Addchance Holdings Limited

互益集團有限公司

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

(Stock Code: 3344)

2010 Annual Report


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

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FINANCIAL HIGHLIGHTS

Key Financial Results

	Year ended 31st December,					
	2010	2009	Changes	2008	2007	2006
	HK$'000	HK$'000	+/-%	HK$'000	HK$'000	HK$'000
Turnover	**1,417,661**	1,214,255	16.8%	1,316,764	1,167,362	925,889
Gross profit	**272,863**	176,775	54.4%	279,529	278,069	214,518
Profit for the year	**71,431**	50,898	40.3%	66,849	98,302	66,190
Profit attributable to :						
Equity holders of the Company	**71,272**	49,880	42.9%	67,567	98,546	66,196
Minority interests	**159**	1,018	–84.4%	(718)	(244)	(6)
Earnings per share (in HK cents)	**16.69**	12.47	33.8%	16.89	24.64	16.55

Financial Ratios

	Year ended 31st December,				
	2010	2009	2008	2007	2006
Profitability ratios:					
Gross margin (%)	**19.2**	14.6	21.2	23.8	23.2
Net margin (%)	**5.0**	4.2	5.1	8.4	7.1
Liquidity ratios:					
Current ratio (times)	**1.25**	0.98	0.90	1.1	1.4
Stock turnover (days) *(Note 1)*	**172**	164	206	172	111
Debtors turnover (days) *(Note 2)*	**65**	60	64	67	68
Creditors turnover (days) *(Note 3)*	**24**	32	47	44	38
Capital adequacy ratio					
Gearing ratio (%) *(Note 4)*	**33.6**	40.5	43.4	42.2	30.4

Notes:

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

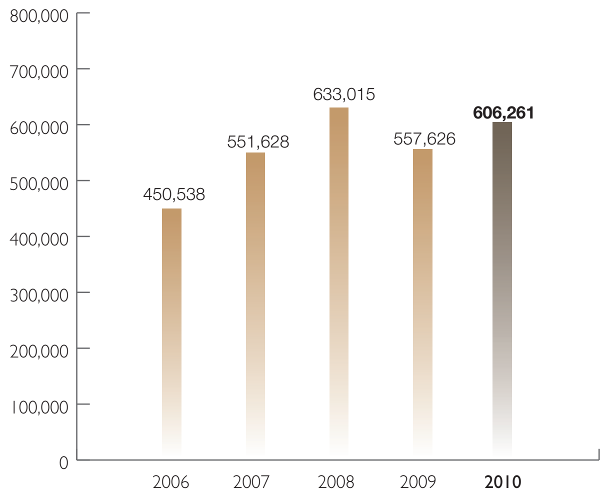
2. The number of debtors' turnover days is equal to trade and bills receivables at the end of year divided by the sales of the year and then multiplied by 365 days.

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

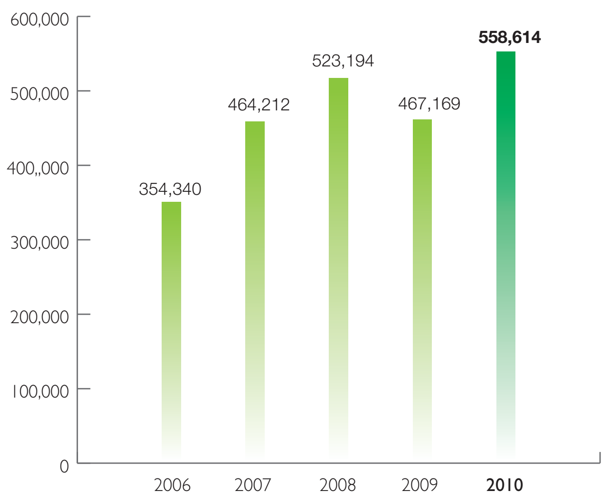
4. The gearing ratio is equal to total bank borrowings at the end of the year divided by total assets at the end of the year.

TURNOVER BY OPERATION

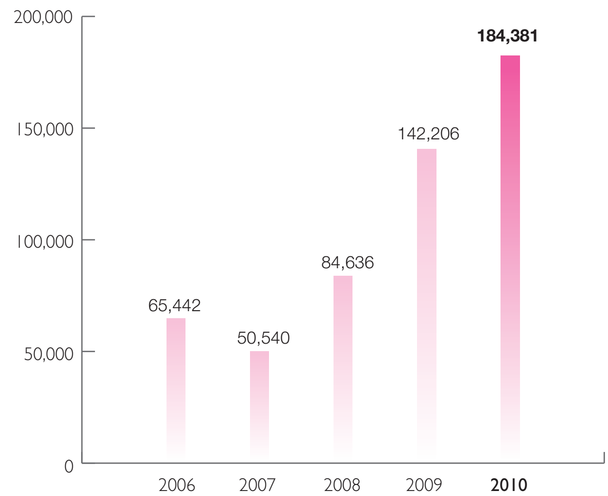
Production and sales of knitted sweaters
(HK$'000)



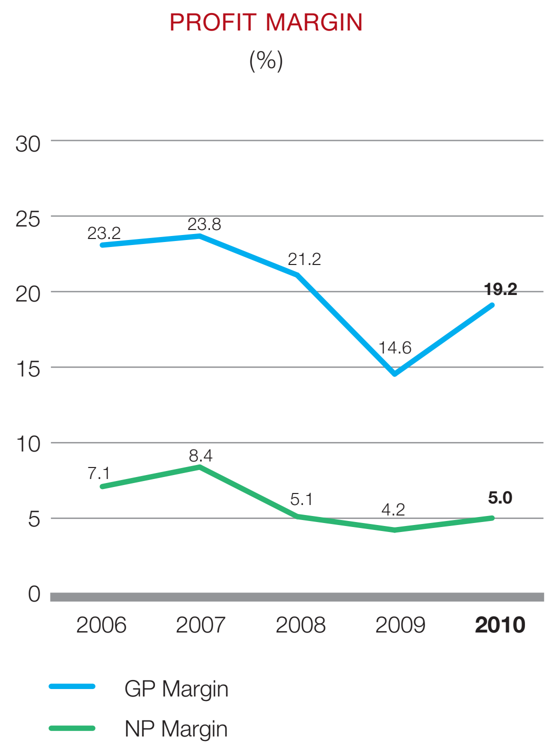
Production and sales of dyed yarns
(HK$'000)

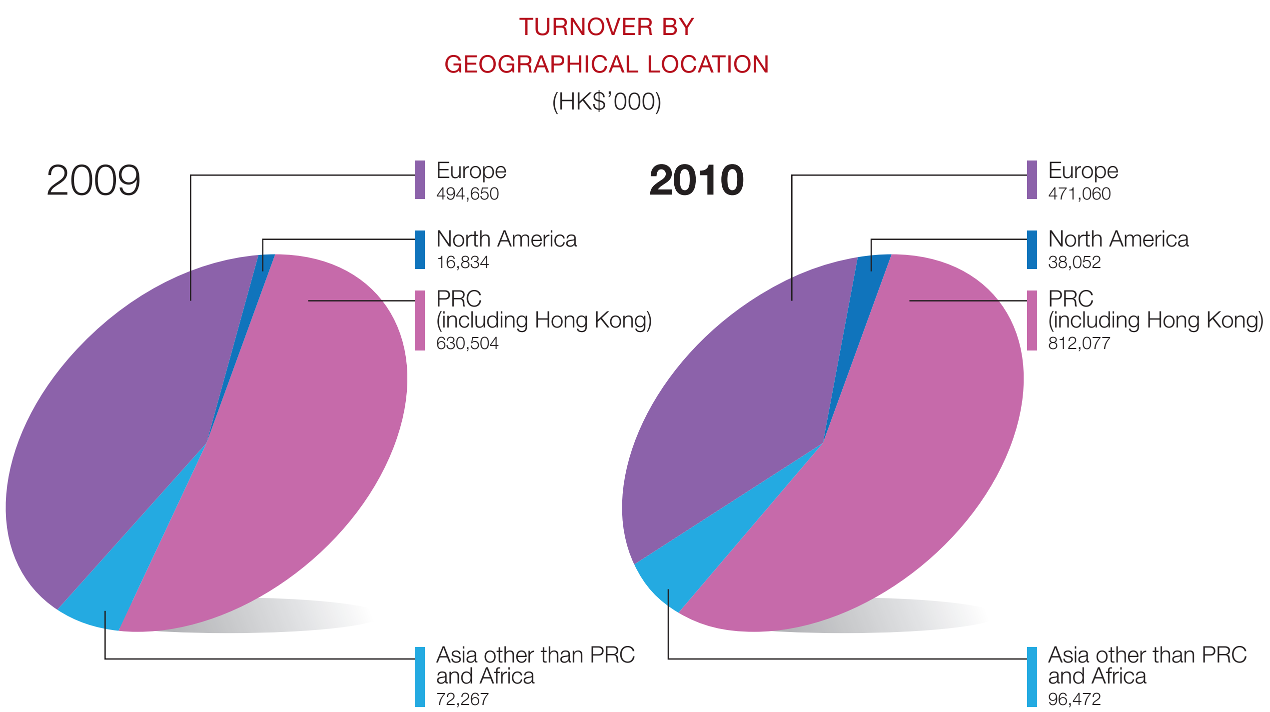


Production and sales of cotton yarns
(HK$'000)



FINANCIAL HIGHLIGHTS





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

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.

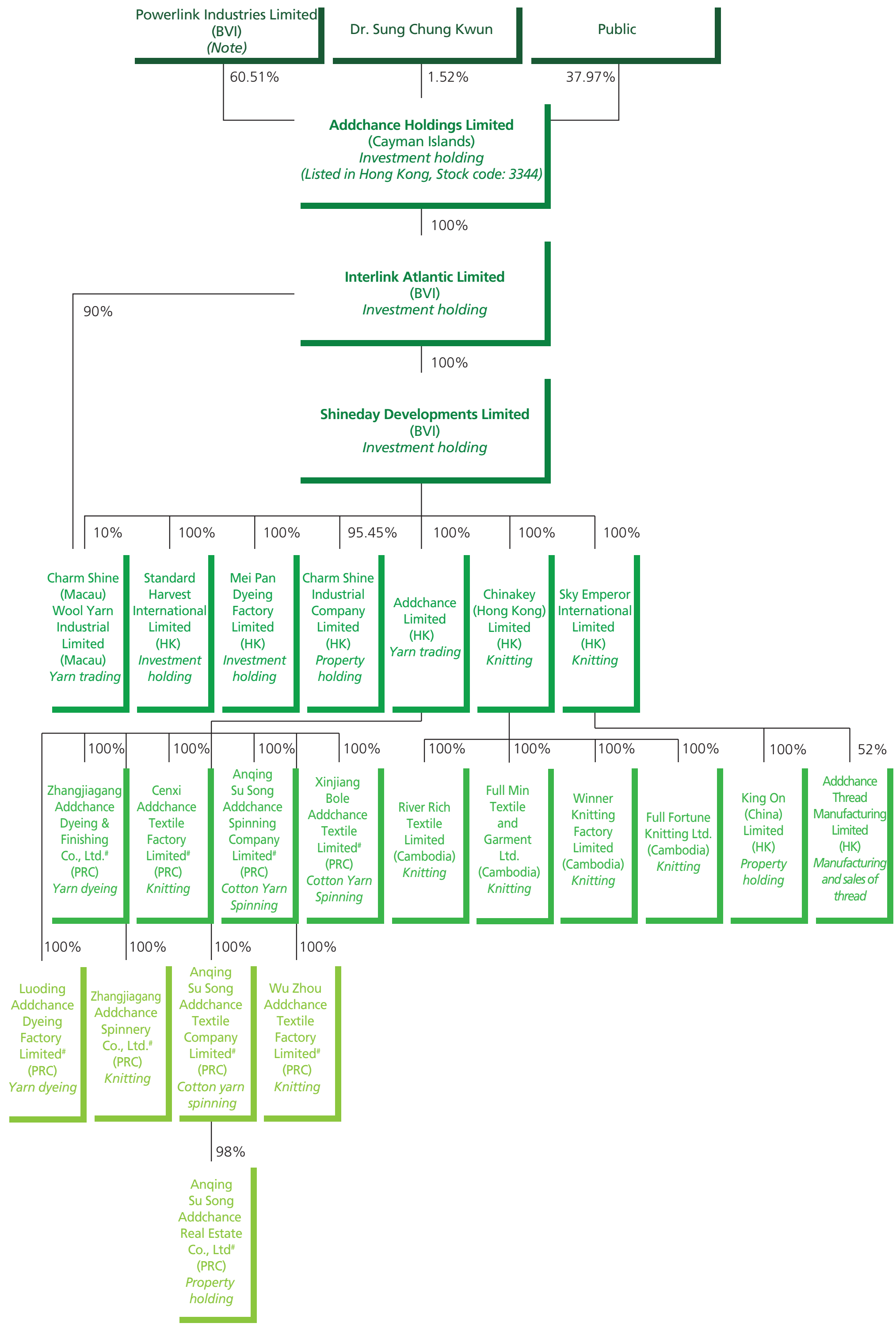
WEBSITE

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

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 31ST DECEMBER, 2010



for identification purpose only

Note:

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

DR. Sung Chung Kwun
Chairman

On behalf of the board of directors (the "Board") of Addchance Holdings Limited ("the Company"), I am pleased to present the annual report of the Company and its subsidiaries ("the Group") for the year ended 31st December, 2010.

2010 was a year of turmoil for the textiles industry. Under the backdrop such as the appreciation of RMB and the inflation and fluctuations in raw cotton prices in the Mainland, the overall business was exposed to a challenging operating landscape. Besides, there were constant activities of industry consolidation. However, the Group firmly believed that the crisis presented both challenges and chances. To weather the abrupt market upheaval, we boosted our customers' confidence in us by capitalizing on our integrity and quality. While strengthening the vertical integration of the spinning, dyeing and weaving processes, the Group stepped up its energy conservation efforts to promote green plant development. We endeavoured to offset the negative cost factors and greatly enhanced our bargaining power against external counterparties. During the year under review, part of the old cotton textile machines were updated to improve efficiency. To tackle the price volatility in the raw material market, the Group streamlined and implemented stringent cost control. The Group then transferred part of increase in raw material costs to its customers in a cautious and rational manner. Mutual business benefits were thus established with our customers and the pressure of rising costs faced by both the Group and its customers was reduced. This enabled us to secure stable orders and good responses from our customers. In relation to knitted sweaters, in addition to increasing the imported automatic looms, we also took advantage of the stable human resources and the labour surplus in various rural regions. As such, we are able to shift the production mix to villages and towns where we have close proximity to the residents, and support the export of sweaters to Cambodia. Cambodia, as the last country for the export of the Group's sweaters, is politically stable under the local government governed by Hun Sen. The Group also enjoyed the benefits of its human resources in Cambodia, where the wages of workers were less than half of those in China. Cambodia also enjoyed import tariff concessions from Europe and Japan. The continuous improvement in the local technology and quality in Cambodia ultimately contributed operating financial profits to the Group, highlighting encouraging results for us.

Invigorated by the introduction of a series of quantitative easing measures by the United States, the global economy was relieved from the dark cloud and showed signs of recovery. The Chinese summarize the basic necessities of life as "clothing, food, housing and travelling" and the textiles industry retains the top-rank position among them and is expected to take the lead to benefit from the global economic recovery. The Group will adopt a very careful approach to consolidate the benefits brought about by the vertically integrated production chains of spinning, dyeing and weaving so as to strengthen our core competitive strengths and enlarge our market share in the exports markets. At the same time, with its established reputation, the Group is well-positioned to achieve sustained profitability for shareholders and to foster further growth of the Group. The Group consolidated and streamlined the production sectors in various regions to reduce its production costs. We reinforced our competitive edges in the domestic branded raw material markets in the southern, central and northern parts of China, thus further enhancing the Group's overall percentage of domestic sales. The Group considers that the outlook of the textiles industry will remain positive and optimistic.

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, 28th March, 2011

BUSINESS REVIEW AND PROSPECTS

Business Review

We are pleased to report the results of the Group for the 12 months ended 31st December, 2010. The Group's consolidated revenue increased by approximately 16.8% to HK$1,417.7 million. Profit attributable to equity shareholders derived from the core business of the Group was HK$71.3 million, substantially increased by approximately HK$87.6 million from that of last year.

During the financial year under review, there were tentative signs of gradual stabilization and improvements in the global economy. The recovering international market, continuously blooming domestic market and the lower comparison basis in the year 2009 all contributed to a rebounce in the textile industry in the year of 2010. However, the operating environment was still full of challenges for the Company and the textile industry as a whole with the escalating prices of cotton and yarn and the appreciation of RMB. Leveraging our competitive edges, the Group still managed to strengthen its core competencies and achieved growths in terms of revenue and sales volume in the year of 2010. Our efforts led the Group to continuously achieve satisfactory performance in terms of revenue and net profits in the year of 2010.

The Group achieved record sales in the year of 2010. For the year ended 31st December, 2010, the turnover of the Group was HK$1,417.7 million, representing an increase of approximately 16.8% as compared with that of the previous year. Profit derived from the core business attributable to the owners of the Company grew to approximately HK$71.3 million, substantially increased by approximately HK$87.6 million as compared with that of the previous year. Profit derived from core business in the second half of the year 2010 is comparatively lower than that derived from the first half of the year 2010 as the escalating cotton prices continued to crush the industry and affect our profit margins. The Group has maintained a well-stocked inventory by proactively purchasing cotton to offset the uprising raw material costs in the first half of the year 2010. However, with the sudden upsurge of the cotton price in the second half of the year 2010, the Group decreased its cotton inventory due to the uncertainty of the rising trend of the cotton prices. With the decrease in the stock-up of the cotton inventory,

the profit margin of the Group has been affected a bit in the second half of year 2010. Overall, the Group was able to pass on most of our increased raw material costs to our customers by raising our selling prices. The inventories piled up before also benefited from the upsurge of the cotton price. Furthermore, in view of the upsurge of the raw material cost, we adopted some new series of strategies to lock-in our profit margin without being affected by any sudden increase in the cotton prices. The Group requested full deposits on cotton or yarn purchases in advance upon accepting new customers' orders. This deposit received in advance can lock-in the cotton costs and can neutralize the rising cost and maintain our margins at a relatively stable level.

The increasing contribution from the domestic market and investment in the People's Republic of China (the "PRC") bode well for the Company. The Group has advanced dyeing facilities and enjoys a good reputation in the market. The Group has also equipped with the production know-how and has established strategically located production bases. It also has made persistent efforts in promoting vertical integration. The Company 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 in the market with increasing market share when the demand in the domestic market and international market gradually recover in the coming years.

Looking forward, the overall textile industry will remain difficult and challenging as a result of the impact of the cotton price fluctuations and the appreciation of the RMB. However, the Group will further optimize its operations and infrastructure to cope with the current market situations and maintain a solid foundation to support future growth. We will continuously review the cost and risk management functions and will also focus on reducing our net gearing ratio to a more sustainable level over the next few years by improving profitability level and implementing tighter control over cost, working capital and capital expenditure.

Furthermore, for the better reallocation of the Group resources, the Group disposed of its interest in one of its PRC subsidiaries in April 2010 as a means to dispose of some of the Group's non-core businesses. In relation to the proceeds from the disposal of the 98% equity interest in Anqing Su Song Addchance Real Estate Co. Limited, the Group has received on schedule the first and the second instalments of RMB13.7 million and RMB16 million respectively during the year under review. The remaining third instalment and the balance in the aggregate amount of RMB31.8 million is expected to be received in the year of 2011.

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.

The Group recorded another double-digit growth in its turnover in the year of 2010. Production and sales of knitted sweaters and dyed yarn remained the principal operations of the Group. Revenue generated from the production and sales of cotton yarns increased year by year. For the year under review, the total turnover of the Group increased by approximately 16.8% when compared with that in 2009, from approximately HK$1,214.3 million to about HK$1,417.7 million.

Turnover of the sweater business increased by about 8.7%, from approximately HK$557.6 million last year to about HK$606.3 million in the year under review, representing approximately 42.8% of the Group's total turnover. In terms of the output quantity of knitted sweaters, it decreased slightly by approximately 5.7% whilst the average market price increased by around 13.4% when compared with last year. As in the first half of the year 2010, the drop in sales orders delivered in the year 2010 was mainly attributable to the change in sales strategy. The Group exercised prudent yarn inventory control by giving priority to those orders with high profit margin to maximize the profitability and the Group was able to pass most of our increased raw material costs to our customers with our strong bargaining power. The decrease in the output quantity was attributable to the decrease in orders accepted from a few customers with lower profit margin, whilst those orders with higher profit margins increased as compared with those of the previous year. Thus, it resulted in a higher average selling price per unit sold. Our sweater products were still mainly exported to Europe and the Group continues to expand our customer base in order to have a less reliance on certain customers. As a percentage of the revenue of the Group, the sales made to our biggest customer decreased from about 17.3 % to approximately 12.6% this year as planned. We believe that the order rescheduling and the efficient production planning will result in a continuous increase in the profit margins of the Group in the coming year.

Dyed yarn remains the core product of the Group. Turnover from the production and sale of dyed yarns for the year under review was approximately HK$558.6 million, representing an apparent increase of about 19.6% as compared with that of the previous year and accounted for about 39.4% 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 year under review. Sales volume in relation to the dyed yarns increased by around 4.5%, whilst the average selling price per pound increased by approximately 17.0% as compared with last year. The piling-up of yarns in the first half of the year of 2010 enabled the Group to realize a bigger return and the profit derived from dyed yarns also increased accordingly. We continued to exercise tight cost controls, 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$25.3 million the previous year to about HK$36.2 million during the year under review, an increase of about 42.7% from the previous year. Most of the Group's dyed yarn was sold to the manufacturers in the PRC and in Hong Kong which operate production sites in Guangdong, Jiangsu and Zhejiang. 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 sales proceeds was generated from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Production and sales of cotton yarns became another core segment of the Group's business following the series of expansion of our spinning facilities in Xinjiang and Anqing. Revenue generated from cotton yarns increased year by year. The Group experienced apparent sales growth in the spinning business by approximately 29.7%, increased from about HK$142.2 million last year to about HK$184.4 million during the year under review. Our spinning production scales and capabilities increased as expected and in turn the turnover grows yearly. During the year under review, the uprising cotton cost and shortage of the cotton yarn provided opportunities for our Group to fully utilize our production capacity. Market fluctuation sometimes comes with bigger returns. With the upsurge in cotton price, we successfully transferred the uprising cost to our customers through our efficient pricing adjustment together with the low cost inventory on hand. Therefore, the average selling price per ton increased by about 39.4% comparing with that of last year and the profit generated from spinning segment increased apparently by about HK$11.9 million or over 300%. Both the internal and external utilization rates of the cotton yarn increased and approximately 51.3% of the Group's self production yarn was internally used for dyed yarn production. With the efforts of our dedicated marketing teams in exploring new customers from the PRC domestic market, both the revenue and net profit of the spinning business increased continuously and steadily during the year under review.

TURNOVER BY operation
(Amount HK$'000)

	2010	2009	Changes +/-%	2008	2007	2006
Production and sale of dyed yarns	**558,614**	467,169	19.6%	523,194	464,212	354,340
Production and sale of knitted sweaters	**606,261**	557,626	8.7%	633,015	551,628	450,538
Production and sale of cotton yarn	**184,381**	142,206	29.7%	84,636	50,540	65,442
Provision of dyeing and knitting services	**36,167**	25,337	42.7%	38,293	31,531	36,105
Trading of cotton and yarns	**32,238**	21,917	47.1%	37,626	69,451	19,464
	1,417,661	1,214,255	16.8%	1,316,764	1,167,362	925,889

TURNOVER BY operation
(in % of total)

	2010	2009	2008	2007	2006
Production and sale of dyed yarns	39.4%	38.5%	39.7%	39.8%	38.3%
Production and sale of knitted sweaters	42.8%	45.9%	48.1%	47.3%	48.7%
Production and sale of cotton yarn	13.0%	11.7%	6.4%	4.3%	7.1%
Provision of dyeing and knitting services	2.5%	2.1%	2.9%	2.7%	3.9%
Trading of cotton and yarns	2.3%	1.8%	2.9%	5.9%	2.0%
	100.0%	100.0%	100.0%	100.0%	100.0%

Cost of Sales

During the year under review, the cost of sales increased by about 10.3%, from HK$1,037.5 million last year to about HK$1,144.8 million. It was mainly driven by the escalating cotton price and the increasing prices of the other cotton-related raw materials. Raw materials remained a major factor of the Group's cost of sales, standing at around 54.9% in the year 2010, with cotton and yarn making up 60% and 40% each respectively. With the benefit of the piling-up of the cheaper cotton stock, the continuous implementation of stringent cost control measures as well as the high level of flexibility achieved from the strong production bases located in wide range of areas, the Group's cost of sales increased by a less extent despite the approximately 16.8% increase in turnover.

Gross profit and gross profit margin

The Group recorded approximately HK$272.9 million in gross profit for the year under review, representing a substantial increase of approximately 54.3% as compared with approximately HK$176.8 million recorded in the previous year. Although the costs of cotton and other related raw materials have increased since the first quarter of 2010, the Group has maintained a well-stocked inventory by proactively purchasing cotton to offset the rising costs and to pass the increased costs and overheads to the end-customers through increased selling prices. Therefore, the average selling prices in each segment increased apparently, including about 39.4% increase in the price of cotton yarn, about 13.4% increase in the price of knitted sweaters and approximately 17.0% increase in the price of dyed yarns. The strong demand of yarns in the market prompted a bigger increase in their selling prices than the increase in the cost of the raw materials. The strategic stock-up of cotton inventory in the first half of 2010 also contributed to the substantial increase in the overall gross profit margin. Together with the enhanced utilization rate of our production facilities, the profit margins in each segment were improved during the year under review. The gross profit margin of the Group surged from 14.6% in the previous year to 19.2% this year, representing an increase of around 4.6 percentage point as compared with that of last year.

Net profit margin

Excluding the exceptional gain of approximately HK$67.1 million resulting from the disposal of the properties in Hong Kong last year, the net profit for the year 2010 derived from the core business substantially increased by around HK$87.6 million comparing with that of last year. Net profit margin surged to about 5.0% for the year under review. The Group was successful in overcoming 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$19.5 million 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$67.4 million, representing approximately 4.8% of the Group's turnover, which is lower than the corresponding 4.9% of the Group's turnover in the year of 2009 and these costs are decreased yearly with the implementation of the ongoing cost saving plans of the Group.

Administrative expenses

Administrative expenses of approximately HK$120.4 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 8.5% of the Group's turnover.

Finance costs

Finance costs mainly came from interests on bank borrowings and obligations under finance leases which decreased by about HK$3.3 million to HK$25.1 million for the year under review. It represented approximately 1.8% of the Group's turnover and was also lower than the corresponding 2.3% 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, 2010, the Group had outstanding bank borrowings of approximately HK$565.4 million, of which approximately HK$490.9 million and HK$74.5 million were due within one year and within 2 to 5 years respectively.

Compared with the bank borrowing level last year, the amount decreased from approximately HK$629.0 million to approximately HK$565.4 million during the year under review. The net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, improved apparently from 0.75 as at 31st December, 2009 to 0.55 as at 31st December, 2010.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2010, the Group's cash and cash equivalents apparently increased by around HK$31.3 million to approximately HK$99.1 million. Total assets increased to approximately HK$1,779.8 million.

The Group has successfully implemented the placement strategy in the capital market during the year under review. An aggregate of 41.25 million shares have been placed to the public at the placing price of HK$1.15 per share in May 2010 to diversify the capital mix of the Group and fulfil the need for long-term development. The placing proceeds increased the cash inflow of the Group from the financing activities.

With the absence of capital injection projects, the net cash used in investing activities decreased apparently to about HK$20.0 million as compared with the cash outflow of HK$77.1 million last year. Capital expenditures for the year under review decreased apparently by about 40.0% to approximately HK$55.7 million.

The Group mainly 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. The Group will focus on reducing the net gearing ratio continuously by improving profitability, procuring the disposal of non-core properties and implementing tighter control over costs, working capital and capital expenditure.

The sales and purchases of the Group were evenly denominated in Hong Kong dollars, the US dollars and Renminbi respectively. Part of the effect of the appreciation of Renminbi against the US dollars 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 dollars and 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, 2010 was approximately 172 days, compared with 164 days for the year ended 31st December, 2009. Inventory level was deliberately increased in order to tackle the uprising cotton cost in the market and the corresponding shortage of cotton yarns with an aim 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 year end to keep stable cost supply. The Group will continuously monitor the inventory level to a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days was maintained at a similar level as that of last 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 HK3.0 cents per share for the year ended 31st December, 2010 to shareholders appearing on the register of members of the Company as at 31st May, 2011, which is subject to approval of the shareholders at the forthcoming annual general meeting.

The Company is committed to the application 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, 2010 (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) five executive Directors, namely Dr. Sung Chung Kwun, Mr. Wong Chiu Hong, Mr. Ip Siu Lam, Ms. Mok Pui Mei and Mr. Sung Kim Ping, (ii) one non-executive Director, namely Mr. Lau Gary Q. and (iii) three independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling. The Directors' biographical information is set out on pages 21 to 24 of this report. During the Relevant Period, 6 Board meetings were held. The respective attendance of each member of the Board was as follows:–

Dr. Sung Chung Kwun	(5/6)
Mr. Wong Chiu Hong	(6/6)
Mr. Ip Siu Lam	(5/6)
Ms. Mok Pui Mei	(6/6)
Mr. Sung Kim Ping	(5/6)
Mr. Lau Gary Q.	(4/6)
Mr. Chan Tsz Fu, Jacky	(4/6)
Mr. Ng Man Kin	(4/6)
Professor Cai Xiu Ling	(4/6)

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, 2010 to 31st August, 2011 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. One meeting has been held by the Remuneration Committee during the year of 2010.

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, 3 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	(3/3)
Mr. Ng Man Kin	(3/3)
Professor Cai Xiu Ling	(3/3)

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, 2010, 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 66, 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 Tenth Chinese People's Political Consultative Conference of Fujian Province（中國人民政治協商會議福建省第十屆委員會委員）, a Deputy Chairman of China Federation of Oversea Entrepreneurs and Honorary Lifetime Chairman Hong Kong Federation of Fujian Associations（中國僑商聯合會副會長及香港福建社團永遠榮譽主席）. 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. In addition, he received the "Golden Award for Outstanding Individual of Returned Overseas Chinese and Family Members（全國歸僑僑眷先進個人金獎）" jointly awarded by China Federation of Oversea Entrepreneurs（中國僑商聯合會）and the Overseas Chinese Affairs Office of the State Department of China（國務院僑辦）in 2009.

Mr. WONG Chiu Hong（王昭康先生）, aged 59, 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 Forth 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四屆委員會委員）and the Eighth 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八屆委員會委員）, 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 55, 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 49, 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 41, 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委員）.

Non-executive Director

Mr. LAU Gary Q.（劉均賀先生）, aged 38, is the Managing Director of EcoAsia Technologies 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 business, Mr. Lau worked in Alcatel-Lucent in 2005 and 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 36, 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. Chan has also been an independent non-executive director of Sijia Group Company Limited (Stock Code: 1836), a company listed on the Hong Kong Stock Exchange, since 6th January, 2010 and has resigned from directorship with effect from 13th April, 2011.

Mr. NG Man Kin（吳文堅先生）, aged 47, is a solicitor, a notary public of Hong Kong and a partner of Kwok, Ng & Chan, Solicitors & Notaries. 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 49, is the head of the Department of Economics at the 福建師範大學 (Fujian Normal University). Professor Cai is experienced in economic research and has been teaching at the Fujian Normal University for over 26 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 59, is the director of Chinakey (HK) Limited ("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 May 1996.

Ms. FUNG Ka Lai（馮嘉勵女士）, aged 35, 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.

Ms. LEUNG Chi Ying (梁織英女士), aged 43, 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. TSANG Fai (曾暉先生), aged 38, is the director of Chinakey and 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 36, 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 2010 annual report and the audited consolidated financial statements for the year ended 31st December, 2010.

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, 2010 are set out in the consolidated statement of comprehensive income on page 35.

The Directors recommend the payment of a final dividend of HK3.0 cents per share to the shareholders on the register of members of the Company on 31st May, 2011, amounting to approximately HK$13,238,000.

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, 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, 2010 amounted to HK$422,604,000 (2009: HK$386,885,000)

DIRECTORS

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

Executive directors:

Dr. Sung Chung Kwun
Mr. Wong Chiu Hong
Ms. Mok Pui Mei
Mr. Sung Kim Ping
Mr. Ip Siu Lam
Mr. Cheung Yung Fat, Albert (resigned on 31st May, 2010)

Non-executive director:

Mr. Lau Gary Q.

Independent non-executive directors:

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

In accordance with Articles 87(1) and (2) of the Company's Articles of Association, Mr. Sung Kim Ping, Mr. Lau Gary Q. and Mr. Chan Tsz Fu, Jacky shall retire from office by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE CONTRACTS

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

Mr. Sung Kim Ping has entered into a letter of appointment with the Company for a term of three years from 17th April, 2008 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 was appointed for a period of one year commencing from 1st September, 2010 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 DEBENTURES

As at 31st December, 2010, the interests and short positions of the directors and chief executive of the Company in the share, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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

Name of director	Capacity	Number of ordinary shares held	Approximate percentage of shareholding
Dr. Sung Chung Kwun ("Dr. Sung")	(i) Interest in controlled corporation *(Note)*	267,000,000	60.51%
	(ii) Beneficial owner	6,710,000	1.52%

Note:

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

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, 2010.

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 the approval of the Scheme. 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

Save as provided in the paragraph headed "Continuing Connected Transaction" below, no contracts of significance to which the Company, its ultimate holding company, any of its fellow subsidiaries or 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.

CONTINUING CONNECTED TRANSACTION

Tenancy Agreement

On 1st December, 2010, Addchance Dyeing Factory Limited and Addchance Limited entered into a tenancy agreement in respect of certain office premises at Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong (the "Premises").

Pursuant to the tenancy agreement, Addchance Dyeing Factory Limited, as landlord, agreed to lease to Addchance Limited, as tenant, the Premises for a term of 3 years commencing from 19th November, 2010 to 18th November, 2013 (both days inclusive).

The monthly rent payable under the tenancy agreement shall be HK$300,000, exclusive of rates, management fees and air-conditioning charges. There was a rent free period from 19th November, 2010 to 31st December, 2010. During the term of the tenancy agreement, the parties may negotiate to review the rent for each of the years ending 18th November, 2012 and 18th November, 2013 with reference to the prevailing market rent at the material time. In the event that the parties wish to revise the rent, they shall jointly appoint an independent valuer to assess the prevailing market rent of the Premises at the material time, provided that the monthly rent for the years ending 18th November, 2012 and 18th November, 2013 shall not in any event be more than HK$350,000 and HK$400,000 respectively.

As Addchance Limited is an indirect wholly-owned subsidiary of the Company and Addchance Dyeing Factory Limited is a company owned as to 60% by Dr. Sung Chung Kwun, the Chairman, an executive Director and the controlling shareholder of the Company and as to 40% by Mr. Sung Kim Ping, an executive Director and the son of Dr. Sung Chung Kwun, the tenancy agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

The terms of the tenancy agreement were arrived at based on arm's length negotiations and on normal commercial terms and with reference to the valuation prepared by an independent valuer dated 30th November, 2010.

The Group has been using the Premises for office purpose by leasing the same from an independent third party since 14th January, 2009. The independent third party has disposed of the Premises to Addchance Dyeing Factory Limited on 19th November, 2010. It is the Group's intention to continue to use the Premises for office purpose.

Details of the tenancy agreement have been disclosed in the announcement of the Company dated 1st December, 2010.

Each of the independent non-executive Directors has confirmed that the above continuing connected transaction has been entered into by the Group in the ordinary and usual course of its business on normal commercial terms and in accordance with the terms of the tenancy agreement which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

As at 31st December, 2010, the following substantial shareholders and other person (other than a director or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Interests of substantial shareholders

Name	Capacity	Number of shares	Percentage of shareholding
Powerlink Industries Limited	Beneficial owner	267,000,000	60.51%

Save as disclosed above, as at 31st December, 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.

CONFIRMATIONS OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. 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 and senior management of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The remuneration of the non-executive directors (including the independent non-executive directors) of the Company are recommended by the Remuneration Committee.

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

PRE-EMPTIVE RIGHTS

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

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers represented approximately 27.6% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 12.6% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers represented approximately 32.3% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 7.9% 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, 2010.

AUDITOR

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, 28th March, 2011

Deloitte.
德勤

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

We have audited the consolidated financial statements of Addchance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35 to 91, which comprise the consolidated statement of financial position as at 31st December, 2010, 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 of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 of the consolidated financial statements that give a true and fair view 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, 2010 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
28th March, 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2010

	Notes	2010 HK$'000	2009 HK$'000
Revenue	7	1,417,661	1,214,255
Cost of sales		(1,144,798)	(1,037,480)
Gross profit		272,863	176,775
Other income		19,491	19,408
Gain on disposal of assets classified as held for sale	27	–	67,092
Selling and distribution costs		(67,356)	(59,422)
Administrative expenses		(120,443)	(117,295)
Finance costs	9	(25,052)	(28,313)
Profit before tax		79,503	58,245
Income tax expense	10	(8,072)	(7,347)
Profit for the year	11	71,431	50,898
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		19,241	773
Total comprehensive income for the year		90,672	51,671
Profit for the year attributable to:			
Owners of the Company		71,272	49,880
Non-controlling interests		159	1,018
		71,431	50,898
Total comprehensive income attributable to:			
Owners of the Company		90,513	50,653
Non-controlling interests		159	1,018
		90,672	51,671
Earnings per share, in HK cents	15		
Basic		16.69	12.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	Notes	As at 31.12.2010 HK$'000	As at 31.12.2009 HK$'000 (restated)	As at 1.1.2009 HK$'000 (restated)
NON-CURRENT ASSETS				
Investment properties	16	1,936	1,988	2,040
Property, plant and equipment	17	734,115	758,018	768,926
Prepaid lease payments	18	58,653	81,808	73,127
Deposit paid for acquisition of land use rights and property, plant and equipment	19	20,134	13,460	16,203
Club debentures	20	1,070	1,070	1,070
Deferred tax assets	21	159	159	230
		816,067	856,503	861,596
CURRENT ASSETS				
Prepaid lease payments	18	1,437	1,737	1,831
Inventories	22	540,473	466,079	586,080
Trade receivables, bills receivables and other receivables, deposits and prepayments	23	295,322	248,607	226,866
Amounts due from related companies	24	191	192	163
Pledged bank deposits	25	–	5,682	1,387
Bank balances and cash	26	99,115	79,826	94,208
		936,538	802,123	910,535
Assets classified as held for sale	27	27,158	–	7,983
		963,696	802,123	918,518
CURRENT LIABILITIES				
Trade and other payables	28	244,997	172,889	245,462
Bills payable	29	32,773	43,285	52,595
Amount due to non-controlling interests	30	175	175	240
Bank borrowings – due within one year	31	490,878	581,785	684,220
Obligations under finance leases – due within one year	32	–	5,057	8,669
Taxation payable		1,899	6,072	7,347
Bank overdrafts	31	–	12,049	22,877
		770,722	821,312	1,021,410
NET CURRENT ASSETS (LIABILITIES)		192,974	(19,189)	(102,892)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,009,041	837,314	758,704

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2010

	Notes	As at 31.12.2010 HK$'000	As at 31.12.2009 HK$'000 (restated)	As at 1.1.2009 HK$'000 (restated)
CAPITAL AND RESERVES				
Share capital	33	4,413	4,000	4,000
Reserves		907,664	781,328	730,675
Equity attributable to owners of the Company		912,077	785,328	734,675
Non-controlling interests		1,550	1,391	146
		913,627	786,719	734,821
NON-CURRENT LIABILITIES				
Bank borrowings – due after one year	31	74,535	30,113	–
Obligations under finance leases – due after one year		–	–	5,057
Deferred tax liabilities	21	20,879	20,482	18,826
		95,414	50,595	23,883
		1,009,041	837,314	758,704

The consolidated financial statements on pages 35 to 91 were approved and authorised for issue by the Board of Directors on 28th March, 2011 and are signed on its behalf by:

DR. SUNG CHUNG KWUN
DIRECTOR

MR. WONG CHIU HONG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 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	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 directly recognised in equity	–	–	–	–	–	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 non-controlling interests	–	–	–	–	–	–	–	–	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
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	19,241	–	19,241	–	19,241
Profit for the year	–	–	–	–	–	–	71,272	71,272	159	71,431
Total comprehensive income for the year	–	–	–	–	–	19,241	71,272	90,513	159	90,672
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 *(Note 14)*	–	–	(8,825)	–	–	–	–	(8,825)	–	(8,825)
At 31st December, 2010	**4,413**	**134,054**	**131,218**	**24,673**	**12,514**	**112,830**	**492,375**	**912,077**	**1,550**	**913,627**

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 non-controlling interests 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 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, 2010

	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES		
Profit before tax	79,503	58,245
Adjustments for:		
Finance costs	25,052	28,313
Interest income	(267)	(105)
Depreciation of property, plant and equipment	90,034	78,130
Depreciation of investment properties	52	52
Amortisation of prepaid lease payments	1,437	1,931
Gain on disposal of assets classified as held for sale	–	(67,092)
Gain on disposal of properties	–	(2,231)
(Gain) loss on disposal of property, plant and equipment	(37)	119
Impairment loss recognised on trade receivables	257	–
Impairment loss recognised on other receivable	1,500	–
Operating cash flows before movements in working capital	197,531	97,362
(Increase) decrease in inventories	(74,394)	120,001
Increase in trade receivables, bills receivables and other receivables, deposits and prepayments	(46,507)	(21,534)
Decrease (increase) in amounts due from related companies	1	(29)
Increase in trade and other payables	36,802	2,502
Decrease in bills payable	(10,512)	(9,310)
Cash generated from operations	102,921	188,992
Tax refunded	–	176
Tax paid	(11,848)	(7,071)
NET CASH FROM OPERATING ACTIVITIES	91,073	182,097
INVESTING ACTIVITIES		
Interest received	267	105
Proceeds from disposal of properties	–	7,500
Proceeds from disposal of property, plant and equipment	404	9,017
Purchase of property, plant and equipment	(53,662)	(74,343)
Prepaid lease payment	–	(15,059)
Deposit paid for acquisition of land use rights and property, plant and equipment	(7,251)	–
Deposit received for disposal of a subsidiary	34,535	–
Decrease (increase) in pledged bank deposits/fixed bank deposits	5,682	(4,295)
NET CASH USED IN INVESTING ACTIVITIES	(20,025)	(77,075)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2010

	2010 HK$'000	2009 HK$'000
FINANCING ACTIVITIES		
Dividend paid	(8,825)	–
Interest paid	(25,052)	(28,313)
Repayments of bank borrowings	(1,311,749)	(1,407,697)
Repayments of obligations under finance leases	(5,057)	(8,669)
Decrease in amount due to non-controlling interests	–	(65)
New bank loans raised	1,260,961	1,335,941
Contribution by non-controlling interests	–	227
Proceeds from issue of shares	47,438	–
Expenses on issue of shares	(2,377)	–
NET CASH USED IN FINANCING ACTIVITIES	(44,661)	(108,576)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	26,387	(3,554)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	7,084	–
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	67,777	71,331
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by	101,248	67,777
Bank balances and cash	99,115	79,826
Bank balances and cash included in assets classified as held for sale	2,133	–
Bank overdrafts	–	(12,049)
	101,248	67,777

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 beneficial owner of Powerlink Industries Limited is 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")/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the International Accounting Standards Board ("new and revised IFRSs").

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

(a) IFRS 3 (as required in 2008) Business Combinations and IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The Group applies IFRS 3 (as revised in 2008) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in IAS 27 (as revised in 2008) 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 year in which IFRS 3 (as revised in 2008) and IAS 27 (as revised in 2008) are applicable, the application of IFRS 3 (Revised 2008), IAS 27 (as revised in 2008) and the consequential amendments to other IFRSs had no effect on the 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 (as revised in 2008), IAS 27 (as revised in 2008) and the consequential amendments to the other IFRSs are applicable.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")/ CHANGES IN ACCOUNTING POLICIES – continued

(b) Amendments to IAS 17 Leases

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 consolidated financial statements of the Group for the current or prior accounting period.

(c) Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Under the definition of current liabilities of IAS 1 Presentation of Financial Statements, an entity classifies a liability as current when then entity does not have an unconditional right to deter settlement of the liability for at least twelve months after the reporting period. Certain term loans of the Group include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause").

During the current year, in relation to the above mentioned requirements set out in IAS 1, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements. Under the new accounting policy, term loans with a repayment on demand clause that gives the lender the unconditional right to call the loans at any time are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$112,461,000 and HK$136,184,000 have been reclassified from non-current liabilities to current liabilities as at 31st December, 2009 and 1st January, 2009 respectively. As at 31st December, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$66,289,000 have been classified as current liabilities. Such change in accounting policy has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities (see note 6 for details).

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")/ CHANGES IN ACCOUNTING POLICIES – continued

Summary of the effects of the above changes in accounting policies

The effects of the above changes in accounting policies on the financial positions of the Group as at 1st January, 2009 and 31st December, 2009 are as follows:

	As at 1.1.2009 (originally stated) HK$'000	Adjustments HK$'000	As at 1.1.2009 (restated) HK$'000	As at 31.12.2009 (originally stated) HK$'000	Adjustments HK$'000	As at 31.12.2009 (restated) HK$'000
Borrowings – current	570,913	136,184	707,097	481,373	112,461	593,834
Borrowings – non-current	136,184	(136,184)	–	142,574	(112,461)	30,113
	707,097	–	707,097	623,947	–	623,947

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 except for the amendments to IFRS 3 (as revised in 2008), IAS 1 and IAS 28[3]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
IFRS 9	Financial Instruments[7]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
IAS 24 (as revised in 2009)	Related Party Disclosures[4]
IAS 32 (Amendments)	Classification of Rights Issues[1]
IFRIC-14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
IFRIC-19	Extinguishing Financial Liabilities with Equity Instruments[2]

1 *Effective for annual periods beginning on or after 1st February, 2010*
2 *Effective for annual periods beginning on or after 1st July, 2010*
3 *Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate*
4 *Effective for annual periods beginning on or after 1st January, 2011*
5 *Effective for annual periods beginning on or after 1st July, 2011*
6 *Effective for annual periods beginning on or after 1st January, 2012*
7 *Effective for annual periods beginning on or after 1st January, 2013*

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")/ CHANGES IN ACCOUNTING POLICIES – continued

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31st December, 2013 and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standard and interpretations will have no material impact on the profit or loss and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards issued by 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.

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income and expense of a subsidiary is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries on or after 1st January, 2010

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

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 non-current asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

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, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their estimated residual values over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially 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 recognised 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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense 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.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 loans and receivables.

Effective interest method

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

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

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).

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables 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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

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 non-controlling interests, bank borrowings and obligations under finance leases. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 to determine whether there is any indication that those assets have suffered an impairment loss. 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. 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.

Where 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.

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 2010, the carrying amount of trade receivable is HK$230,100,000, net of allowance for doubtful debts of HK$9,438,000 (2009: HK$144,987,000, 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 owners 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

	2010 HK$'000	2009 HK$'000
Financial assets		
Loans and receivables		
Trade receivables, bills receivables and other receivables	271,678	225,786
Amounts due from related companies	191	192
Pledged bank deposits	–	5,682
Bank balances and cash	99,115	79,826
Bank and cash balance included in assets classified as held for sale	2,133	–
	373,117	311,486
Financial liabilities stated at amortised cost		
Trade and other payables	53,008	91,381
Bills payable	32,773	43,285
Amount due to non-controlling interests	175	175
Bank borrowings	565,413	623,947
	651,369	758,788

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 non-controlling interests, 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	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
United State dollars ("USD")	115,641	50,920	182,919	72,127
Renminbi ("RMB")	249	2,291	–	223
EURO ("EUR")	6,141	39,994	5,466	64,576

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(i) Currency risk

Sensitivity analysis

The Group is mainly exposed to the EUR and RMB.

The following table details the Group's sensitivity to a 5% (2009: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2009: 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% (2009: 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% (2009: 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	
	2010 HK$'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Profit (loss) for the year	(28)	1,026	(10)	(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 (2009: 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 (2009: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2010 would decrease/increase by HK$1,606,000 (2009: decrease/increase by HK$2,241,000). 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, 2010, 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 the 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.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Credit risk – continued

At 31st December, 2010, the Group has a concentration of credit risk to its five largest customers which comprised approximately HK$72,471,000 (2009: HK$67,989,000) of the Group's trade receivables. Management identified such concentration of credit risk by considering (i) the number of counterparties; (ii) shared characteristic's 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 grant a credit term of 60-120 days to these customers. By reviewing the 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.

Liquidity risk

The Group has net current assets of approximately HK$192,974,000 as at 31st December, 2010 (2009: net current liabilities of HK$19,189,000). 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. 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. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 years HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2010								
Non-derivative financial liabilities								
Trade and other payables		24,413	20,437	8,158	–	–	53,008	53,008
Bills payable	3.5	5,887	27,138	–	–	–	33,025	32,773
Amount due to non-controlling interests		175	–	–	–	–	175	175
Bank borrowings								
– variable rate	3.5	396,497	19,551	59,573	30,607	–	506,228	502,041
– fixed rate	5.8	–	5,888	12,221	48,955	–	67,064	63,372
		426,972	73,014	79,952	79,562	–	659,500	651,369

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 years HK$'000	1-2 years HK$'000	2-5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2009								
Non-derivative financial liabilities								
Trade and other payables		29,340	36,744	25,297	–	–	91,381	91,381
Bills payable	3	17,681	19,102	6,889	–	–	43,672	43,285
Amount due to non-controlling interests		175	–	–	–	–	175	175
Bank borrowings								
– variable rate	3.5	452,604	16,507	46,818	15,056	–	530,985	528,646
– fixed rate	5.3	6,669	42,258	32,635	609	16,518	98,689	95,301
		506,469	114,611	111,639	15,665	16,518	764,902	758,788

Bank loans with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK$66,289,000 and HK$112,461,000 for 2010 and 2009 respectively.

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:

	2010 HK$'000	2009 HK$'000
Production and sale of cotton yarn	184,381	142,206
Production and sale of knitted sweaters	606,261	557,626
Production and sale of dyed yarns	558,614	467,169
Provision of dyeing services	36,167	25,337
Trading of cotton and yarns	32,238	21,917
	1,417,661	1,214,255

8. SEGMENT INFORMATION

Information reported to the Board of Directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

Specifically, the Group's operating and reportable segments under IFRS 8 are as follows:

1. Production and sale of cotton yarn
2. Production and sale of knitted sweaters
3. Production and sale of dyed yarns
4. Provision of dyeing services
5. Trading of cotton and yarns

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, 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$'000	Total for reporting segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	184,381	606,261	558,614	36,167	32,238	1,417,661	–	1,417,661
Inter-segment sales	194,412	425,593	567,343	20,033	120,414	1,327,795	(1,327,795)	–
Segment revenue	378,793	1,031,854	1,125,957	56,200	152,652	2,745,456	(1,327,795)	1,417,661
SEGMENT PROFIT	15,601	76,838	24,750	4,238	2,558	123,985	–	123,985
Interest income								267
Rental income								608
Unallocated income								63
Unallocated expenses								(20,368)
Finance costs								(25,052)
Profit before tax								79,503

8. SEGMENT INFORMATION – continued

Segment revenues and results – continued

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$'000	Total for reporting segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sale	142,206	557,626	467,169	25,337	21,917	1,214,255	–	1,214,255
Inter-segment sales	83,660	409,639	423,651	34,818	128,189	1,079,957	(1,079,957)	–
Segment revenue	225,866	967,265	890,820	60,155	150,106	2,294,212	(1,079,957)	1,214,255
SEGMENT PROFIT	3,708	23,054	7,800	352	3,219	38,133	–	38,133
Interest income								105
Rental income								368
Unallocated income								2,232
Unallocated expenses								(21,372)
Gain on disposal of assets classified as held for sale								67,092
Finance costs								(28,313)
Profit before tax								58,245

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before tax each segment without allocation of central administration costs, directors' salaries, gain on disposal of assets classified as held for sale, interest income, rental income and finance cost. This is the measure reported to the chief operating decision maker, 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, 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$'000	Total HK$'000
ASSETS						
Segment assets	442,568	731,924	420,874	36,941	45,176	1,677,483
Unallocated corporate assets						102,280
CONSOLIDATED TOTAL ASSETS						1,779,763
LIABILITIES						
Segment liabilities	74,894	41,966	143,502	5,404	12,178	277,944
Unallocated corporate liabilities						588,192
CONSOLIDATED TOTAL LIABILITIES						866,136

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	101,101	4,950	12,537	228,398
Unallocated corporate liabilities						643,509
CONSOLIDATED TOTAL LIABILITIES						871,907

8. SEGMENT INFORMATION – continued

Segment assets and liabilities – continued

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, bank overdraft, 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 makers, the Board of Directors, for the purpose of resource allocation and performance assessment.

Other segment information

The following amount were provided to the chief operating decision makers, the Board of Directors, for the purposes of performance assessment and resource allocation:

For the year ended 31st December, 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$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	28,039	22,450	1,720	2,007	315	–	54,531
Depreciation of property, plant and equipment	26,776	37,476	23,233	1,979	570	–	90,034
Amortisation of prepaid lease payments	582	425	416	6	8	–	1,437
Gain on disposal of property, plant and equipment	–	–	–	–	–	37	37

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$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	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
Loss on disposal of property, plant and equipment	–	–	–	–	–	(119)	(119)

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	
	2010	2009	2010	2009
	HK'000	HK$'000	HK$'000	HK$'000
PRC	589,917	420,353	604,425	639,310
Hong Kong	222,160	210,151	23,032	21,510
Other Asian countries	96,472	72,267	188,451	195,524
Europe	471,060	494,650	–	–
North America	38,052	16,834	–	–
	1,417,661	1,214,255	815,908	856,344

Included in revenue for customers located in Europe, amounts of HK$156,230,000 (2009: HK$69,725,000) and HK$119,803,000 (2009: HK$51,860,000) were arising from sales to customers based in Netherlands and United Kingdom respectively.

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:

	2010	2009
	HK$'000	HK$'000
Customer A from segment of production and sale of knitted sweaters *(Note i)*	–	210,064
Customer B from segment of production and sale of knitted sweaters *(Note ii)*	178,896	–

Notes:

(i) Revenue from this customer for the year ended 31st December, 2010 contributed less than 10% of the total sales of the Group.

(ii) Revenue from this customer for the year ended 31st December, 2009 contributed less than 10% of the total sales of the Group.

9. FINANCE COSTS

	2010 HK$'000	2009 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	25,033	28,146
Bank borrowings not wholly repayable within five years	–	46
Finance leases	19	121
	25,052	28,313

10. INCOME TAX EXPENSE

	2010 HK$'000	2009 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	4,940	3,959
– (Over)underprovision in prior years	(784)	496
PRC Enterprise Income Tax – current year	3,519	1,165
Deferred taxation *(note 21)*		
– Current year	397	1,727
	8,072	7,347

10. INCOME TAX EXPENSE – continued

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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 of 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries will expire in 2010 to 2012. The Tax Holiday continues to be applicable for the PRC subsidiaries after the EIT Law on Enterprise Income Tax was implemented.

Pursuant to the relevant laws and regulations of Cambodia, the profit generated from subsidiaries of the Company are entitled to exemption from the Cambodia Income Tax until 2011.

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

	2010 HK$'000	2009 HK$'000
Profit before taxation	79,503	58,245
Taxation at the domestic income tax rate of 16.5% *(note)*	13,118	9,610
Effect of tax exemptions and reduction granted to PRC and Cambodia subsidiaries	(8,364)	(3,620)
Tax effect of income not taxable for tax purpose	(989)	(7,441)
Tax effect of expenses not deductible for tax purpose	3,332	2,367
(Over)underprovision in prior years	(784)	496
Tax effect of tax losses not recognised	2,671	7,548
Utilisation of tax losses previously not recognised	(2,131)	(2,009)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	1,219	396
Taxation for the year	8,072	7,347

Note: The Hong Kong Profits Tax rate of 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

	2010 HK$'000	2009 HK$'000
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' remuneration *(note 12)*	6,869	6,889
Other staff costs	242,696	242,291
Retirement benefits scheme contributions, excluding directors	7,750	7,542
Total staff costs	257,315	256,722
Amortisation of prepaid lease payments	1,437	1,931
Auditor's remuneration	2,000	2,000
Net exchange losses	742	–
Cost of inventories recognised as an expense	1,144,798	1,037,480
Depreciation of property, plant and equipment	90,034	78,130
Depreciation of investment properties	52	52
Loss on disposal of property, plant and equipment	–	119
Impairment loss recognised on trade receivables	257	–
Impairment loss recognised on other receivable	1,500	–
and after crediting the following other income items:		
Interest income	267	105
Net exchange gain	–	1,122
Gain on disposal of properties	–	2,231
Gain on disposal of property, plant and equipment	37	–
Gross rental income from investment properties	608	368
Less: direct operating expenses from investment properties that generated rental income during the year	(58)	(67)
	550	301

12. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of 10 (2009: 10) directors were as follows:

For the year ended 31st December, 2010

	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 *(Note)* 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	–	–	–	–	–	–	140	152	152	152	596
– salaries and other benefits	1,665	1,254	855	513	56	1,254	–	–	–	–	5,597
– bonus	150	150	83	50	–	150	–	4	4	4	595
– retirement benefit scheme contributions	–	12	12	12	2	12	7	8	8	8	81
	1,815	1,416	950	575	58	1,416	147	164	164	164	6,869

Note: Mr. Cheung Yung Fat, Albert resigned as an executive director on 31st May, 2010.

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

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 (2009: four) were directors of the Company whose emoluments are included in the disclosure in note 12 above. The emoluments of the remaining one (2009: one) individuals were as follows:

	2010 HK$'000	2009 HK$'000
Employees		
– salaries and other benefits	752	806
– bonus	–	33
– retirement benefit scheme contributions	12	12
	764	851

Their emoluments were within the following band:

	2010 No. of employees	2009 No. of employees
HK$nil to HK$1,000,000	1	1

During the year ended 31st December, 2010 and 31st December, 2009, 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

	2010 HK$'000	2009 HK$'000
Dividend recognised as distribution during the year		
– Final dividend of HK2.0 cents per share for 2009	8,825	–

A final dividend for the year 2010 of HK3.0 cents per share amounting to approximately HK$13,238,000 was proposed on 28th March, 2011.

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 approximately HK$71,272,000 (2009: HK$49,880,000) and on the weighted average number of shares in issue during the year of 427,010,000 (2009: 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, 2009	11,133
Disposals	(8,427)
At 31st December, 2009 and 2010	2,706
ACCUMULATED DEPRECIATION	
At 1st January, 2009	666
Provided for the year	52
At 31st December, 2009	718
Provided for the year	52
At 31st December, 2010	770
CARRYING VALUES	
At 31st December, 2010	1,936
At 31st December, 2009	1,988

The fair value of the Group's investment properties at 31st December, 2010 was HK$2,890,000 (2009: HK$3,010,000). 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:

	2010 HK$'000	2009 HK$'000
Hong Kong	1,567	1,609
Outside Hong Kong	369	379
	1,936	1,988

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
COST						
At 1st January, 2009	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
Exchange adjustments	5,787	14,033	210	333	382	20,745
Additions	16,981	20,411	2,959	1,668	12,512	54,531
Transfer	14,450	–	–	–	(14,450)	–
Disposals	(91)	(4,359)	(72)	(3,151)	–	(7,673)
At 31st December, 2010	395,773	775,926	26,510	24,130	17,393	1,239,732
DEPRECIATION						
At 1st January, 2009	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
Exchange adjustments	883	6,303	136	276	–	7,598
Provided for the year	14,858	71,481	1,436	2,259	–	90,034
Eliminated on disposals	(91)	(2,890)	(72)	(3,073)	–	(6,126)
At 31st December, 2010	65,665	399,938	19,465	20,549	–	505,617
CARRYING VALUES						
At 31st December, 2010	330,108	375,988	7,045	3,581	17,393	734,115
At 31st December, 2009	308,631	420,797	5,448	4,193	18,949	758,018

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 at 31st December, 2009 was in respect of assets held under finance leases.

The carrying value of the Group's buildings comprises:

	2010 HK$'000	2009 HK$'000
Properties in the PRC held under land use rights		
– medium-term lease	232,740	210,885
Properties held under medium-term lease in Hong Kong	75	83
Properties held under medium-term lease outside Hong Kong and PRC	97,293	97,663
	330,108	308,631

18. PREPAID LEASE PAYMENTS

	2010 HK$'000	2009 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term lease	1,727	1,781
Leasehold land outside Hong Kong:		
Medium-term lease	58,135	81,503
Short lease	228	261
	60,090	83,545
Analysed for reporting purposes as:		
Current asset	1,437	1,737
Non-current asset	58,653	81,808
	60,090	83,545

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

	2010 HK$'000	2009 HK$'000
Deferred tax liabilities	**20,879**	20,482
Deferred tax assets	**(159)**	(159)
	20,720	20,323

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, 2009	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
(Credit) charge to profit or loss	(544)	–	941	–	397
At 31st December, 2010	**10,834**	**(159)**	**7,698**	**2,347**	**20,720**

21. DEFERRED TAX ASSETS/LIABILITIES – continued

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$50,404,000 (31st December, 2009: HK$17,156,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	2010 HK$'000	2009 HK$'000
Unused tax losses		
– Recognised as deferred tax asset	961	961
– Unrecognised tax losses *(Note)*	152,495	149,222
	153,456	150,183

Included in unrecognised tax losses are losses of HK$78,614,000 (2009: HK$73,143,000) that will expire between 2011 to 2015 (2009: 2010 to 2014). Other losses may 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

	2010 HK$'000	2009 HK$'000
Raw materials	281,828	242,544
Work in progress	159,821	138,034
Finished goods	98,824	85,501
	540,473	466,079

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, 2010, included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$230,100,000 and bills receivables of HK$22,252,000 (2009: HK$144,987,000 and HK$53,686,000 respectively) and their aged analysis, presented based on the invoice date at the end of the reporting period is follows:

	2010 HK$'000	2009 HK$'000
Aged:		
0 – 30 days	149,783	100,195
31 – 60 days	53,412	57,206
61 – 90 days	14,605	17,532
91 – 120 days	5,029	6,996
Over 120 days	38,961	26,247
	261,790	208,176
Less: Allowance for doubtful debts	(9,438)	(9,503)
	252,352	198,673
Prepaid expenses	17,927	14,309
VAT receivables	3,850	4,690
Deposits	1,021	2,841
Others	20,172	28,094
	295,322	248,607

Before accepting any new customer, 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.

Ageing of trade receivables which are past due but not impaired

	2010 HK$'000	2009 HK$'000
Over 120 days	38,961	26,247
Less: Allowance for doubtful debts on trade receivables	(9,438)	(9,503)
	29,523	16,744

The Group has not provided for impairment loss on trade receivables of HK$29,523,000 (2009: HK$16,744,000) which are past due but not impaired as these receivables relate to debtors who have made historical regular repayment. The Group does not hold collateral over these trade receivables.

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

Movement in allowances for doubtful debts

	2010 HK$'000	2009 HK$'000
Balance at beginning of the year	9,503	9,503
Amount written off as uncollectible	(65)	–
Balance at the end of the year	9,438	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 in currency 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, 2010			
Trade receivables, bills receivables and other receivables	101,904	6,058	107,962
At 31st December, 2009			
Trade receivables, bills receivables and other receivables	37,137	39,947	77,084

Note: Included in trade receivables, bills receivables and other receivables, deposits and prepayments is bills receivables of approximately HK$20,846,000 (2009: HK$46,575,000) representing bills discounted with recourse with maturity period of 0-90 days. The Group has recognised the cash received on such discounted bills receivables of HK$20,846,000 (2009: HK$46,575,000) as secured bank borrowings (trust receipt loans).

24. AMOUNTS DUE FROM RELATED COMPANIES

Details of amounts due from related companies are as follows:

	Notes	2010 HK$'000	2009 HK$'000
Addchance Dyeing Factory Limited (formerly known as China Light Investment Limited)	*(i)*	55	50
Anford Trading Limited	*(ii)*	37	37
Soundyet Enterprises Limited	*(iii)*	12	11
Wai Yee Knitting Factory Limited	*(iv)*	87	94
		191	192

The amounts due from related companies are unsecured, non-interest bearing and are repayable on demand. In the opinion of the directors, the amount is expected to be settled within one year from 31st December, 2010.

24. AMOUNTS DUE FROM RELATED COMPANIES – continued

Note:

(i) Dr. Sung Chung Kwun and Sung Kim Ping have beneficial interest in this company. Sung Kim Ping is the son of Dr. Sung Chung Kwun.

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

(iii) 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.

(iv) Sung Kit Ching and Wong Chun Fong, a daughter and daughter-in-law of Dr. Sung Chung Kwun, have beneficial interest 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 in 2009 bears fixed interest rate at ranged from 0.1% to 0.36% 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 0.01% to 0.36% per annum (2009: 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:

	EUR	USD	Total
	HK$'000	HK$'000	HK$'000
At 31st December, 2010			
Bank balances and cash	83	13,737	13,820
At 31st December, 2009			
Bank balances and cash	47	13,783	13,830

27. ASSETS CLASSIFIED AS HELD FOR SALE

For the year ended 31st December, 2010

During the year, 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$71,500,000 (equivalent to RMB61,500,000). As at 31st December, 2010, the Group has received a deposit of approximately HK$34,535,000 (equivalent to RMB29,700,000) for the disposal. The disposal are expected to be completed on or before 11th October, 2011 according to the terms of the conditional sale and purchase agreement.

27. ASSETS CLASSIFIED AS HELD FOR SALE – continued

The major classes of assets of the subsidiary as at 31st December, 2010, which have been presented separately in the consolidated statement of financial position, are as follows:

	HK$'000
Prepaid lease payment	25,025
Bank and cash balances	2,133
Total assets classified as held for sale	27,158

For the year ended 31st December, 2009

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:

	2010 HK$'000	2009 HK$'000
Aged:		
0 – 60 days	24,960	30,036
61 – 90 days	4,680	7,069
Over 90 days	11,488	9,138
	41,128	46,243
Receipt in advance	83,631	12,280
Deposit received from disposal of a subsidiary	34,535	–
Payable for acquisition of property, plant and equipment	10,423	43,685
Payable for acquisition of prepaid lease payments	1,457	1,420
Accrued expenses	67,577	60,752
VAT tax payables	1,673	4,904
Other payables	4,573	3,605
	244,997	172,889

28. TRADE AND OTHER PAYABLES – continued

The average credit period on purchases of goods is 60 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

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, 2010	
Trade and other payables	**2,651**
At 31st December, 2009	
Trade and other payables	9,274

29. BILLS PAYABLE

The amounts carry variable interest rate ranging from 1.75% to 4% per annum (2009: 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, 2010	
Bills payable	**6,638**
At 31st December, 2009	
Bills payable	8,042

30. AMOUNT DUE TO NON-CONTROLLING INTERESTS

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

31. BANK BORROWINGS

	As at 31.12.2010 HK$'000	As at 31.12.2009 HK$'000 (restated)	As at 1.1.2009 HK$'000 (restated)
Bank overdrafts	–	12,049	22,877
Bank loans	426,603	502,726	543,253
Trust receipt loans	138,810	109,172	140,967
	565,413	623,947	707,097
Analysed by:			
Secured	68,757	124,627	22,419
Unsecured	496,656	499,320	684,678
	565,413	623,947	707,097
Total bank borrowings:			
Fixed-rate	63,372	95,301	89,614
Variable-rate	502,041	528,646	617,483
	565,413	623,947	707,097
Carrying amount repayable*:			
Within one year	424,589	481,373	570,913
More than one year but not more than two years	74,535	14,204	–
More than two years but not more than three years	–	15,909	–
	499,124	511,486	570,913
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	66,289	112,461	136,184
	565,413	623,947	707,097
Less: Amounts due and repayable within one year shown under current liabilities	(490,878)	(593,834)	(707,097)
Amounts shown under non-current liabilities	74,535	30,113	–

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

31. BANK BORROWINGS – continued

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

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	EUR	Total
	HK$'000	HK$'000	HK$'000
As at 31st December, 2010			
Bank loans	119,233	5,466	124,699
Trust receipt loans	54,397	–	54,397
	173,630	5,466	179,096
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

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

	2010	2009
	HK$'000	HK$'000
On demand or within one year	17,442	79,392
In more than one year but not more than two years	45,930	15,909
	63,372	95,301

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:

	2010	2009
Effective interest rate:		
Fixed-rate borrowings	4.5% to 7.5%	5% to 8%
Variable-rate borrowings	2.5% to 5.5%	3.5% to 5.5%

32. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its plant and machinery under finance leases. The interest rate in 2009 was HIBOR + 1.05% to 1.1%. The average effective interest rate in 2009 was 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,	
	2010 HK'000	2009 HK$'000	2010 HK$'000	2009 HK$'000
Amounts payable under finance leases:				
Within one year	–	5,069	–	5,057
	–	5,069	–	5,057
Less: future finance charges	–	(12)	–	–
Present value of lease obligations	–	5,057	–	5,057
Less: Amount due for settlement within one year and shown under current liabilities			–	(5,057)
Amount due for settlement after one year			–	–

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, 2009, 31st December, 2009 and 31st December, 2010	10,000,000,000	100,000
Ordinary shares of HK$0.01 each		
Issued and fully paid:		
At 1st January, 2009 and 31st December, 2009 and 31st December, 2010	400,000,000	4,000
Issue of new shares pursuant to placing (note a)	41,250,000	413
At 31st December, 2010	441,250,000	4,413

Note:

(a) 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.

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, 2010 and 31st December, 2009 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:

	2010 HK$'000	2009 HK$'000
Office premises	184	207

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:

	2010 HK$'000	2009 HK$'000
Within one year	3,682	20
In the second to fifth years inclusive	6,764	3
	10,446	23

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$598,179 (2009: HK$368,439). All of the properties held have committed tenants for the next five years.

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

	As at 31st December,	
	2010 HK$'000	2009 HK$'000
Within one year	467	320
In the second to fifth years inclusive	128	125
Over five years	–	3
	595	448

36. 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:

	2010 HK$'000	2009 HK$'000
Prepaid lease payments	10,252	18,979
Property, plant and equipment	30,502	33,113
Bank deposits	–	5,682
	40,754	57,774

The Group also had bill receivables discounted with recourse amounted to HK$20,846,000 (2009: HK$46,575,000).

37. CAPITAL COMMITMENTS

	2010 HK$'000	2009 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	67,614	16,374

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$7,831,000 (2009: HK$7,634,000).

39. RELATED PARTY DISCLOSURES

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

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

Related parties	Relationship	Nature of transactions	2010 HK$'000	2009 HK$'000
Dr. Sung Chung Kwun	*(Note 1)*	Rental expense paid	997	132

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.

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 notes 12 and 13.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st December, 2010 and 2009 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				Principal activities
				Directly		Indirectly		
				2010	2009	2010	2009	
Interlink Atlantic Limited	*(i)*	British Virgin Islands ("BVI") 24th November, 1999	Ordinary share US$1	100%	100%	–	–	Investment holding
Addchance Limited	*(i)*	Hong Kong 2nd October, 1981	Ordinary shares HK$1,500,000	–	–	100%	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%	100%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited	*(i)*	Hong Kong 12th March, 1997	Ordinary shares HK$10,000	–	–	100%	100%	Trading of knitted sweaters
Charm Shine (Macau) Wool Yarn Industrial Limited	*(i)*	Macau 15th September, 1987	MOP$500,000	–	–	100%	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%	100%	Investment holding
Addchance Thread Manufacturing Limited	*(i)*	Hong Kong 24th April, 2008	Ordinary shares HK$2,000,000	–	–	52%	52%	Manufacturing and sales of thread
King On (China) Limited	*(i)*	Hong Kong 3rd October, 2007	Ordinary share HK$10,000	–	–	100%	100%	Property holding
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%	100%	Manufacturing of dyed yarn and provision of dyeing services

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 2010	Directly 2009	Indirectly 2010	Indirectly 2009	Principal activities
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%	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%	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%	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%	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	–	–	100%	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%	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%	100%	Manufacturing of cotton yarn
River Rich Textiles Limited	*(i)*	The Kingdom of Cambodia 13th August, 2004	Registered capital US$1,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves

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				Principal activities
				Directly		Indirectly		
				2010	2009	2010	2009	
Winner Knitting Factory Limited	*(i)*	The Kingdom of Cambodia 3rd April, 1997	Registered capital US$1,000,000	–	–	100%	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%	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%	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.	*(ii)*	PRC 27th July, 2009	Registered capital RMB10,000,000	–	–	98%	98%	Holding of land use rights

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, 2010.

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. SUMMARISED FINANCIAL POSITION OF THE COMPANY

The Company's summarised financial position at the end of the reporting period are as follow:

	2010 HK$'000	2009 HK$'000
Total assets		
Interests in subsidiaries	160,803	160,803
Amounts due from subsidiaries	286,242	250,115
Cash	12	6
	447,057	410,924
Total liabilities		
Other payable	7	6
Amount due to a subsidiary	20,033	20,033
	20,040	20,039
	427,017	390,885
Capital and reserves		
Share capital	4,413	4,000
Reserves *(Note)*	422,604	386,885
	427,017	390,885

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2009	89,406	297,668	(188)	386,886
Total comprehensive expense for the year	–	–	(1)	(1)
At 31st December, 2009	89,406	297,668	(189)	386,885
Total comprehensive expense for the year	–	–	(104)	(104)
Issue of shares	47,025	–	–	47,025
Transaction costs attributable to issue of shares	(2,377)	–	–	(2,377)
Dividend	–	(8,825)	–	(8,825)
At 31st December, 2010	134,054	288,843	(293)	422,604

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

FINANCIAL SUMMARY

For the year ended 31st December, 2010

RESULTS

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000
Turnover	925,889	1,167,362	1,316,764	1,214,255	1,417,661
Profit before tax	72,991	111,848	76,157	58,245	79,503
Income tax expense	(6,801)	(13,546)	(9,308)	(7,347)	(8,072)
Profit for the year	66,190	98,302	66,849	50,898	71,431
Profit attributable to:					
Owners of the Company	66,196	98,546	67,567	49,880	71,272
Non-controlling interests	(6)	(244)	(718)	1,018	159
	66,190	98,302	66,849	50,898	71,431

ASSETS AND LIABILITIES

	2006 HK$'000	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000
Total assets	982,941	1,487,829	1,780,114	1,658,626	1,779,763
Total liabilities	(457,939)	(854,924)	(1,045,293)	(871,907)	(866,136)
	525,002	632,905	734,821	786,719	913,627
Equity attributable to owners of the Company	524,854	632,041	734,675	785,328	912,077
Non-controlling interests	148	864	146	1,391	1,550
	525,002	632,905	734,821	786,719	913,627

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 Tuesday, 31st May, 2011 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, 2010.

2. To declare a final dividend of HK3.0 cents per share for the year ended 31st December, 2010.

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)."

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, 13th April, 2011

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 Thursday, 26th May, 2011 to Tuesday, 31st May, 2011 (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 Wednesday, 25th May, 2011.