,412	142,574
Deferred tax liabilities		23,270	20,482
		156,682	163,056
		1,030,378	949,775

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	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	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2009 (audited)	4,000	89,406	140,043	24,673	12,459	92,816	371,278	734,675	146	734,821
Profit for the period and total comprehensive income for the period	–	–	–	–	–	–	74,068	74,068	1,018	75,086
Transfer to statutory reserves	–	–	–	–	1,119	–	(1,119)	–	–	–
At 30th June, 2009 (unaudited)	4,000	89,406	140,043	24,673	13,578	92,816	444,227	808,743	1,164	809,907
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	773	–	773	–	773
Profit for the period	–	–	–	–	–	–	(24,188)	(24,188)	–	(24,188)
Total comprehensive income for the period	–	–	–	–	–	773	(24,188)	(23,415)	–	(23,415)
Transfer from statutory reserves	–	–	–	–	(1,119)	–	1,119	–	–	–
Contribution from non-controlling interests	–	–	–	–	–	–	–	–	227	227
At 31st December, 2009 (audited)	4,000	89,406	140,043	24,673	12,459	93,589	421,158	785,328	1,391	786,719
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	(851)	–	(851)	–	(851)
Profit for the period	–	–	–	–	–	–	51,592	51,592	–	51,592
Total comprehensive income for the period	–	–	–	–	–	(851)	51,592	50,741	–	50,741
Transfer to statutory reserves	–	–	–	–	55	–	(55)	–	–	–
Issue of shares	413	47,025	–	–	–	–	–	47,438	–	47,438
Transaction costs attributable to issue of shares	–	(2,377)	–	–	–	–	–	(2,377)	–	(2,377)
Dividend	–	–	(8,825)	–	–	–	–	(8,825)	–	(8,825)
At 30th June, 2010 (unaudited)	4,413	134,054	131,218	24,673	12,514	92,738	472,695	872,305	1,391	873,696

Notes:

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2010

	For the six months ended 30th June,	
	2010 HK$'000 (unaudited)	2009 HK$'000 (unaudited)
Net cash (used in) generated by operating activities	(12,089)	19,414
Net cash used in investing activities:		
Purchase of property, plant and equipment	(45,137)	(42,380)
Deposit received for disposal of a subsidiary	15,342	–
Deposit paid for acquisition of land use rights and property, plant and equipment	–	(2,386)
Decrease in pledged bank deposits and fixed bank deposits	–	251
Other investing cash flows	26	1,924
	(29,769)	(42,591)
Net cash generated by financing activities:		
Dividend paid	(8,825)	–
New bank loans raised	554,956	743,311
Repayment of bank borrowings	(542,880)	(721,468)
Interest paid	(13,482)	(14,049)
Repayment of obligations under finance leases	(4,335)	(4,335)
Proceeds from issue of shares	47,438	–
Expenses on issue of shares	(2,377)	–
	30,495	3,459
Net decrease in cash and cash equivalents	(11,363)	(19,718)
Cash and cash equivalents at 1st January	67,777	71,331
Cash and cash equivalents at 30th June	56,414	51,613
Cash and cash equivalents at end of the period		
Bank balances and cash	65,189	81,089
Bank balances and cash included in asset classified as held for sale	14	–
Bank overdrafts	(8,789)	(29,476)
	56,414	51,613

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2009.

In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the IASB.

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

The Group applies IFRS 3 (Revised) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in IAS 27 (Revised) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010. As there was no transaction during the current interim period in which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to the other IFRSs are applicable.

2. PRINCIPAL ACCOUNTING POLICIES *(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. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. The directors of the Company consider the application of amendments to IAS 17 had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting period.

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

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

IFRSs (Amendments)	Improvements to IFRSs 2010[1]
IAS 24 (Revised)	Related Party Disclosures[4]
IAS 32 (Amendment)	Classification of Rights Issues[2]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[3]
IFRS 9	Financial Instruments[5]
IFRIC – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 *Effective for annual periods beginning on or after 1st July, 2010 and 1st January, 2011, as appropriate*

2 *Effective for annual periods beginning on or after 1st February, 2010*

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

4 *Effective for annual periods beginning on or after 1st January, 2011*

5 *Effective for annual periods beginning on or after 1st January, 2013*

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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.

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

3. SEGMENT INFORMATION

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

For the six months ended 30th June, 2010

	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$'000	Segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External	93,071	167,736	295,280	18,094	15,160	589,341	–	589,341
Inter-segment sales	67,686	162,250	292,709	12,442	64,980	600,067	(600,067)	–
	160,757	329,986	587,989	30,536	80,140	1,189,408	(600,067)	589,341
SEGMENT PROFIT (LOSS)	16,388	13,064	53,679	2,115	(6,441)	78,805	–	78,805
Unallocated corporate income								223
Unallocated corporate expenses								(8,749)
Finance costs								(13,482)
Profit before tax								56,797

3. SEGMENT INFORMATION *(Continued)*

For the six months ended 30th June, 2009

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External	52,577	190,005	259,073	9,675	5,696	517,026	–	517,026
Inter-segment sales	30,604	162,967	237,153	14,432	65,433	510,589	(510,589)	–
	83,181	352,972	496,226	24,107	71,129	1,027,615	(510,589)	517,026
SEGMENT PROFIT (LOSS)	1,507	8,966	13,719	819	(71)	24,940	–	24,940
Unallocated corporate income								187
Unallocated corporate expenses								(4,263)
Gain on disposal of assets classified as held for sale								70,017
Finance costs								(14,049)
Profit before tax								76,832

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

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

	30.6.2010 HK$'000	31.12.2009 HK$'000
Production and sale of cotton yarn	449,866	412,268
Production and sale of knitted sweaters	763,517	680,942
Production and sale of dyed yarns	468,281	384,411
Provision of dyeing services	53,284	45,102
Trading of cotton and yarns	93,143	47,178
	1,828,091	1,569,901

4. FINANCE COSTS

	For the six months ended 30th June, 2010 HK$'000	2009 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	13,464	13,946
Bank borrowings not wholly repayable within five years	–	25
Finance leases	18	78
	13,482	14,049

5. INCOME TAX EXPENSE

	For the six months ended 30th June, 2010 HK$'000	2009 HK$'000
The charge comprises:		
Hong Kong Profits Tax	2,269	2,017
PRC Enterprise Income Tax	123	426
Deferred taxation:		
– Current year	2,813	(697)
	5,205	1,746

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

5. INCOME TAX EXPENSE *(Continued)*

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from the PRC enterprise income tax for the two years starting from their first profit-making year followed by a 50% reduction for the next three years (the "Tax Holiday"). The Tax Holiday of these PRC subsidiaries will expire in 2011 and 2012. The Tax Holiday continues to be applicable for the PRC subsidiaries after the Law of the PRC on Enterprise Income Tax was implemented.

6. PROFIT FOR THE PERIOD

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

	For the six months ended 30th June,	
	2010	2009
	HK$'000	HK$'000
Depreciation of investment properties	26	26
Depreciation of property, plant and equipment	39,433	41,370
Amortisation of prepaid lease payments	687	864
Interest income	(37)	(28)

7. DIVIDEND

On 21st April, 2010, a dividend of HK2.0 cents per share amounting to HK$8,825,000 in aggregate were declared to be paid to the shareholders whose names appear on the register of members of the Company as at 31st May, 2010 as the final dividend for 2009.

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2010.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to owners of the Company of approximately HK$51,592,000 (2009: HK$74,068,000) and on the weighted average number of shares in issue of 413,218,000 (2009: 400,000,000).

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

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred capital expenditure of approximately HK$18,180,000 (six months ended 2009: HK$44,985,000).

Deprecation on property, plant and equipment amounting to HK$39,433,000 (2009: HK$41,370,000) was also provided for in the condensed consolidated statement of comprehensive income during the period.

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

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

At 30th June, 2010, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK$281,058,000 and bills receivables of HK$29,728,000 (31.12.2009: trade receivables of HK$144,987,000 and bills receivables of HK$53,686,000 respectively) and their aged analysis, presented based on the invoice date, is as follows:

	30.6.2010 HK$'000	31.12.2009 HK$'000
Aged:		
0 – 30 days	199,148	100,195
31 – 60 days	56,526	57,206
61 – 90 days	33,456	17,532
91 – 120 days	4,449	6,996
Over 120 days	17,207	16,744
	310,786	198,673
Other receivables, deposits and prepayments	54,036	49,934
	364,822	248,607

11. ASSETS CLASSIFIED AS HELD FOR SALE

On 27th April, 2010, the Group entered into a conditional sale and purchase agreement with an independent third party, to dispose of a subsidiary for a consideration of approximately HK$69,900,000 (equivalent to RMB61,500,000). As at 30th June, 2010, the Group has received a deposit of approximately HK$15,342,000 (equivalent to RMB13,500,000) for the disposal. Accordingly, the carrying amount of the assets of the subsidiary as at 30th June, 2010 are reclassified as assets held for sale, and as follows:

	HK$'000
Prepaid lease payment	23,303
Bank and cash balances	14
Total assets classified as held for sale	23,317

12. TRADE AND OTHER PAYABLES/BILLS PAYABLE

At 30th June, 2010, included in trade and other payables are trade payables of HK$79,540,000 (31.12.2009: HK$46,243,000) and their aged analysis, presented based on the invoice date, is as follows:

	30.6.2010 HK$'000	31.12.2009 HK$'000
Aged:		
0 – 60 days	57,208	30,036
61 – 90 days	11,194	7,069
Over 90 days	11,138	9,138
	79,540	46,243
Other payables and accruals	154,910	126,646
	234,450	172,889

Bills payable are aged within 0 – 90 days.

13. BANK BORROWINGS

During the period, the Group obtained new bank loans in the amount of approximately HK$554,956,000 (six months ended 2009: HK$743,311,000) as additional working capital and made repayment of approximately HK$542,880,000 (six months ended 2009: HK$721,468,000). The new loans bear interest ranged from 2% to 7% per annum and are repayable by instalments over a period of one to four years.

14. SHARE CAPITAL

On 4th May, 2010, the Company through a placing agent, issued 41,250,000 ordinary shares of HK$0.01 each at HK$1.15 per share. All new shares rank pari passu with the then existing shares in all respects.

15. COMMITMENTS

At 30th June, 2010, the Group had commitments of approximately HK$6,754,000 (31.12.2009: HK$16,374,000) for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment.

16. PLEDGE OF ASSETS

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

	30.6.2010 HK$'000	31.12.2009 HK$'000
Bank deposits	5,682	5,682
Property, plant and equipment	31,663	33,113
Prepaid lease payments	17,177	18,979
	54,522	57,774

17. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and key executives of the Group is determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to HK$3,557,000 (six months ended 2009: HK$4,154,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Amidst intensified liquidity issues and credit crunch in the year 2009, we noted stabilization programs including drastic macroeconomic measures together with massive easing policies implemented by governments around the world since then. The global economy started to pull out of the recession in the year 2010 and there were tentative signs of gradual stabilization and improvements. During the period under review, other industry participants still faced with strong competition and challenging operating environment, triggering faster industry consolidation. With these economic conditions and leveraging our competitive edges and strong financial position, the Group still managed to strengthen its core competencies and achieved growths in terms of revenue and sales volume. Our efforts led the Group to achieve satisfactory performance in terms of revenue and net profits in one of the most challenging periods of the world economy.

The Group achieved record sales in the first half of the year 2010, going through the hardest time in the textile industry in the People's Republic of China (the "PRC") last year. Although raw material costs, especially cotton and the cotton-related products, have increased dramatically since the late 2009, the Group has maintained a well-stocked inventory by proactively purchasing cotton to offset the uprising raw materials costs and the Group was able to pass the increased costs and overheads to our customers by raising our selling prices. Being a one-stop service provider, the Group was able to benefit the downstream segment by providing stable and cheaper raw materials.

For the period ended 30th June, 2010, the turnover of the Group was approximately HK$589.3 million, representing an increase of approximately 14.0% as compared with the corresponding period last year. The results in the first half of the year 2010 were even better than that of the same period in the year of 2008. Profit derived from the core business attributable to the owners of the Company grew to approximately HK$51.6 million for the period under review, from approximately HK$5.1 million in the first half of the year 2009, representing a dramatic approximately tenfold increase compared with the same period last year.

PROSPECTS

Being a niche player in the textile business, we believe that our domestic contribution from and investment in the PRC bode well for the Group's development. With the advanced dyeing facilities and good reputation in the market, the Group has been equipped with production know-how associated with its strategically located production bases, and it has made persistent efforts in promoting vertical integration. The one-stop service providing strategy did well position the Group for increasing its market share following the consolidation of the textile supply chain. The fluctuation of cotton price in the period under review comes with bigger returns. Leveraging on our expertise, we have adopted a flexible purchasing strategy to minimize our cotton procurement cost and our well-equipped spinning facilities enable us to have stable yarn supply for our downstream production. This strategy will continue to be carried out smoothly so as to provide a sound foundation for our further expansion.

Looking ahead, the Group will benefit by the economic growth momentum of the PRC and the gradual recovery of the international economy in the coming periods. However, with the raise of commodity prices and the related production costs, RMB appreciation will pose a threat to the industry. The prevailing tough operating environment will continue to exert pressures on industry participants and poised for further industry consolidation. The Group will continue to enhance its competitive edges to grasp the opportunities arising from this challenge and strive to implement further stringent cost control measures and streamline existing operations and structures to further enhance operational efficiency and profit margin.

FINANCIAL REVIEW

Turnover

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

Addchance recorded another double-digit growth in turnover in the first half of 2010. Production and sales of knitted sweaters and dyed yarns remained as the principal operation of the Group. For the period under review, total turnover of the Group increased by approximately 14.0% when compared with the corresponding period in 2009, from approximately HK$517.0 million to about HK$589.3 million.

Turnover by operation
(Amount HK$'000)

	Period ended 30th June		Changes
	2010	2009	+/-%
Production and sale of dyed yarns	295,280	259,073	+14%
Production and sale of knitted sweaters	167,736	190,005	-12%
Production and sale of cotton yarn	93,071	52,577	+77%
Provision of dyeing services	18,094	9,675	+87%
Trading of cotton and yarns	15,160	5,696	+166%
	589,341	517,026	+14%

Turnover by operation
(in % of total)

	Period ended 30th June	
	2010	2009
Production and sale of dyed yarns	50.1%	50.1%
Production and sale of knitted sweaters	28.5%	36.7%
Production and sale of cotton yarn	15.8%	10.2%
Provision of dyeing services	3.0%	1.9%
Trading of cotton and yarns	2.6%	1.1%

Turnover of the sweater business dropped by about 11.7%, from approximately HK$190.0 million in the corresponding period last year to about HK$167.7 million during the period under review, representing approximately 28.5% of the Group's total turnover. During the period under review, the trading environment remained competitive and we were more cautious in accepting customers' orders. The drop in revenue was mainly attributable to the decrease in orders accepted from a few customers with lower profit margin, whereas orders accepted from other customers with higher profit margin increased as compared with the previous period. Therefore, the average selling price per unit sold increased by around 9.8% comparing with that in last corresponding period. In terms of the output quantity of knitted sweaters, revenue decreased by approximately 14.7% whereas the revenue in terms of monetary value decreased by about 11.7%. Our sweater products were still mainly exported to Europe and the Group continues to expand our customers base to have a less dependency on some customers. As a percentage of the revenue of sweater business, the sales made to our biggest customer decreased from about 40.4% to approximately 28.1% this period as planned. We believe that the order rescheduling and the efficient production planning will result in the increase in the profit margins continuously in the coming year-end.

Dyed yarn remains the core product of the Group. Turnover from the production and sale of dyed yarns for the period under review was approximately HK$295.3 million, which represented an apparent increase of about 14.0% as compared with the corresponding period in 2009 and accounted for about 50.1% of the Group's total turnover. With our competitive advantage of our self-owned upstream manufacturing facilities, the Group can provide stable and lower market cost yarn products for production of dyed yarns despite the uprising cotton costs for the period under review. Profit margin derived from dyeing segment increased by around 37.4% whereas the average selling price per pound also increased by approximately 5.6% comparing with the same period last year. We continued to exercise tight cost controls and efficient order scheduling and production planning to streamline our existing operations and improve our profit margin. Revenue generated from the provision of dyeing services also increased from approximately HK$9.7 million in first half of 2009 to about HK$18.1 million during the period under review, an increase of about 87.0% from the previous period. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the PRC, Hong Kong and Macau accounted for approximately 94.7% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds was from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Production and sales of cotton yarns became another core segment of the Group following the series of expansion of our spinning facilities in Xinjiang and Anqing which started from the year 2007. Our spinning production scales and capabilities increased as expected and the turnover grows yearly. During the period under review, the uprising cotton cost and shortage of the cotton yarn did provide opportunities to our Group to fully utilize our production capacity. Market fluctuation usually comes with bigger returns. The Group experienced apparent sales growth in the spinning business by approximately 77.0%, from about HK$52.6 million in the first half of 2009 to about HK$93.1 million for the period under review. Both the internal and external utilization rate of the cotton yarn increased and approximately 42.1% of Group's self-production yarn was used for dyeing. Through the dedicated effort of our marketing teams in exploring new customers from domestic PRC markets, both the revenue and net profit of the spinning business increased continuously and steadily for the period under review.

Cost of Sales

With our expertise in the procurement of cotton and raw materials, continuous implementation of stringent cost control measures as well as the high level of flexibility achieved from the strong production bases located in a wide range of areas, the Group's cost of sales increased by a less extent, by approximately 7.2% from about HK$411.1 million last period to about HK$440.8 million for the period under review, despite the 14.0% increase in turnover. Raw materials remained a major factor of the Group's cost of sales, standing at around 44.3% in the first half of 2010 with cotton and yarn making up about 50% each. Direct labour, electricity and other direct-related overhead were kept at the similar level as that in last period.

Gross profit and gross profit margin

The Group recorded approximately HK$148.5 million in gross profit for the period under review, representing an increase of approximately 40.2% as compared with approximately HK$105.9 million in the previous period. Although the cotton and other related raw materials costs have increased since the beginning of the year 2010, the Group has maintained a well-stocked inventory by proactively purchasing cotton to offset the rising costs. Further, the Group was able to pass the increased costs and overheads to our customers by raising our selling prices. Therefore, the average selling prices in each segment increased apparently, including about 32.1% increase in the price of cotton yarn, about 9.8% increase in the price of knitted sweaters and approximately 5.6% increase in the price of dyed yarns. The strong demand of yarns in the market prompt a bigger increase in their selling prices than the increase in the cost of raw materials and with the strategic stock up of cotton inventory at the beginning of the year 2010, the overall gross profit margin increased substantially. Together with the enhanced utilization rate of our production facilities, profit margins in each segment were increased during the period under review. Gross profit margin for the Group surged from 20.5% previous period to 25.2%. The strategic expansion and vertical integration enhanced the competitive advantage of the Group, and also provided the Group with stable supply of raw materials, optimized the factory utilization rate and lowered the production cost. As a result, the gross profit margin can be improved and expect to be improved further in the coming year-end.

Net profit margin

Net profit margin surged to 8.8% for the period under review. Excluding the gain on disposal of assets of HK$70.0 million which was classified as held for sale last period, the profit derived from core business recorded a substantial approximately tenfold increase from approximately HK$5.1 million last period to about HK$51.6 million for the period under review. The Group was successful in confronting the challenges by sharpening its competitive edge. The results reflected the effort of the management in exercising stringent cost measurements.

Other revenue

Other revenue of approximately HK$10.0 million mainly comprised sundry income derived from the disposal of those scrapped materials, exchange gain and interest income.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. For the period under review, the Group's selling and distribution costs amounted to approximately HK$31.6 million, representing approximately 5.4% of the Group's turnover, which was maintained at a similar level in last period as a result of the implementation of ongoing cost saving plans of the Group.

Administrative expenses

Administrative expenses of approximately HK$56.7 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. This amount represented approximately 9.6% of the Group's turnover, which was lower than the corresponding 12.6% of the Group's turnover in last period with the implementation of the ongoing cost saving measures of the Group. The Group maintained an efficient cost control structure and will continue to manage its cost in a proactive manner.

Finance costs

Finance costs mainly came from interests on bank borrowings and obligations under finance leases which decreased by about HK$0.6 million to HK$13.5 million for the period under review. It represented approximately 2.3% of the Group's turnover and was also lower than the corresponding 2.7% of the Group's turnover in last period. The decrease was in line with the corresponding decrease in the bank borrowings utilization rate.

Borrowings

As at 30th June, 2010, the Group had outstanding bank borrowings of approximately HK$785.5 million, of which approximately HK$652.1 million and HK$133.4 million were due within one year and within 2 to 5 years respectively.

Compared with the bank borrowing level in last period, the amount decreased from approximately HK$823.4 million to approximately HK$785.5 million during the period under review. The net gearing ratio, which represents total bank borrowings net of bank balances and cash divided by net assets, improved from 0.92 as at 30th June, 2009 to 0.82 as at period end.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June, 2010, the Group's cash and cash equivalents amounted to approximately HK$56.4 million, representing a slight increase of approximately HK$4.8 million compared with that in last period. Total assets amounted to approximately HK$1,925.4 million, representing an increase of approximately HK$266.8 million compared with approximately HK$1,658.6 million as at 31st December, 2009. The Group met its funding requirements for its usual course of operation by cash flows from operations, as well as long-term and short-term borrowings.

Net cash outflow in the amount of approximately HK$12.1 million was generated from operating activities, primarily reflecting the increase in inventories. With the placing proceeds from the issuance of new shares during the period under review, net cash generated by financing activities increased to approximately HK$30.5 million. Capital expenditure for the period under review decreased apparently from approximately HK$44.8 million to approximately HK$18.2 million with no material investment and acquisitions were made in the period under review.

Sales were evenly denominated in Hong Kong dollar, US dollar and Renminbi whereas the sales denominated in EURO decreased apparently in the period under review. This limited our risk of the EURO depreciation during this period. However, purchases were still 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. The fluctuations in foreign currencies such as the US dollar and the Renminbi remained a concern for the Group. To mitigate the foreign currency risk, the Group will enter into appropriate hedging arrangements.

Stock turnover days

The stock turnover days for the period under review were approximately 268 days and remained the similar level as in last corresponding period. Inventory level was deliberately increased in a few months just before period end with the uprising cotton cost in the market and the corresponding shortage of cotton yarns to minimize the pressure from the persistent increase in the price of raw materials. We procure the cotton at a lower cost and cottons were piled up at the period end to keep stable cost supply. Besides, seasonality do affects the stock pile-up in each interim period and therefore the number of the stock turnover days in interim period was apparently higher than that at year end. Subsequently, the inventory balance started to decrease. The Group will continue to actively monitor the inventory level.

Debtors turnover days

The number of debtors' turnover days for the period under review was approximately 95 days and remained the similar level as in last corresponding period with the credit control on debt collection and the new customers selection procedures being made more stringent continuously. Generally, the Group offers credit terms to its trade customers of 30 days to 120 days subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and is expected to take into account factors such as: the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to the shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's credit worthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant.

Taking into account the cash required for the Group's operation in the second half of 2010, the Board of Directors of the Company does not recommend the payment of interim dividend for the six months ended 30th June, 2010.

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Interests of Directors in the shares, underlying shares and debenture

As at 30th June, 2010, the interests of the Directors or the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

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

Name of directors	Capacity	Number of ordinary Shares held	Percentage of shareholding
Dr. Sung Chung Kwun ("Dr. Sung")	Interest in controlled corporation	267,000,000 *(Note 1)*	60.51%
Mr. Wong Chiu Hong ("Mr. Wong")	Interest in controlled corporation	33,000,000 *(Note 2)*	7.48%
Ms. Mok Pui Mei ("Ms. Mok")	Interest in controlled corporation	33,000,000 *(Note 2)*	7.48%
Mr. Ip Siu Lam ("Mr. Ip")	Interest in controlled corporation	3,300,000 *(Note 2)*	0.748%

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 shares of Powerlink Industries Limited

Name of directors	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 30th June, 2010.

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

As at 30th June 2010, 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*	60.51%

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*	7.48%

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 30th June 2010, 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.

OTHER INFORMATION

SHARE OPTION SCHEME

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

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2010.

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

The Company has not redeemed any of its listed shares during the six months ended 30th June, 2010. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the six months ended 30th June, 2010.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code of Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules during the six months ended 30th June, 2010 save that Code provision A.2.1 requires that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Sung 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 leaded by Dr. Sung. There is no time schedule to change this structure as the Directors consider that this structure provides the Group with strong and consistent leadership in the Company's decision making and operational efficiency.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30th June, 2010.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group, its internal control, financial reporting matters, interim results and the Interim Report for the six months ended 30th June, 2010.