Addchance

Addchance Holdings Limited

互益集團有限公司

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

(Stock Code: 3344)

2011

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,					
	2011 HK$'000	2010 HK$'000	Changes +/-%	2009 HK$'000	2008 HK$'000	2007 HK$'000
Turnover	**1,291,790**	1,417,661	8.9%	1,214,255	1,316,764	1,167,362
Gross profit	**284,163**	272,863	4.1%	176,775	279,529	278,069
Profit for the year	**90,253**	71,431	26.3%	50,898	66,849	98,302
Profit attributable to:						
Equity holders of the Company	**89,939**	71,272	26.2%	49,880	67,567	98,546
Minority interests	**314**	159	97.5%	1,018	(718)	(244)
Earnings per share (in HK cents)	**20.38**	16.69	22.1%	12.47	16.89	24.64

Financial Ratios

	Year ended 31st December,				
	2011	2010	2009	2008	2007
Profitability ratios:					
Gross margin (%)	**22.0**	19.2	14.6	21.2	23.8
Net margin (%)	**7.0**	5.0	4.2	5.1	8.4
Liquidity ratios:					
Current ratio (times)	**1.1**	1.25	0.98	0.90	1.1
Stock turnover (days) *(Note 1)*	**283**	172	164	206	172
Debtors turnover (days) *(Note 2)*	**80**	65	60	64	67
Creditors turnover (days) *(Note 3)*	**22**	24	32	47	44
Capital adequacy ratio					
Gearing ratio (%) *(Note 4)*	**45.0**	33.6	40.5	43.4	42.2

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.

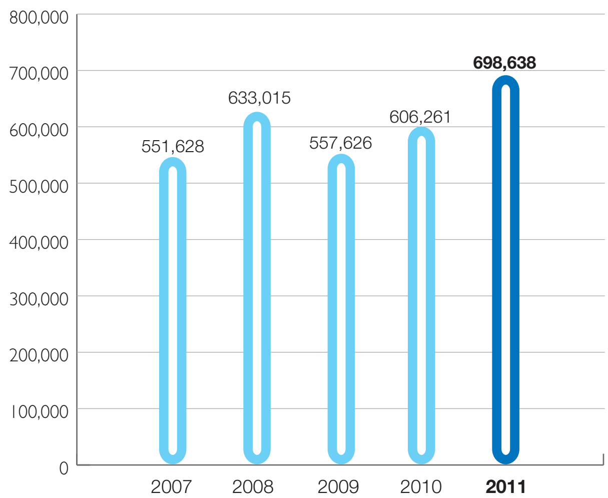
2. The number of debtors' turnover days is equal to trade and bills receivables at the end of year divided by the sales of the year and then multiplied by 365 days.

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.

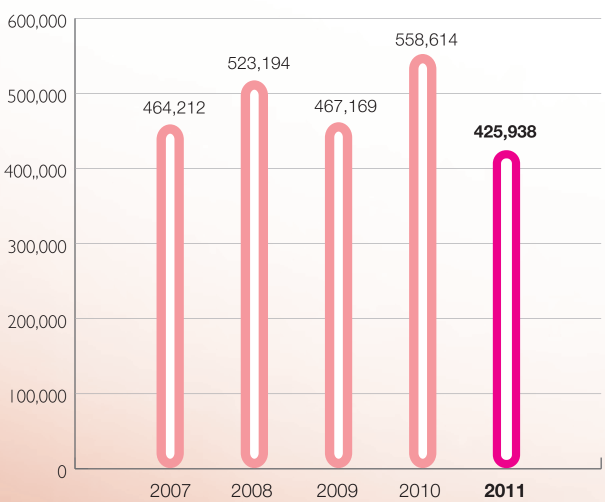
4. The gearing ratio is equal to total bank borrowings at the end of the year divided by total assets at the end of the year.

TURNOVER BY OPERATION

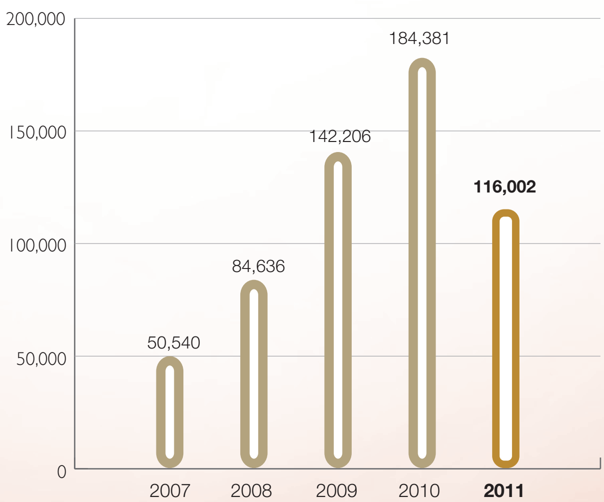
Production and sales of knitted sweaters
(HK$'000)



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



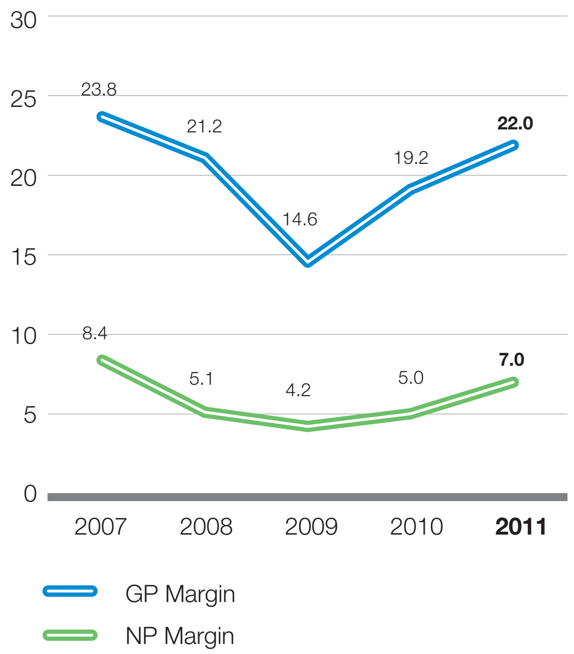
Production and sales of cotton yarns
(HK$'000)



FINANCIAL HIGHLIGHTS

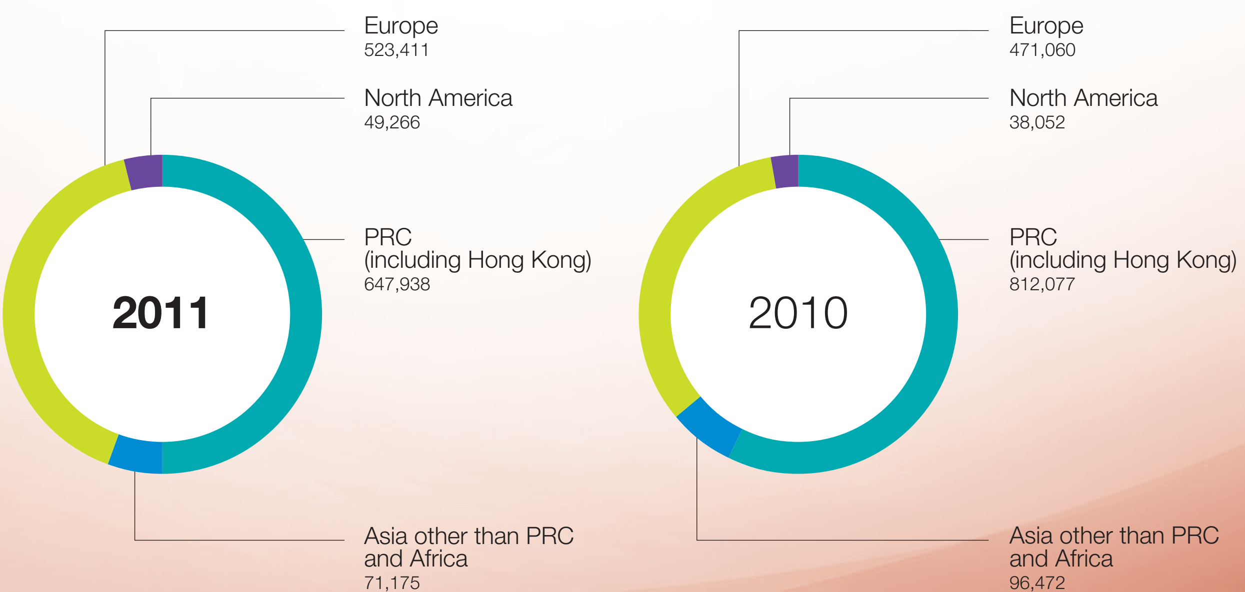
PROFIT MARGIN

(%)



TURNOVER BY GEOGRAPHICAL LOCATION

(HK$'000)



EXECUTIVE DIRECTORS

Mr. SUNG Kim Wa *(Chairman)*
Dr. SUNG Chung Kwun
Mr. WONG Chiu Hong
Mr. SUNG Kim Ping
Ms. SUNG Kit Ching
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. FUNG Ka Lai

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.

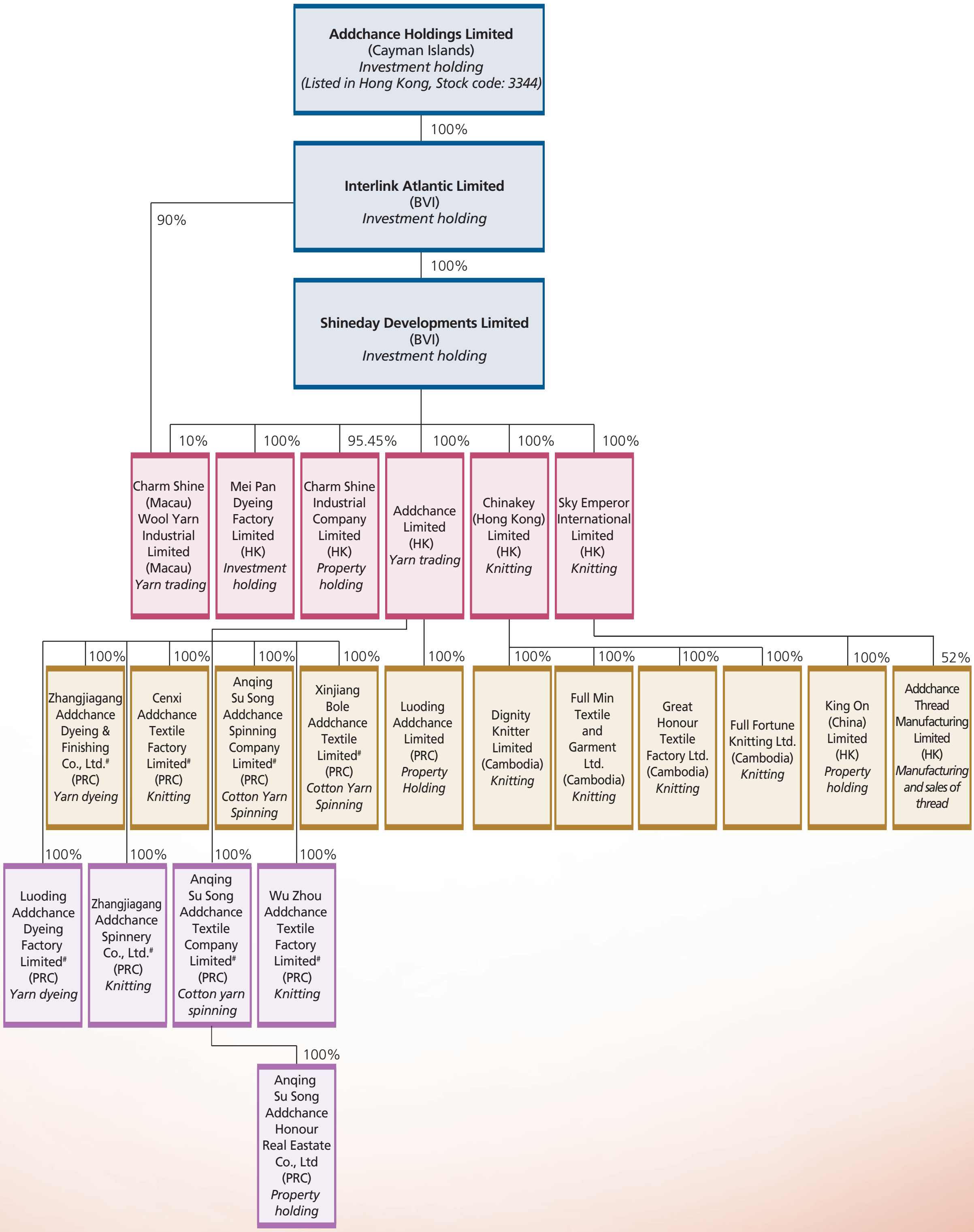
WEBSITE

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

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 31ST DECEMBER, 2011



for identification purpose only

DR. Sung Chung Kwun
Founder

The global market was affected by the economic downturn in Europe and the United States. Shock waves from the European debt crisis were pending for further solution. Spending power in foreign countries was weakened. There was also an increase in production costs along with the appreciation of Renminbi ("RMB"), the rise in inflation and the increase in wages in the PRC. Given all these adverse environment, 2011 was relatively a challenging year. Despite this, the Group has made unwavering efforts to put into place a series of measures in this regard. Moreover, the Group has adhered to a strategy of vertical integration of production processes ranging from spinning, dyeing and knitting. This move helped us to reduce production costs, and brought complementary synergies among various production chains, thus significantly reinforcing the external competitive edges of the Group.

As part of internal strategy, the Group has also unswervingly sought for continued improvement and advancement through upgrade and transition of some of the traditional industries. Traditional manual-operated device has been transformed to fully-automated operation. For example, we have taken advantage of Xinjiang's predominance in cotton use and upgraded some of the cotton mill equipment. Automated textile machines have also been used to save manpower. Fully-automated, computer-operated knitting machines introduced from Germany have been increasingly employed for our sweater knitting business. The manual operation of 160 traditional crafts can be simply replaced with one skilled machinist and knitter. This can significantly boost productivity and quality, thus lowering production and labour costs. Efforts have been made to keep ahead of market changes and alleviate the continued rise in production costs. We have provided an assurance of superb services of total satisfaction for customers.

CHAIRMAN'S STATEMENT

To address the acute problem of the global climate changes, the Group always expresses great concern about energy conservation and emission reduction, and plays an active role in protecting the environment. In the past year, the Group's plant in Zhangjiagang significantly reduced sewage discharge through increased application of sewage recycling facilities. To cultivate a green production culture across the Group, the Group has switched to the use of energy-efficient fluorescent tubes to substantially reduce lighting power consumption. The Group is also well aware that widespread energy-efficient operations can be promoted across all production segments. Accordingly, our green plant plans were unveiled in Cambodia plant last year. The design of the newly-built plant was based on the concept of energy efficiency and emission reduction.

In addition, the Group has made investment in Luoding City, Guangdong Province, the PRC for a couple of years. The export value has remained the top 5 in Yunfu prefecture-level city. During the year, the Group was awarded the "Enterprise with Outstanding Contribution in Luoding City" Award by the Luoding municipal government, in recognition of its contribution.

In line with the strategic move to achieve economic restructuring and industrial upgrading in Guangdong Province, the PRC, the Group has reconstructed an existing old plant occupying a site area of 201 mu into a commercial and residential district with gross floor area of 560,000 square metres. Written reply and consent have been received from the municipal government in respect of the redevelopment. Further, the transformation of the old plant into a residential and commercial land use has been granted with the land use right certificates by the Land Resources Bureau of Luoding City. At present, according to the valuation conducted by an valuer, based on the current market value of Luoding City of more than HK$2.70 million per mu, the market capitalization of the land is valued at about HK$550 million.

In 2011, despite the sluggish consumer sentiment in the external market, the domestic sales market in China sustained robust growth. During the year, orders for sweaters placed with the Group's Luoding plant from the domestic sales market recorded a growth to 1.50 million pieces, thus contributing to a business turnover of nearly RMB70 million. In light of the aforesaid, the Group plans to continue to expand the domestic sales and production scale of sweaters in 2012 in order to cater for the market demand.

As the debt crisis in Europe has not been fully resolved, the Group's vision for its sweater business is to explore and extend into foreign orders for United States brands, in order to enhance the Group's share in the export market, thereby balancing risk exposures among various regions around the world.

Finally, I would like to express my heartfelt thanks to the fellow members of the Board and the management team for their efforts and support towards the Group.

Mr. SUNG Kim Wa
Chairman

Hong Kong, 28th March, 2012

We are pleased to report the results of the Group for the year ended 31st December, 2011. The Group's consolidated revenue slightly decreased by approximately 8.9% to HK$1,291.8 million. Profit for the year derived from the core business of the Group was approximately HK$70.4 million with net profit margin of about 5.4%.

The European debt crisis and the slow recovery of US economy continue to affect the economy in the year under review. The operating environment of the textile industry was still full of challenges with the fluctuating raw material prices and the continuous appreciation of the RMB. Cotton prices achieved a record high in the first quarter of 2011 while it started to drop gradually after that as a result of the domestic and global macro-economic environment. Prices of cotton have dropped by over 40% since the first quarter of 2011. The fall in the cotton and cotton-related costs discouraged the customers from placing large orders in order to avoid pilling-up of the inventories. Downstream customers adopted a wait-and-see approach with the expectation that the downward trend will go on. As a result, the sales of the Group were being affected and it decreased accordingly for the year under review.

The fluctuation in cotton prices and other related raw material costs pose a change on our sales and inventory management strategies. Other direct manufacturing costs such as energy and wages also increased due to the inflation worldwide. However, being a one-stop service provider, the Group was still able to stabilize our supply chain and strengthen our control on raw material costs. Leveraging on our competitive strengths, the Group still managed to improve the gross profit margin. With the downward trend of cotton and cotton-related yarn costs, the Group deliberately increased both the cotton inventory and yarn inventory just before year end with the expectation that the pricing will turnaround after Lunar New Year.

In view of the upsurge of the raw material cost, we continuously adopted a new series of strategies to lock-in our profit margin without being affected by any sudden increase in 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 stable level.

PROSPECTS

Cotton price has shown significant fluctuation during the year under review. Cotton and cotton-related prices are expected to increase steadily in the coming year. Therefore, the Group will continue to adopt series of strategies to lock-in the profit margin and will procure our raw materials in a timely and flexible manner according to the market conditions. The Group will proactively procure low-price cotton at each cycle to combat fluctuating raw material prices and to maintain the inventory at an optimal level for continued order flow and production. Our existing spinning arms in SuSong and Xinjiang do allow the Group to further sustain our cost advantages by providing stable supply chain at a lower controllable cost.

Sweater business still remained our most profitable business and therefore the Group will continue to increase its production capacity for the recovering export demand. Batches of computerized knitting machines were being imported to the PRC and Cambodia knitting manufacturing arms on schedule and were placed into operation since the second half of 2011. Furthermore, an environmental friendly factory was built in different phases in Cambodia to increase our production capacity of knitted sweaters and strengthen our competitive advantages towards those European customers. The establishment of this green factory is on good progress and we expect that this factory can further expand our customer base. Further, we will continue to raise the output per person by upgrading the automation of machinery and enhancing the overall production efficiency. With the weakening of the demand of those low-end products in the PRC, the Group will continue to focus on the production of those medium-to-high-end products so as to maintain our market share in this competitive environment. Also, the dominant contribution from the domestic market bode well the Group to increase our domestic sales in the PRC. Sales to the PRC markets would be expected to increase further thereafter.

Looking ahead, we expect that the global economy will continue to recover at a slow growth rate. The growth in the demand for cotton textile products in those European countries would be expected to slow down while the US economy will recover comparatively faster. On the other hand, it is believed that the domestic market will maintain a steady growth momentum. The prevailing tough operating environment will continue to exert pressures on industry players and poised for further industry consolidation. The Group will continue to enhance its competitive strengths to grasp the opportunities arising from this challenge and strive to implement further stringent cost control measures and streamline existing operations and structures to further enhance operational efficiency and profit margin.

FINANCIAL REVIEW

Turnover

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

Total revenue for the year ended 31st December, 2011 was about HK$1,291.8 million. Comparing with the same last year, the revenue slightly decreased by around 8.9% for the year under review, decreased from HK$1,417.7 million to approximately HK$1,291.8 million for the year under review. Production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group.

Turnover of the sweater business increased by about 15.2%, from approximately HK$606.3 million during the year ended 31st December, 2010 to approximately HK$698.6 million during the year under review, representing approximately 54.1% of the Group's total turnover. Owing to soft market conditions, total sales volume was still maintained more or less the same as that in last year. With a focus on value-added products and improved product mix, average selling price increased by around 17.2% on a year-on-year basis. With the challenging operating environment and the fluctuating raw material costs, our existing vertically integrated infrastructure do enhance our competitive advantage. Our sweater business is being vertically benefited from our upstream spinning arms by utilizing the raw materials at a controllable and stable costs and in turn improving our profit margins. Revenue generated from sweater business increased mainly due to the increase in average selling price and our high-profit margin orders received increased during the year under review. Our sweater products were still mainly exported to Europe and the Group continues to expand our customer base to reduce our reliance on some customers. As a percentage of the revenue of sweater business, the sales made to our largest customer was approximately 13.3% this year as planned. Also, we gained new customers in the year 2011 and the PRC domestic sales also increased upon the signing of those strategic agreements with certain PRC customers. We are able to keep a balance between the PRC domestic sales and export sales in order to naturally hedge against the continuous appreciation of the RMB. Besides, textile products imported from Cambodia are subject to tax-free arrangement for those European customers and again strengthen the bargaining power of the Group.

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$425.9 million, which represented a decrease of approximately 23.8% as compared with the previous year and accounted for about 33.0% of the Group's total turnover. With the adoption of our new sales strategies towards uprising raw materials costs, the Group focused on those high-profit margin orders as well as the full deposits made on the raw materials at the same time. Therefore, this adjustment in the sales strategy made the average selling price per pound of dyed yarn increased by approximately 38.9% whereas the sales volume drop by around 46.6% due to the change in the product mix. 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 fluctuating cotton costs for the year under review and in turn profit margin derived from dyed yarns segment increased. We continued to exercise tight cost controls and efficient order scheduling and production planning to streamline our existing operations and improve our profit margin.

In line with the consistent sales strategy, revenue generated from the provision of dyeing services also decreased from approximately HK$36.2 million during the year ended 31st December, 2010 to about HK$29.0 million during the year under review, representing a decrease of about 19.8% from the previous year. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production bases in Guangdong, Jiangsu and Zhejiang, the PRC. Sales proceeds from the PRC, Hong Kong and Macau accounted for approximately 95.0% of the Group's total sales proceeds derived from sales of dyed yarn. The remainder of the sales proceeds was derived from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Production and sales of cotton yarns is another core segment of the Group following the series of expansion of our spinning facilities in Xinjiang and Anqing, the PRC. Revenue generated from cotton yarns decreased from approximately HK$184.4 million to approximately HK$116.0 million with around 37.1% decrease. During the year under review, the cotton prices recorded a highest point in the 1st quarter of 2011 and started to drop since the 2nd quarter of 2011. Therefore, the proportion of external and internal usage of cotton yarns was changed to prohibit the low-profit margin finished cotton yarns sales. With the decrease in the cotton yarns prices since the 2nd quarter, more cotton yarns products were consumed by the Group's downstream subsidiaries internally and lesser cotton yarns products were sold to outsiders in order to sustain the profit margin. Accordingly, the external utilization rate of the cotton yarn decreased from approximately 48.7% last year to approximately 36.1% during the year under review. The average selling price per ton increased by approximately 18.8% comparing with that in last year. The fluctuating cotton price caused the customers to adopt a wait-and-see approach and deferred the demand of downstream customers, and thus imposed pressure on the production and operation of our cotton-spinning manufacturing arm.

Turnover by operation

(Amount HK$'000)

	2011	2010	Changes +/-%	2009	2008	2007
Production and sale of dyed yarns	**425,938**	558,614	-23.8%	467,169	523,194	464,212
Production and sale of knitted sweaters	**698,638**	606,261	15.2%	557,626	633,015	551,628
Production and sale of cotton yarn	**116,002**	184,381	-37.1%	142,206	84,636	50,540
Provision of dyeing and knitting services	**28,994**	36,167	-19.8%	25,337	38,293	31,531
Trading of cotton and yarns	**22,218**	32,238	-31.1%	21,917	37,626	69,451
	1,291,790	1,417,661	-8.9%	1,214,255	1,316,764	1,167,362

Turnover by operation

(in % of total)

	2011	2010	2009	2008	2007
Production and sale of dyed yarns	**33.0%**	39.4%	38.5%	39.7%	39.8%
Production and sale of knitted sweaters	**54.1%**	42.8%	45.9%	48.1%	47.3%
Production and sale of cotton yarn	**9.0%**	13.0%	11.7%	6.4%	4.3%
Provision of dyeing and knitting services	**2.2%**	2.5%	2.1%	2.9%	2.7%
Trading of cotton and yarns	**1.7%**	2.3%	1.8%	2.9%	5.9%
	100%	100%	100%	100%	100%

Cost of Sales

In line with the decrease in sales of approximately 8.9%, the cost of sales decreased further by around 12.0% from approximately HK$1,144.8 million for the year ended 31st December, 2010 to approximately HK$1,007.6 million for the year under review. Raw materials remained a major factor of the Group's cost of sales, standing at around 45.0% for the year under review with cotton and yarn making up 50% each respectively. With the increase in the minimum wages in the PRC, direct labour costs have increased by around 10.7% whereas the electricity charges and depreciation decreased, comparing with the same in last year.

Gross profit and gross profit margin

The Group recorded approximately HK$284.2 million in gross profit for the year under review, representing an increase of approximately 4.1% as compared with approximately HK$272.9 million for the year ended 31st December, 2010. During the year, the price of cotton and cotton-related products repeatedly broke new record highs and customers generally accepted increases in selling price of yarns products, which could compensate part of the increase in the costs of sales. With our improvement in the operation efficiency, factory utilization rate as well as other cost control measures, the Group still managed to improve the gross profit margin. The Group was able to pass part of the cost to the end-customers by raising the average selling price of various products. Allied with the change in product mix and with a focus on those value-added products, the average selling prices in each segment increased significantly, including approximately 38.9% increase in the price of dyed yarn, approximately 17.2% increase in the price of knitted sweaters and approximately 18.8% increase in the price of cotton yarns. The Group will continuously maintain a well-stocked inventory by proactively purchasing cotton at different cycles to stabilize our raw material costs.

Net profit margin

On 27th April, 2010, the Group entered into a conditional sale and purchase agreement with an independent third party to dispose of a subsidiary at a consideration of approximately HK$73.2 million (equivalent to RMB61.5 million). A gain of approximately HK$47.8 million from the disposal of this subsidiary was recognized for the year ended 31st December, 2011.

Excluding the effect of those exceptional gain and loss, an approximately HK$70.4 million net profit was achieved from the core business of the Group for the year under review and the net profit margin was around 5.4%. The Group will continuously overcome the challenges by sharpening its competitive strengths.

Other revenue

Other revenue of approximately HK$14.8 million mainly comprised the income derived from the disposal of scrapped materials 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$75.9 million, representing approximately 5.9% of the Group's turnover.

Administrative expenses

Administrative expenses of approximately HK$116.5 million, represented approximately 9.0% of the Group's turnover and mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which remained at approximately HK$33.2 million, which represented approximately 2.6% of the Group's turnover.

Borrowings

As at 31st December, 2011, the Group had outstanding bank borrowings of approximately HK$991.0 million, which were due within one year.

Bank loans significantly increased by approximately HK$425.6 million, from approximately HK$565.4 million as at 31st December, 2010 to approximately HK$991.0 million as at year end. The increase was mainly attributable to the substantial increase in trade loans that involved most of the delivery of sweater products after year end. With the increase in the production lead time and the increase in the average selling price of those sweater orders, the trade loan associated with the sweaters orders increased significantly throughout the year. This kind of short-term trade loan would be released upon delivery was made. On the other hand, no material fluctuation is noted in the term loan amount with the absence of large-scale investment projects. Net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, increased from 0.51 as at 31st December, 2010 to 0.81 as at 31st December, 2011.

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 as well as implementation of tighter control over costs, working capital and capital expenditure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2011, the Group's cash and cash equivalents amounted to approximately HK$133.4 million, which increased slightly from HK$101.2 million last year. Total assets increased to approximately HK$2,215.8 million as at year end.

With the increase in procuring the raw materials during the year under review, net cash outflow in operating activities increased to around HK$165.8 million as at 31st December, 2011. Net cash used in investing activities increased to HK$150.9 million, together with the increase in net cash generated from bank loans raised, the cash and cash equivalents remained at around HK$133.4 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 as well as the implementation of tighter control over costs, working capital and capital expenditure.

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

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2011 was around 283 days, which substantially increased by around 111 days as compared with 172 days for the year ended 31st December, 2010. As at year end, batches of knitted panels were piled up for the delivery that will be made in the 1st quarter of 2012. Stock turnover days will go back to a similar level as the normal one at year end if we exclude this 1st quarter delivery. Further, our inventory level was deliberately increased in light of the fluctuating cotton cost in the market so as to keep the stable supply of the cotton and yarns for production. Prices of cotton was expected to increase steadily in the year 2012 and therefore we procure the cotton gradually throughout the year at a lower cost. Cotton yarns have also been piled up since March 2011. We expect that the Group's inventory will have a positive impact on its financial performance in the year ending 31st December, 2012 with the improvement in the textile products market.

Debtors' turnover days

The debtors' turnover days was kept at a similar level as that at year end at around 80 days. Credit control on debt collection and new customers selection procedures are still being handled in a stringent manner continuously. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Board and is expected to take into account various 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 its 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 Board may deem relevant. The Directors recommend the payment of a final dividend of HK2.0 cents per share for the year ended 31st December, 2011 to shareholders appearing on the register of members of the Company as at 6th June, 2012, which is subject to approval of the shareholders at the forthcoming annual general meeting.

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

None of the directors of the Company (the "Directors") is aware of any information which would reasonably indicate that, during the year ended 31st December, 2011 (the "Relevant Period"), 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") which were in force during 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 was the Chairman of the Board until 30th September, 2011 and was succeeded by Mr. Sung Kim Wa thereafter and there was no chief executive officer appointed by the Company and the day-to-day management of the Group was led by Dr. Sung Chung Kwun before 30th September, 2011 and by Mr. Sung Kim Wa after 30th September, 2011. 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") was chaired by Dr. Sung Chung Kwun before 30th September, 2011 and by Mr. Sung Kim Wa thereafter. There are (i) six executive Directors, namely Mr. Sung Kim Wa, Dr. Sung Chung Kwun, Mr. Wong Chiu Hong, Mr. Sung Kim Ping, Ms. Sung Kit Ching and Mr. Ip Siu Lam (ii) one non-executive Director, namely Mr. Lau Gary Q. and (iii) three independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling. The Directors' biographical information is set out on pages 21 to 24 of this report. During the Relevant Period, 5 Board meetings were held. The respective attendance of each member of the Board was as follows:–

Dr. Sung Chung Kwun	(5/5)
Mr. Sung Kim Wa (appointed on 15th September, 2011)	(0/5)
Mr. Wong Chiu Hong	(5/5)
Mr. Ip Siu Lam	(5/5)
Ms. Mok Pui Mei (resigned on 13th June, 2011)	(1/5)
Ms. Sung Kit Ching (appointed on 13th June, 2011)	(1/5)
Mr. Sung Kim Ping	(5/5)
Mr. Lau Gary Q.	(2/5)
Mr. Chan Tsz Fu, Jacky	(3/5)
Mr. Ng Man Kin	(3/5)
Professor Cai Xiu Ling	(3/5)

During the Relevant Period, 7 general meetings were held. The respective attendance of each member of the Board was as follows:

Dr. Sung Chung Kwun	(7/7)
Mr. Sung Kim Wa (appointed on 15th September, 2011)	(2/7)
Mr. Wong Chiu Hong	(7/7)
Mr. Ip Siu Lam	(7/7)
Ms. Mok Pui Mei (resigned on 13th June, 2011)	(1/7)
Ms. Sung Kit Ching (appointed on 13th June, 2011)	(3/7)
Mr. Sung Kim Ping	(7/7)
Mr. Lau Gary Q.	(2/7)
Mr. Chan Tsz Fu, Jacky	(3/7)
Mr. Ng Man Kin	(3/7)
Professor Cai Xiu Ling	(3/7)

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 former 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, 2011 to 31st August, 2012 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

The Company has established a remuneration committee (the "**Remuneration Committee**") in August 2005. Remuneration Committee is chaired by an independent non-executive director. The members of the Remuneration Committee comprise all the independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling, with Mr. Chan Tsz Fu, Jacky as the Chairman of the Remuneration Committee.

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

Nomination Committee

The Company has established its nomination committee (the "**Nomination Committee**") in August 2005. 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

The Company has established an audit committee (the "**Audit Committee**") in August 2005. The Audit Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive director with the appropriate professional qualifications, or accounting or related financial management expertise. 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.

Auditors' remuneration

During the Relevant Period, 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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

The Directors have been informed of the requirement under code provision A.6.1 of the Principles of Good Governance, Code Provisions and Recommended Best Practices as set out in Appendix 14 of the Listing Rules regarding continuous professional development. Details of how each Director complies with such requirement for the year ending 31st December, 2012 will be set out in the corporate governance report in the 2012 annual report of the Company.

SHAREHOLDERS RIGHTS

According to the Listing Rules, all resolutions proposed in any general meetings are by poll. Results on the voting will be posted on the websites of the Company and the Stock Exchange by way of an announcement.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company regards high quality reporting as an essential element in building successful relationships with its shareholders. The Company always endeavour to provide relevant information to existing and potential investors, not only to comply with the different requirements in force but also to enhance transparency and communications with shareholders and the investing public. Regular and publicly available disclosures about important issues, including performance, fundamental business strategy, governance and the management of risk are made through various channels:

- the Company's annual general meeting;
- interim and annual results announcements published on the websites of the Company and the Stock Exchange;
- interim and annual reports of the Company delivered to all shareholders;
- analysts' briefing and press conferences following the release of interim and annual results announcements;
- regular press releases;
- timely update of the websites of the Stock Exchange and the Company;
- meeting with Shareholders;
- regular circulars and letters to Shareholders; and
- prompt news releases and announcements regarding major corporate actions and business initiatives.

The Company maintains a website at www.addchance.com.hk where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted.

The Group also participated in investment conferences and forums organized by leading investment banks during the year in order to enhance the awareness of the investing public of the Group's vision and strategies.

Any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company at Sung's Tower, 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit, the Board fails to proceed to convene such meeting, the requisitionists himself (themselves) may do so in the same manner.

We always welcome Shareholders' views and input. Shareholders and other stakeholders may at any time address their concerns to the Company Secretary by mail or email. The contact details are set out in the corporate information on page 5 of this Annual Report.

The Company is committed to ensuring that it is in full compliance with disclosure obligations stipulated under the Listing Rules and other applicable laws and regulations, and that all shareholders and potential investors have an equal opportunity to receive and obtain externally available information that is released by the Group.

The Company did not amend its Articles of Association during the Relevant Period.

DIRECTORS

Executive Directors

Mr. SUNG Kim Wa（宋劍華先生）, aged 45, is the Chairman of the Group. Mr. Sung has over 15 years of experience in the textile industry. He is (i) the son of Dr. Sung Chung Kwun, the founder, the former Chairman, an executive Director and the controlling shareholder of the Company, (ii) the elder brother of Mr. Sung Kim Ping, an executive Director of the Company and (iii) the younger brother of Ms. Sung Kit Ching, an executive director of the Company. Mr. Sung has been appointed as an executive Director and the Chairman of the Company with effect from 15th September, 2011 and 30th September, 2011 respectively. Mr. Sung has been the executive vice-president of the Hong Kong Fuzhou Association（香港福州十邑同鄉會常務副理事長）.

Dr. SUNG Chung Kwun（宋忠官博士）, aged 67, is the founder, the former Chairman and an executive Director of the Group. Dr. Sung has tendered his resignation as Chairman of the Company with effect from 30th September, 2011. 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 Overseas 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 60, 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 56, 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.

Mr. SUNG Kim Ping（宋劍平先生）, aged 42, 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 jointed the Group in from 1991 to 2004 and re-joined the Group in 2005. Mr. Sung has been a committee member of the Eleventh Chinese People's Political Consultative Conference of Fuzhou City, Fujian Province（中國人民政治協商會議福州市第十一屆委員會會員）.

Ms. SUNG Kit Ching（宋潔貞女士）, aged 47, has been engaged in the business of sweater knitting industry and dyeing industry for over 20 years and 10 years respectively. Ms. Sung is (i) the daughter of Dr. Sung Chung Kwun, the founder, an executive Director and the controlling shareholder of the Company and (ii) the elder sister of Mr. Sung Kim Ping, an executive Director of the Company and (iii) the elder sister of Mr. Sung Kim Wa, the Chairman of the Group.

Ms. MOK Pui Mei（莫佩薇女士）, aged 50, has been the executive Director of the Group. Prior to her resignation, Ms. Mok was 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. Ms. Mok has resigned as an executive director of the Company on 13th June, 2011.

Non-executive Director

Mr. LAU Gary Q.（劉均賀先生）, aged 39, is the managing director of EcoAsia Technologies Ltd. Mr. Lau graduated from the University of Toronto in 1996 with a Bachelor degree in Applied Science majoring in Electrical Engineering and attained a Master 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. He will retire in the forthcoming annual general meeting.

Independent non-executive Directors

Mr. CHAN Tsz Fu, Jacky（陳子虎先生）, aged 37, 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 in Hong Kong. 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 48, 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 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 50, 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 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. Professor Cai was appointed as the independent non-executive Director on 2nd August, 2005.

SENIOR MANAGEMENT

Mr. LIN Chun Ming（連振明先生）, aged 60, 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 36, is the Financial Controller, Qualified Accountant and Company Secretary of the Group. Ms. Fung had over 15 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 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（梁熾英女士）, aged 44, 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 39, 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 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 37, 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 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 2011 annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2011.

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, 2011 are set out in the consolidated income statement on page 35.

The Directors recommend the payment of a final dividend of HK2.0 cents per share to the shareholders on the register of members of the Company on 6th June, 2012, amounting to approximately HK$8,825,000.

PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 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 32 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, 2011 amounted to approximately HK$409,365,000 (2010: HK$422,604,000).

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. Sung Kim Wa (appointed on 15th September, 2011)
Mr. Wong Chiu Hong
Mr. Ip Siu Lam
Mr. Sung Kim Ping
Ms. Sung Kit Ching (appointed on 13th June, 2011)
Ms. Mok Pui Mei (resigned on 13th June, 2011)

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 Article 86(3) of the Company's Article of Association, Mr. Sung Kim Wa and Ms. Sung Kit Ching, who were appointed as Directors during the year, shall hold office as directors only until the forthcoming annual general meeting and being eligible, have offered themselves for re-election at the forthcoming annual general meeting.

In accordance with Article 87(1) and (2) of the Company's Articles of Association, Mr. Ip Siu Lam and Professor Cai Xiu Ling shall retire from office by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting. Mr. Lau Gary Q. shall retire at the forthcoming annual general meeting without offering himself for re-election.

DIRECTORS' SERVICE CONTRACTS

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

Mr. Sung Kim Ping, Ms. Sung Kit Ching and Mr. Sung Kim Wa have entered into the letters of appointment with the Company for a term of three years from 17th April, 2008, 13th June, 2011 and 15th September, 2011 respectively until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the non-executive Director and independent non-executive Directors of the Company has entered into letter of appointment with the Company and is appointed for a period of one year commencing from 1st September, 2011 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, 2011, the interests and short positions of the Directors in the shares, 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 shares of HK$0.01 each of the Company (the "Shares")

Name of directors	Capacity	Number of ordinary shares held	Percentage of shareholding
Dr. Sung Chung Kwun ("Dr. Sung")	(i) Interest in controlled corporation *(Note)*	267,000,000	60.51%
	(ii) Beneficial owner	54,260,000	12.30%
Ms. Sung Kit Ching	Beneficial owner	3,374,000	0.76%
Mr. Sung Kim Wa	Beneficial owner	374,000	0.08%

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 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, 2011.

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option scheme, 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. The monthly rent for the year ending 18th November, 2012 was adjusted to HK$350,000.

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 former 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, 2011, 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 ("Powerlink")	Beneficial owner	267,000,000	60.51%
Dr. Sung	Beneficial owner	54,260,000	12.30%

Save as disclosed above, as at 31st December, 2011, 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.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors of the Company an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

NON-COMPETITION DEED

In accordance with the terms of a deed of non-competition undertakings in favour of the Company dated 20th September, 2005 (the "Non-competition Deed"), each of Dr. Sung, Mr. Wong Chiu Hong and Mr. Ip Siu Lam (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 aforesaid 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 comprised approximately 33.9% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 13.3% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 22.45% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 6.02% of the Group's total purchases.

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, 2011.

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
MR. SUNG KIM WA
Hong Kong, 28th March, 2012

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 90, which comprise the consolidated statement of financial position as at 31st December, 2011, 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 information.

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 about 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 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, 2011, and of its 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, 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
Revenue	7	1,291,790	1,417,661
Cost of sales		(1,007,627)	(1,144,798)
Gross profit		284,163	272,863
Other income		14,827	19,491
Other gains and losses	9	19,852	(742)
Selling and distribution costs		(75,914)	(67,356)
Administrative expenses		(116,474)	(119,701)
Finance costs	10	(33,163)	(25,052)
Profit before tax		93,291	79,503
Income tax expense	11	(3,038)	(8,072)
Profit for the year	12	90,253	71,431
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		46,069	19,241
Total comprehensive income for the year		136,322	90,672
Profit for the year attributable to:			
Owners of the Company		89,939	71,272
Non-controlling interests		314	159
		90,253	71,431
Total comprehensive income attributable to:			
Owners of the Company		136,008	90,513
Non-controlling interests		314	159
		136,322	90,672
Earnings per share, in HK cents	16		
Basic		20.38	16.69

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	NOTES	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	1,884	1,936
Property, plant and equipment	18	823,838	734,115
Prepaid lease payments	19	60,047	58,653
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment	20	50,110	20,134
Club debenture	21	1,070	1,070
Deferred tax assets	22	159	159
		937,108	816,067
CURRENT ASSETS			
Prepaid lease payments	19	1,504	1,437
Inventories	23	782,497	540,473
Trade receivables, bills receivable and other receivables, deposits and prepayments	24	333,125	295,322
Amounts due from related companies	25	1,725	191
Tax recoverable		2,898	–
Bank balances and cash	26	156,903	99,115
		1,278,652	936,538
Assets classified as held for sale	38	–	27,158
		1,278,652	963,696
CURRENT LIABILITIES			
Trade and other payables	27	141,002	244,997
Bills payable	28	6,294	32,773
Amounts due to non-controlling interests	29	–	175
Derivative financial instruments	30	18,221	–
Bank borrowings – due within one year	31	967,486	490,878
Tax liabilities		3,418	1,899
Bank overdrafts	31	23,532	–
		1,159,953	770,722
NET CURRENT ASSETS		118,699	192,974
TOTAL ASSETS LESS CURRENT LIABILITIES		1,055,807	1,009,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2011

	NOTES	2011 *HK$'000*	2010 *HK$'000*
CAPITAL AND RESERVES			
Share capital	*32*	4,413	4,413
Reserves		1,030,434	907,664
Equity attributable to owners of the Company		1,034,847	912,077
Non-controlling interests		1,621	1,550
		1,036,468	913,627
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	*31*	–	74,535
Deferred tax liabilities	*22*	19,339	20,879
		19,339	95,414
		1,055,807	1,009,041

The consolidated financial statements on pages 35 to 90 were approved and authorised for issue by the board of directors on 28th March, 2012 and are signed on its behalf by:

Mr. SUNG Kim Wa
DIRECTOR

Dr. SUNG Chung Kwun
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2011

	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, 2010	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 recognised as distribution *(note 15)*	–	–	(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
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	46,069	–	46,069	–	46,069
Profit for the year	–	–	–	–	–	–	89,939	89,939	314	90,253
Total comprehensive income for the year	–	–	–	–	–	46,069	89,939	136,008	314	136,322
Disposal of a subsidiary *(note 38)*	–	–	–	–	–	–	–	–	(243)	(243)
Dividend recognised as distribution *(note 15)*	–	–	(13,238)	–	–	–	–	(13,238)	–	(13,238)
At 31st December, 2011	4,413	134,054	117,980	24,673	12,514	158,899	582,314	1,034,847	1,621	1,036,468

Notes:

(a) The contributed surplus 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 approved by shareholders pursuant to the memorandum and articles of association of the Company.

(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 computed 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 until the reserve balance reaches 50% of their paid-in capital.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2011

	NOTE	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before tax		93,291	79,503
Adjustments for:			
Finance costs		33,163	25,052
Interest income		(415)	(267)
Depreciation of property, plant and equipment		89,921	90,034
Depreciation of investment properties		52	52
Amortisation of prepaid lease payments		1,470	1,437
Gain on disposal of a subsidiary		(47,823)	–
Gain on disposal of property, plant and equipment		(12)	(37)
Written off on trade receivables		127	257
Written off on other receivables		1,500	1,500
Change in fair value of derivative financial instruments		18,221	–
Operating cash flows before movements in working capital		189,495	197,531
Increase in inventories		(222,856)	(74,394)
Increase in trade receivables, bills receivable and other receivables, deposits and prepayments		(34,038)	(46,507)
(Increase) decrease in amounts due from related companies		(1,534)	1
(Decrease) increase in trade and other payables		(64,413)	36,802
Decrease in bills payable		(26,479)	(10,512)
Cash (used in) generated from operations		(159,825)	102,921
Income tax paid		(5,957)	(11,848)
NET CASH (USED IN) FROM OPERATING ACTIVITIES		(165,782)	91,073
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(157,763)	(53,662)
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		(32,265)	(7,251)
Proceeds on disposal of a subsidiary	38	38,666	34,535
Interest received		415	267
Proceeds on disposal of property, plant and equipment		25	404
Withdrawal of pledged bank deposits		–	5,682
NET CASH USED IN INVESTING ACTIVITIES		(150,922)	(20,025)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2011

	2011 HK$'000	2010 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	1,892,425	1,260,961
Repayments of bank borrowings	(1,501,056)	(1,311,749)
Interest paid	(33,163)	(25,052)
Dividend paid	(13,238)	(8,825)
Repayment of advance from non-controlling interests	(175)	–
Repayments of obligations under finance leases	–	(5,057)
Proceeds from issue of shares	–	47,438
Expenses on issue of shares	–	(2,377)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	344,793	(44,661)
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,089	26,387
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	4,034	7,084
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	101,248	67,777
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by	133,371	101,248
Bank balances and cash	156,903	99,115
Bank balances and cash included in assets classified as held for sale	–	2,133
Bank overdrafts	(23,532)	–
	133,371	101,248

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, an executive director and former Chairman of the Company. The addresses of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" of the annual report.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 40.

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

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

In the current year, the Group has applied the following new and revised IFRSs issued by the International Accounting Standards Board.

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

IFRS 1 (Amendments)	Government Loans[2]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
IFRS 7 and IFRS 9 (Amendments)	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[2]
IFRS 11	Joint Arrangements[2]
IFRS 12	Disclosure of Interests in Other Entities[2]
IFRS 13	Fair Value Measurement[2]
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income[5]
IAS 12 (Amendments)	Deferred Tax – Recovery of Underlying Assets[4]
IAS 19 (as revised in 2011)	Employee Benefits[2]
IAS 27 (as revised in 2011)	Separate Financial Statements[2]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities[6]

1 Effective for annual periods beginning on or after 1st July, 2011
2 Effective for annual periods beginning on or after 1st January, 2013
3 Effective for annual periods beginning on or after 1st January, 2015
4 Effective for annual periods beginning on or after 1st January, 2012
5 Effective for annual periods beginning on or after 1st July, 2012
6 Effective for annual periods beginning on or after 1st January, 2014

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

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at 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 values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. 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 presented in profit or loss.

The directors anticipate that the adoption of IFRS 9 in the future will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 31st December, 2011.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. The directors anticipate that the standard will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. 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.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

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 in full 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 (effective from 1st January, 2010 onwards).

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 the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income 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 as described below) are stated in the consolidated statement of financial position 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 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.

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

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.

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, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. 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 under the heading of 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 differences 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.

Current and deferred tax is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Intangible assets – club debenture

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. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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 part 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 receivable and other receivables, amounts due from related companies 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

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 considered to be 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
- breach of contract, such as default or delinquency in interest and 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, in addition, 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.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss 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 instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

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 (including all fees paid or received that form an internal part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities include trade and other payables, bills payable, amounts due to non-controlling interests and bank borrowings. These financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments and hedging

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition – continued

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets 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. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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 immediately in profit or loss.

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, 2011, the carrying amount of trade receivable is HK$212,611,000, net of allowance for doubtful debts of HK$9,438,000 (2010: HK$230,100,000, net of allowance for doubtful debts of HK$9,438,000).

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 debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank borrowings disclosed in note 31, 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, new share issues as well as issue of new debt or redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2011 HK$'000	2010 HK$'000
Financial assets		
Loans and receivables		
Trade receivables, bills receivable and other receivables	303,237	271,678
Amounts due from related companies	1,725	191
Bank balances and cash	156,903	99,115
Bank and cash balance included in assets held for sale	–	2,133
	461,865	373,117
Financial liabilities		
Amortised cost		
Trade and other payables	60,488	57,581
Bills payable	6,294	32,773
Amounts due to non-controlling interests	–	175
Bank borrowings	967,486	565,413
Bank overdrafts	23,532	–
	1,057,800	655,942
Derivative financial instruments	18,221	–

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivable and other receivables, amounts due from related companies, bank balances and cash, trade and other payables, bills payable, amounts due to non-controlling interests, bank borrowings and derivative financial instruments. 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.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

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 receivable and other receivables, 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	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
United State dollars ("USD")	187,972	115,641	391,942	182,919
Renminbi ("RMB")	923	249	–	–
EURO ("EUR")	7,662	6,141	3,658	5,466

Sensitivity analysis

The Group is mainly exposed to the EUR and RMB.

The following table details the Group's sensitivity to a 5% (2010: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2010: 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% (2010: 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% (2010: 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	
	2011 HK$'000	2010 HK$'000	2011 HK$'000	2010 HK$'000
Loss for the year	(167)	(28)	(38)	(10)

For foreign currency forward contracts of buying USD and selling RMB, if RMB strengthen 5% against USD, the post-tax profit for the year ended 31st December, 2011 would decrease by HK$2,585,000 (2010: nil). For 5% weakening of RMB against USD, the post-tax profit for the year ended 31st December, 2011 would increase by HK$2,339,000 (2010: nil). No sensitivity analysis was prepared in relation to foreign currency forward contracts of buying USD and selling Hong Kong dollars as the directors consider that the Group's exposure is insignificant on the ground that Hong Kong dollars is pegged to USD.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and interest rate swap as set out in note 31 and 30, respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances bills payable and bank borrowings as set out in notes 26, 28 and 31, respectively. It is the Group's policy to keep its bills payable and bank borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter Bank Offer Rae ("HIBDR"), London Inter Bank offer Rate ("LIBOR") and People's Bank of China interest rate arising from the Group's variable-rate bank balances, bills payable and bank borrowings.

Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to variable-rate bills payable and bank borrowings 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 (2010: 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 (2010: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2011 would decrease/increase by HK$4,249,000 (2010: HK$2,674,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bills payable and bank borrowings.

No sensitivity analysis was prepared in relation to the cash flow interest rate risk of variable-rate bank balances as the directors consider the exposure is limited.

For interest rate swap, 50 basis point (2010: nil) increase or decrease is used. If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2011 would increase/decrease by HK$4,365,000 (2010: nil).

Credit risk

As at 31st December, 2011, 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, 2011, the Group has a concentration of credit risk to its five largest customers which comprised HK$67,055,000 (2010: HK$72,471,000) 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$118,699,000 as at 31st December, 2011 (2010: HK$192,974,000). 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 Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2011, the Group has available unutilised bank loan facilities of approximately HK$383 million (2010: HK$475 million).

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.

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.

In addition, the liquidity analysis for the Group's derivative financial instruments is prepared based on the expected settlement date as the management considers that such basis is essential for an understanding of the timing of the expected cash flows of the contracts.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2011							
Non-derivative financial liabilities							
Trade and other payables	–	24,415	36,073	–	–	60,488	60,488
Bills payable	2.2	6,294	–	–	–	6,294	6,294
Bank overdrafts	6	23,532	–	–	–	23,532	23,532
Bank borrowings							
– variable rate	3.2	686,844	27,167	109,493	–	823,504	819,893
– fixed rate	6.4	16,039	65,461	71,419	–	152,919	147,593
		757,124	128,701	180,912	–	1,066,737	1,057,800
Derivatives – net settlement							
Foreign currency forward contracts	–	139	217	1,312	904	2,572	2,572
Interest rate swap	–	–	–	–	16,879	16,879	15,649
		139	217	1,312	17,783	19,451	18,221

	Weighted average interest rate %	On demand or less than 1 month HK$'000	1-3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
2010							
Non-derivative financial liabilities							
Trade and other payables	–	28,986	20,437	8,158	–	57,581	57,581
Bills payable	3.5	5,887	27,138	–	–	33,025	32,773
Amounts 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
		431,545	73,014	79,952	79,562	664,073	655,942

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

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$106,559,000 and HK$71,513,000 for 2011 and 2010, respectively.

The amount included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rate differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

- the fair value of derivative instruments is calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

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.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets and liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

6. FINANCIAL INSTRUMENTS – continued

(c) Fair value – continued

Fair value measurements recognised in the statement of financial position – continued

	2011			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Derivative financial liabilities	–	18,221	–	18,221

There was no transfer between Level 1 and 2 in current year.

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:

	2011 HK$'000	2010 HK$'000
Production and sale of cotton yarn	116,002	184,381
Production and sale of knitted sweaters	698,638	606,261
Production and sale of dyed yarns	425,938	558,614
Provision of dyeing services	28,994	36,167
Trading of cotton and yarns	22,218	32,238
	1,291,790	1,417,661

8. SEGMENT INFORMATION

Information reported to the executive 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

8. SEGMENT INFORMATION – continued

Segment revenues and results

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

For the year ended 31st December, 2011

	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$'000	Total for reportable segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	116,002	698,638	425,938	28,994	22,218	1,291,790	–	1,291,790
Inter – segment sales	199,164	–	243,738	24,562	137,453	604,917	(604,917)	–
Segment revenue	315,166	698,638	669,676	53,556	159,671	1,896,707	(604,917)	1,291,790
SEGMENT PROFIT	2,213	85,336	26,443	2,905	2,217	119,114	–	119,114
Interest income								415
Rental income								509
Unallocated income								12
Unallocated expenses								(23,198)
Other gains and losses								29,602
Finance costs								(33,163)
Profit before tax								93,291

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$'000	Total for reportable segments HK$'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	186,977	–	207,613	20,033	120,414	535,037	(535,037)	–
Segment revenue	371,358	606,261	766,227	56,200	152,652	1,952,698	(535,037)	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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit before tax of each segment without allocation of central administration costs, directors' salaries, gain on disposal of subsidiary, change in fair value of derivative financial instruments, other income not attributable to segment profit and finance costs. This is the measure reported to the chief operating decision maker, the executive directors, for the purposes of resource allocation and performance assessment.

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

Segment assets and liabilities

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

As at 31st December, 2011

	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	492,573	968,111	495,147	37,472	57,818	2,051,121
Unallocated corporate assets						164,639
CONSOLIDATED TOTAL ASSETS						2,215,760
LIABILITIES						
Segment liabilities	31,956	42,587	66,431	3,064	3,258	147,296
Unallocated corporate liabilities						1,031,996
CONSOLIDATED TOTAL LIABILITIES						1,179,292

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	415,410	731,924	420,714	36,936	45,150	1,650,134
Unallocated corporate assets						129,629
CONSOLIDATED TOTAL ASSETS						1,779,763
LIABILITIES						
Segment liabilities	74,894	41,966	143,328	5,404	12,178	277,770
Unallocated corporate liabilities						588,366
CONSOLIDATED TOTAL LIABILITIES						866,136

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 operating segments other than investment properties, club debenture, amounts due from related companies, tax recoverable, assets classified as held for sale, deferred tax assets and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and all liabilities are allocated to operating segments other than bank borrowings, bank overdrafts, taxation liabilities, derivative financial instruments, amounts due to non-controlling interests, and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets. This is the measure reported to the chief operating decision makers, the executive 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 executive directors, for the purposes of performance assessment and resource allocation:

For the year ended 31st December, 2011

	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	45,094	67,748	35,092	4,136	53	–	152,123
Depreciation of property, plant and equipment	25,164	40,100	22,006	2,218	433	–	89,921
Amortisation of prepaid lease payments	603	408	443	9	7	–	1,470
Gain on disposal of property, plant and equipment	–	–	–	–	–	12	12

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

8. SEGMENT INFORMATION – continued

Geographical information

Information about the Group's revenue from external customers is presented 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	
	2011	2010	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000
PRC	442,993	589,917	700,146	604,425
Hong Kong	204,945	222,160	17,519	23,032
Other Asian countries	71,175	96,472	219,284	188,451
Europe	523,411	471,060	–	–
North America	49,266	38,052	–	–
	1,291,790	1,417,661	936,949	815,908

Included in revenue for customers located in Europe, amounts of HK$254,024,000 (2010: HK$119,803,000) and HK$34,589,000 (2010: HK$156,230,000) were arising from sales to customers based in United Kingdom and Netherlands, respectively.

Note: Non-current assets excluded deferred tax assets.

Information about major customers

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

	2011	2010
	HK$'000	HK$'000
Customer A from segment of production and sale of knitted sweaters	170,886	178,896
Customer B from segment of production and sale of knitted sweaters *(note)*	142,381	–

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

9. OTHER GAINS AND LOSSES

	2011	2010
	HK$'000	HK$'000
Gain on disposal of a subsidiary	47,823	–
Change in fair value of derivative financial instruments	(18,221)	–
Net exchange losses	(9,750)	(742)
	19,852	(742)

10. FINANCE COSTS

	2011 HK$'000	2010 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	33,163	25,033
Finance leases	–	19
	33,163	25,052

11. INCOME TAX EXPENSE

	2011 HK$'000	2010 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	2,057	4,940
– Overprovision in prior years	(218)	(784)
PRC Enterprise Income Tax – current year	2,739	3,519
	4,578	7,675
Deferred taxation *(note 22)*		
– Current year	(1,540)	397
	3,038	8,072

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.

11. INCOME TAX EXPENSE – continued

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 have expired by 2011. The Tax Holiday continued to be applicable for the PRC subsidiaries after the EIT Law on Enterprise Income Tax was implemented.

Pursuant to the relevant laws and regulations in Cambodia, the profit generated from subsidiaries of the Company are entitled to exemption from the Cambodian Income Tax until 2018.

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

	2011 HK$'000	2010 HK$'000
Profit before tax	93,291	79,503
Taxation at the domestic income tax rate of 16.5% *(note)*	15,393	13,118
Effect of tax exemptions and reduction granted to PRC and Cambodia subsidiaries	(17,917)	(8,364)
Tax effect of income not taxable for tax purpose	(6,450)	(989)
Tax effect of expenses not deductible for tax purpose	4,088	3,332
Overprovision in prior years	(218)	(784)
Tax effect of tax losses not recognised	10,897	2,671
Utilisation of tax losses previously not recognised	(3,618)	(2,131)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	863	1,219
Taxation for the year	3,038	8,072

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

12. PROFIT FOR THE YEAR

	2011 HK$'000	2010 HK$'000
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' remuneration *(note 13)*	7,491	6,869
Other staff costs	267,558	242,696
Retirement benefits scheme contributions, excluding directors	9,706	7,750
Total staff costs	284,755	257,315
Amortisation of prepaid lease payments	1,470	1,437
Auditor's remuneration	2,000	2,000
Net exchange losses (included in other gains and losses)	9,750	742
Cost of inventories recognised as an expense	1,007,627	1,144,798
Depreciation of property, plant and equipment	89,921	90,034
Depreciation of investment properties	52	52
Written off on trade receivables	127	257
Written off on other receivables	1,500	1,500
and after crediting the following other income items:		
Interest income	415	267
Gain on disposal of property, plant and equipment	12	37
Gross rental income from investment properties	509	608
Less: direct operating expenses from investment properties that generated rental income during the year	(114)	(58)
	395	550

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of 11 (2010: 10) directors were as follows:

For the year ended 31st December, 2011

	Dr. Sung Chung Kwun HK$'000	Mr. Wong Chiu Hong HK$'000	Ms. Mok Pui Mei *(note i)* HK$'000	Mr. Ip Siu Lam HK$'000	Ms. Sung Kit Ching *(note ii)* HK$'000	Mr. Sung Kim Ping HK$'000	Mr. Sung Kim Wa *(note iii)* HK$'000	Mr. Lau Gary Q. HK$'000	Mr. Ng Man Kin HK$'000	Mr. Chan Tsz Fu, Jacky HK$'000	Professor Cai Xiu Ling HK$'000	Total HK$'000
Directors												
– fees	–	–	–	–	–	–	–	144	156	156	156	612
– salaries and other benefits	1,800	1,320	405	540	330	1,320	389	–	–	–	–	6,104
– bonus	185	171	95	57	–	171	–	–	4	4	4	691
– retirement benefit scheme contributions	–	12	6	12	7	12	4	7	8	8	8	84
	1,985	1,503	506	609	337	1,503	393	151	168	168	168	7,491

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 iv)* 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

Notes:

i. Ms. Mok Pui Mei resigned as director on 13th June, 2011.

ii. Ms. Sung Kit Ching was appointed as director on 13th June, 2011.

iii. Mr. Sung Kim Wa was appointed as director on 15th September, 2011.

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

No directors waived any emoluments for both years.

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

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2010: four) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining two (2010: one) individuals were as follows:

	2011 HK$'000	2010 HK$'000
Employees		
– salaries and other benefits	1,860	752
– bonus	110	–
– retirement benefit scheme contributions	24	12
	1,994	764

Their emoluments were within the following band:

	2011 No. of employees	2010 No. of employees
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	1	–

During the year ended 31st December, 2011 and 31st December, 2010, 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.

15. DIVIDENDS

	2011 *HK$'000*	2010 *HK$'000*
Dividend recognised as distribution during the year		
– 2010 Final dividend of HK3.0 cents (2010: 2009 final dividend of HK2.0 cents) per share	13,238	8,825

The final dividend of HK2.0 cents in respect of the year ended 31st December, 2011 (2010: final dividend of HK3.0 cents in respect of the year ended 31st December, 2010) per share have been proposed by the directors and is subject to approval by the shareholders in general meeting.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to the owners of the Company of HK$89,939,000 (2010: HK$71,272,000) and on the weighted average number of shares in issue during the year of 441,250,000 (2010: 427,010,000).

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

17. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1st January, 2010, 31st December, 2010 and 2011	2,706
ACCUMULATED DEPRECIATION	
At 1st January, 2010	718
Provided for the year	52
At 31st December, 2010	770
Provided for the year	52
At 31st December, 2011	822
CARRYING VALUES	
At 31st December, 2011	1,884
At 31st December, 2010	1,936

The fair value of the Group's investment properties at 31st December, 2011 was HK$3,540,000 (2010: HK$2,890,000). 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 at the following locations:

	2011 HK$'000	2010 HK$'000
Hong Kong – media-term lease	1,525	1,567
Outside Hong Kong – long-term lease	359	369
	1,884	1,936

18. 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, 2010	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
Exchange adjustments	14,128	32,231	372	689	757	48,177
Additions	16,975	126,733	2,060	940	5,415	152,123
Transfer	3,648	174	–	–	(3,822)	–
Disposals	–	(3,886)	(6)	(1,464)	–	(5,356)
At 31st December, 2011	**430,524**	**931,178**	**28,936**	**24,295**	**19,743**	**1,434,676**
DEPRECIATION						
At 1st January, 2010	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
Exchange adjustments	2,422	17,278	334	609	–	20,643
Provided for the year	15,476	70,843	1,844	1,758	–	89,921
Eliminated on disposals	–	(3,886)	(3)	(1,454)	–	(5,343)
At 31st December, 2011	83,563	484,173	21,640	21,462	–	610,838
CARRYING VALUES						
At 31st December, 2011	**346,961**	**447,005**	**7,296**	**2,833**	**19,743**	**823,838**
At 31st December, 2010	330,108	375,988	7,045	3,581	17,393	734,115

The above items of property, plant and equipment are depreciated on a straight-line basis, and after taking into account their estimated residual values, 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%

18. PROPERTY, PLANT AND EQUIPMENT – continued

The carrying value of the Group's buildings comprises:

	2011 HK$'000	2010 HK$'000
Properties in the PRC held under land use rights		
– medium-term leases	251,438	232,740
Properties held under medium-term leases in Hong Kong	69	75
Properties held under medium-term leases outside Hong Kong and PRC	95,454	97,293
	346,961	330,108

19. PREPAID LEASE PAYMENTS

	2011 HK$'000	2010 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term leases	1,672	1,727
Leasehold land outside Hong Kong:		
Medium-term leases	59,685	58,135
Short leases	194	228
	61,551	60,090
Analysed for reporting purposes as:		
Current asset	1,504	1,437
Non-current asset	60,047	58,653
	61,551	60,090

20. DEPOSIT PAID FOR ACQUISITION OF PREPAID LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

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

21. CLUB DEBENTURE

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

22. DEFERRED TAX ASSETS/LIABILITIES

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

	2011 HK$'000	2010 HK$'000
Deferred tax liabilities	19,339	20,879
Deferred tax assets	(159)	(159)
	19,180	20,720

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, 2010	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
Credit to profit or loss	(215)	–	(1,325)	–	(1,540)
At 31st December, 2011	**10,619**	**(159)**	**6,373**	**2,347**	**19,180**

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$51,768,000 (2010: HK$50,404,000) 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.

22. DEFERRED TAX ASSETS/LIABILITIES – continued

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

	2011 HK$'000	2010 HK$'000
Unused tax losses		
– Recognised as deferred tax asset	961	961
– Unrecognised tax losses *(note)*	196,611	152,495
	197,572	153,456

Included in unrecognised tax losses are losses of HK$94,749,000 (2010: HK$78,614,000) that will expire between 2012 to 2016 (2010: 2011 to 2015). 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.

23. INVENTORIES

	2011 HK$'000	2010 HK$'000
Raw materials	271,641	281,828
Work in progress	286,821	159,821
Finished goods	224,035	98,824
	782,497	540,473

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

The Group generally allows credit period ranged from 30 days to 120 days to its trade customers.

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

At 31st December, 2011, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK$212,611,000 and bills receivable of HK$70,793,000 (2010: HK$230,100,000 and HK$22,252,000, respectively) and their aged analysis, presented based on the invoice date at the end of the reporting period is follows:

	2011 HK$'000	2010 HK$'000
Aged:		
0 – 30 days	133,846	149,783
31 – 60 days	64,882	53,412
61 – 90 days	33,673	14,605
91 – 120 days	26,738	5,029
Over 120 days	33,703	38,961
	292,842	261,790
Less: Allowance for doubtful debts	(9,438)	(9,438)
	283,404	252,352
Prepaid expenses	18,013	17,927
VAT receivables	8,284	3,850
Deposits	1,142	1,021
Others	22,282	20,172
	333,125	295,322

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

	2011 HK$'000	2010 HK$'000
Over 120 days	33,703	38,961
Less: allowance for doubtful debts on trade receivables	(9,438)	(9,438)
	24,265	29,523

The Group has not provided for impairment loss on trade receivables of HK$24,265,000 (2010: HK$29,523,000) 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.

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

Movement in allowances for doubtful debts

	2011 HK$'000	2010 HK$'000
Balance at beginning of the year	9,438	9,503
Amount written off as uncollectible	–	(65)
Balance at the end of the year	9,438	9,438

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

The amount of the Group's trade receivables, bills receivable 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, 2011			
Trade receivables, bills receivable and other receivables	147,822	7,647	155,469
At 31st December, 2010			
Trade receivables, bills receivable and other receivables	101,904	6,058	107,962

Note: Included in trade receivables, bills receivable and other receivables, deposits and prepayments is bills receivable of HK$50,927,000 (2010: HK$20,846,000) representing bills discounted with recourse with maturity period of 0-90 days. The Group has recognised the cash received on such discounted bills receivable of HK$50,927,000 (2010: HK$20,846,000) as secured bank borrowings (trust receipt loans).

25. AMOUNTS DUE FROM RELATED COMPANIES

Details of amounts due from related companies are as follows:

	Notes	2011 HK$'000	2010 HK$'000	Maximum amount outstanding during the year HK$'000
Addchance Dyeing Factory Limited	*(i)*	1,555	55	1,555
Anford Trading Limited	*(ii)*	49	37	49
Trenex (Hong Kong) Limited	*(iii)*	20	–	20
Soundyet Enterprises Limited	*(iii)*	14	12	14
Wai Yee Knitting Factory Limited	*(iv)*	87	87	87
		1,725	191	

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, 2011.

25. AMOUNTS DUE FROM RELATED COMPANIES – continued

Notes:

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

(ii) Dr. Sung Chung Kwun and Wong Chiu Hong, being directors of the Company, have controlling interests in this company.

(iii) Dr. Sung Chung Kwun, Wong Chiu Hong, Sung Kim Ping and Sung Kim Wa have controlling interests 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 controlling interests in this company.

26. BANK BALANCES AND CASH

Bank balances

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 interest at variable interest rates at ranged from 0.01% to 0.36% per annum (2010: 0.01% to 0.36% per annum).

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

	USD	EUR	Total
	HK$'000	HK$'000	HK$'000
At 31st December, 2011			
Bank balances and cash	40,150	15	40,165
At 31st December, 2010			
Bank balances and cash	13,737	83	13,820

27. TRADE AND OTHER PAYABLES

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

	2011 *HK$'000*	2010 *HK$'000*
Aged:		
0 – 60 days	36,073	24,960
61 – 90 days	6,322	4,680
Over 90 days	10,678	11,488
	53,073	41,128
Receipt in advance	22,624	83,631
Deposit received from disposal of a subsidiary	–	34,535
Payable for acquisition of property, plant and equipment	1,038	10,423
Payable for acquisition of prepaid lease payments	1,528	1,457
Accrued expenses	57,746	67,577
VAT tax payables	144	1,673
Other payables	4,849	4,573
	141,002	244,997

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, 2011	
Trade and other payables	3,525
At 31st December, 2010	
Trade and other payables	2,651

28. BILLS PAYABLE

The amounts carry interest at variable interest rates ranging from 1.84% to 2.6% per annum (2010: 1.75% to 4% 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, 2011	
Bills payable	–
At 31st December, 2010	
Bills payable	6,638

29. AMOUNTS DUE TO NON-CONTROLLING INTERESTS

The amounts are unsecured, non-interest bearing and settled during the year.

30. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2011	2010
	HK$'000	HK$'000
Derivatives not under hedge accounting:		
Foreign currency forward contracts – net settled	2,572	–
Interest rate swap	15,649	–
	18,221	–

The Group has certain outstanding foreign currency forward contracts with monthly net-settlement to which the Group is committed are as follows:

31st December, 2011

Notional amount	Maturity	Forward exchange rates
Buy USD in aggregate notional amount of USD5,000,000	Ranging from 4th December, 2012 to 12th September, 2013	HK$/USD ranging from 7.725 to 7.75
Buy USD in aggregate notional amount of USD6,000,000	Ranging from 22nd May, 2012 to 9th October, 2013	RMB/USD ranging from 6.54 to 7.00

The interest rate swap is settled at maturity. Major terms of the interest rate swap are set out below:

31st December, 2011

Notional amount	Maturity	Swap
HK$300,000,000	6th May, 2015	From HIBOR to 2.73%

31. BANK BORROWINGS/BANK OVERDRAFTS

	2011 HK$'000	2010 HK$'000
Bank overdrafts	23,532	–
Bank borrowings		
– Bank loans	703,571	426,603
– Trust receipt loans	263,915	138,810
	967,486	565,413
	991,018	565,413
Analysed by:		
Secured	94,952	68,757
Unsecured	896,066	496,656
	991,018	565,413
Total bank borrowings:		
Fixed-rate	147,593	63,372
Variable-rate	843,425	502,041
	991,018	565,413
Carrying amount repayable*:		
Within one year	892,663	424,589
More than one year but not more than two years	–	74,535
	892,663	499,124
Carrying amount of bank loans that are repayable more than one year but not more than five years from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	98,355	66,289
	991,018	565,413
Less: Amounts due and repayable within one year shown under current liabilities	(991,018)	(490,878)
Amounts shown under non-current liabilities	–	74,535

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

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 land use rights, property, plant and equipment, bills receivable and corporate guarantee given by the Company.

31. BANK BORROWINGS/BANK OVERDRAFTS – continued

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

	USD HK$'000	EUR HK$'000	Total HK$'000
As at 31st December, 2011			
Bank loans	293,287	3,658	296,945
Trust receipt loans	95,130	–	95,130
	388,417	3,658	392,075
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

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

	2011 HK$'000	2010 HK$'000
On demand or within one year	147,593	17,442
In more than one year but not more than two years	–	45,930
	147,593	63,372

In addition, the Group has variable-rate borrowings which carry interests 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:

	2011	2010
Effective interest rate:		
Fixed-rate borrowings	4.3% to 8.8%	4.5% to 7.5%
Variable-rate borrowings	2.0% to 6.65%	2.5% to 5.5%

32. SHARE CAPITAL

	Number of share	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January, 2010, 31st December, 2010 and 31st December, 2011	10,000,000,000	100,000
Ordinary shares of HK$0.01 each		
Issued and fully paid:		
At 1st January, 2010	400,000,000	4,000
Issue of new shares pursuant to placing *(note)*	41,250,000	413
At 31st December, 2010 and 2011	441,250,000	4,413

Note: 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.

33. 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 advisers ("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, 2011 and 31st December, 2010 under the Scheme. No options were granted, exercised, cancelled or lapsed during both years.

34. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2011 HK$'000	2010 HK$'000
Office premises	4,228	2,524

34. 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:

	2011 HK$'000	2010 HK$'000
Within one year	4,752	3,682
In the second to fifth year inclusive	7,620	6,764
Over five years	4,507	–
	16,879	10,446

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$509,000 (2010: HK$608,000). 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,	
	2011 HK$'000	2010 HK$'000
Within one year	507	467
In the second to fifth year inclusive	315	128
	822	595

35. 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:

	2011 HK$'000	2010 HK$'000
Land use rights	12,090	10,252
Property, plant and equipment	37,502	30,502
	49,592	40,754

The Group also had bills receivable discounted with recourse amounted to HK$50,927,000 (2010: HK$20,846,000).

36. CAPITAL COMMITMENTS

	2011 HK$'000	2010 HK$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	9,409	67,614

37. 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 government. 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 government is to make the required contributions under the schemes.

During the year, the retirement benefit scheme contributions amounted to HK$9,790,000 (2010: HK$7,831,000).

38. DISPOSAL OF A SUBSIDIARY

On 24th October, 2011, the Group disposed of its entire 98% equity interest in a subsidiary at a consideration of RMB61,500,000 (equivalent to approximately HK$73,214,000). As at 31st December, 2010, the assets of the subsidiary disposed of with carrying value of HK$27,158,000 (including prepaid lease payments of HK$25,025,000 and bank balances and cash of HK$2,133,000) were classified as "Assets classified as held for sale", and the Group had received a deposit of RMB29,700,000 (equivalent to approximately HK$34,535,000) for the disposal.

	HK$'000
Analysis of assets over which control was lost:	
Prepaid lease payments	25,621
Bank balances and cash	13
Net assets disposed of	25,634
Gain on disposal of a subsidiary:	
Consideration received	73,214
Net assets disposed of	(25,634)
Non-controlling interests	243
Gain on disposal	47,823
Net cash inflow arising on disposal:	
Cash consideration received	73,214
Less: deposit received	(34,535)
Less: bank balances and cash disposed of	(13)
	38,666

The subsidiary disposed of during the year ended 31st December, 2011 did not have significant contribution to the results and cash flows of the Group during the period prior to the disposal.

39. RELATED PARTY DISCLOSURES

Details of the balances with related parties are set out in notes 25 and 29.

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

Related parties	Relationship	Nature of transactions	2011 HK$'000	2010 HK$'000
Dr. Sung Chung Kwun	*(Note 1)*	Rental expense paid	919	997
Addchance Dyeing Factory Limited	*(Note 2)*	Rental expense paid	3,600	–

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 an executive director, former chairman and controlling shareholder of the Company.
(Note 2) Dr. Sung Chung Kwun and Sung Kim Ping, being directors of the Company, have controlling interests in 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 13 and 14.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31st December, 2011 and 2010 are as follows:

Name of subsidiary	*Notes*	Place and date of incorporation/ operation/ 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		
				2011	2010	2011	2010	
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

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	*Notes*	Place and date of incorporation/ operation/ 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		
				2011	2010	2011	2010	
Charm Shine (Macau) Wool Yarn Industrial Limited	*(i)*	Macau 15th September, 1987	MOP500,000	–	–	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.	*(ii)*	PRC 9th March, 2001	Registered capital US$35,044,000	–	–	100%	100%	Manufacturing of dyed yarn and provision of dyeing services
羅定互益染廠有限公司 Luoding Addchance Dyeing Factory Ltd.	*(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.	*(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.	*(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.	*(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	*(ii)*	PRC 16th December, 2005	Registered capital US$3,500,000	–	–	100%	100%	Manufacturing of knitted sweaters

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	*Notes*	Place and date of incorporation/ operation/ 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		
				2011	2010	2011	2010	
安慶市宿松互益精紡有限公司 An Qing Su Song Addchance Spinning Company Limited	*(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	*(iv)*	The Kingdom of Cambodia ("Cambodia") 13th August, 2004	Registered capital US$1,000,000	–	–	–	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Winner Knitting Factory Limited	*(iv)*	Cambodia 3rd April, 1997	Registered capital US$1,000,000	–	–	–	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Full Fortune Knitting Ltd.	*(iii)*	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)*	Cambodia 19th October, 2007	Registered capital US$3,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Dignity Knitter Limited	*(i)*	Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	–	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Great Honour Textile Factory Limited	*(i)*	Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	–	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
安慶市宿松互益房產開發有限公司 Anqing Su Song Addchance Real Estate Co., Ltd.	*(v)*	PRC 27th July, 2009	Registered capital RMB10,000,000	–	–	–	98%	Holding of land use rights

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

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, 2011.

(iv) These companies were deregistered during the year ended 31st December, 2011.

(v) The company was disposed of during the year ended 31st December, 2011 *(see note 38)*.

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 follows:

	2011 HK$'000	2010 HK$'000
Assets		
Interests in subsidiaries	160,803	160,803
Amounts due from subsidiaries	273,003	286,242
Bank balances and cash	13	12
	433,819	447,057
Liabilities		
Other payable	8	7
Amount due to a subsidiary	20,033	20,033
	20,041	20,040
	413,778	427,017
Capital and reserves		
Share capital	4,413	4,413
Reserves *(note)*	409,365	422,604
	413,778	427,017

41. SUMMARISED FINANCIAL POSITION OF THE COMPANY – continued

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2010	89,406	297,668	(189)	386,885
Loss for the year	–	–	(104)	(104)
Issue of shares	47,025	–	–	47,025
Transaction costs attributable to issue of shares	(2,377)	–	–	(2,377)
Dividend recognised as distribution	–	(8,825)	–	(8,825)
At 31st December, 2010	134,054	288,843	(293)	422,604
Loss for the year	–	–	(1)	(1)
Dividend recognised as distribution	–	(13,238)	–	(13,238)
At 31st December, 2011	134,054	275,605	(294)	409,365

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, 2011

RESULTS

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000
Turnover	1,167,362	1,316,764	1,214,255	1,417,661	1,291,790
Profit before tax	111,848	76,157	58,245	79,503	93,291
Income tax expense	(13,546)	(9,308)	(7,347)	(8,072)	(3,038)
Profit for the year	98,302	66,849	50,898	71,431	90,253
Profit attributable to:					
Owners of the Company	98,546	67,567	49,880	71,272	89,939
Non-controlling interests	(244)	(718)	1,018	159	314
	98,302	66,849	50,898	71,431	90,253

ASSETS AND LIABILITIES

	2007 HK$'000	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000
Total assets	1,487,829	1,780,114	1,658,626	1,779,763	2,215,760
Total liabilities	(854,924)	(1,045,293)	(871,907)	(866,136)	(1,179,292)
	632,905	734,821	786,719	913,627	1,036,468
Equity attributable to owners of the Company	632,041	734,675	785,328	912,077	1,034,847
Non-controlling interests	864	146	1,391	1,550	1,621
	632,905	734,821	786,719	913,627	1,036,468

NOTICE OF ANNUAL GENERAL MEETING

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 Thursday, 31st May, 2012 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, 2011.

2. To declare a final dividend of HK2.0 cents per share for the year ended 31st December, 2011.

3. (a) To re-elect Mr. Sung Kim Wa as director of the Company;

   (b) To re-elect Ms. Sung Kit Ching as director of the Company;

   (c) To re-elect Mr. Ip Siu Lam as director of the Company;

   (d) To re-elect Professor Cai Xiu Ling as director of the Company; and

   (e) 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;

(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, 18th April, 2012

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:

(i) from Tuesday, 29th May, 2012 to Thursday, 31st May, 2012 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office of the Company 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 Monday, 28th May, 2012; and

(ii) from Thursday, 7th June, 2012 to Monday, 11th June, 2012 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office of the Company 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, 6th June, 2012.