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)

2012

Interim 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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CORPORATE INFORMATION

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

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

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Hong Kong

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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

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Grand Cayman
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

WEBSITE

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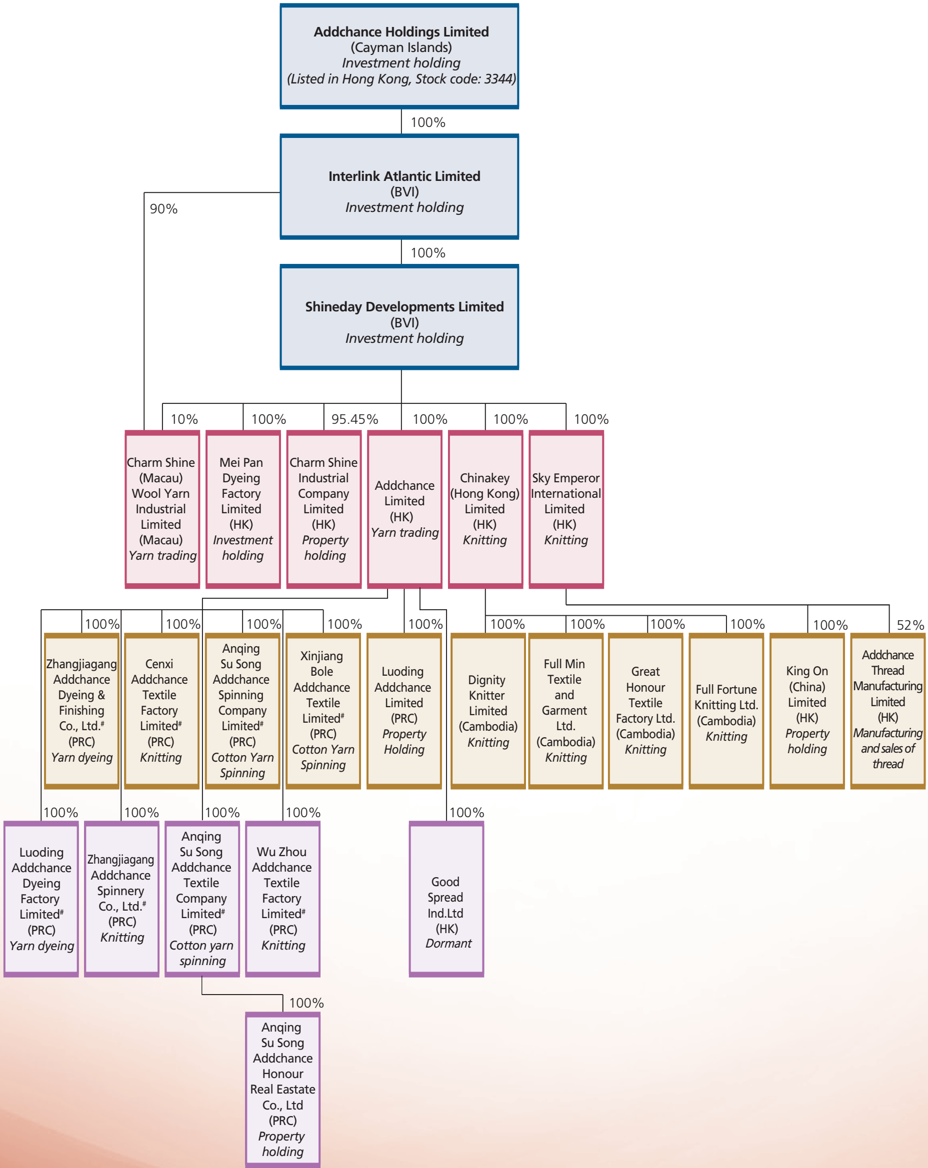
STOCK CODE

3344

CORPORATE STRUCTURE AS AT 30TH JUNE, 2012



for identification purpose only

FINANCIAL HIGHLIGHTS

Key Financial Results

	Six months ended 30th June		
	2012	2011	Changes
	HK$'000	HK$'000	+/- %
Turnover	**608,245**	617,184	-1.4%
Gross profit	**143,828**	143,588	+0.2%
Profit for the period	**20,432**	32,268	-36.7%
Profit attributable to:			
Equity holders of the Company	**22,010**	32,415	-32.1%
Non-controlling interests	**(1,578)**	(147)	+973.5%
Earnings per share (in HK cents)	**4.99**	7.35	-32.1%

Financial Ratios

	Six months ended 30th June	
	2012	2011
Profitability ratios:		
Gross margin	**23.6%**	23.3%
Net margin	**3.4%**	5.2%
Liquidity ratios:		
Current ratio (times)	**1.1**	1.21
Stock turnover (days) *(Note 1)*	**334**	297
Debtors turnover (days) *(Note 2)*	**128**	111
Creditors turnover (days) *(Note 3)*	**50**	127
Capital adequacy ratio		
Gearing ratio (%) *(Note 4)*	**47.1%**	43.9%

Notes:

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

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

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

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

Deloitte.
德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Addchance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 22, which comprise the condensed statement of financial position as of 30th June, 2012 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28th August, 2012

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	NOTES	For the six months ended 30th June, 2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Revenue	3	608,245	617,184
Cost of sales		(464,417)	(473,596)
Gross profit		143,828	143,588
Other income		5,758	8,426
Other gains and losses	4	(9,754)	2,063
Selling and distribution costs		(35,818)	(38,400)
Administrative expenses		(64,513)	(65,390)
Finance costs	5	(20,844)	(13,521)
Profit before tax		18,657	36,766
Income tax credit (expense)	6	1,775	(4,498)
Profit for the period	7	20,432	32,268
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations		6,387	876
Total comprehensive income for the period		26,819	33,144
Profit for the period attributable to:			
Owners of the Company		22,010	32,415
Non-controlling interests		(1,578)	(147)
	8	20,432	32,268
Total comprehensive income for the period attributable to:			
Owners of the Company		28,397	33,291
Non-controlling interests		(1,578)	(147)
		26,819	33,144
Earnings per share, in HK cents			
Basic	9	4.99	7.35

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2012

	NOTES	30.6.2012 HK$'000 (unaudited)	31.12.2011 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		1,858	1,884
Property, plant and equipment	10	791,476	823,838
Prepaid lease payments		122,755	60,047
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		15,528	50,110
Club debenture		1,070	1,070
Deferred tax assets		154	159
		932,841	937,108
CURRENT ASSETS			
Prepaid lease payments		1,170	1,504
Inventories		857,365	782,497
Trade receivables, bills receivables and other receivables, deposits and prepayments	11	482,321	333,125
Amounts due from related companies		138	1,725
Tax recoverable		2,828	2,898
Bank balances and cash		123,968	156,903
		1,467,790	1,278,652
CURRENT LIABILITIES			
Trade and other payables	12	162,094	141,002
Bills payable	12	33,582	6,294
Derivative financial instruments		23,607	18,221
Bank borrowings – due within one year	13	1,073,866	967,486
Tax liabilities		3,791	3,418
Bank overdrafts		24,348	23,532
Dividend payable		8,825	–
		1,330,113	1,159,953
NET CURRENT ASSETS		137,677	118,699
TOTAL ASSETS LESS CURRENT LIABILITIES		1,070,518	1,055,807

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2012

	NOTE	30.6.2012 HK$'000 (unaudited)	31.12.2011 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital	14	4,413	4,413
Reserves		1,050,006	1,030,434
Equity attributable to owners of the Company		1,054,419	1,034,847
Non-controlling interests		43	1,621
		1,054,462	1,036,468
NON-CURRENT LIABILITY			
Deferred tax liabilities		16,056	19,339
		1,070,518	1,055,807

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	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$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2011 (audited)	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	–	–	–	–	–	876	–	876	–	876
Profit for the period	–	–	–	–	–	–	32,415	32,415	(147)	32,268
Total comprehensive income for the period	–	–	–	–	–	876	32,415	33,291	(147)	33,144
Dividend recognised as distribution *(note 8)*	–	–	(13,238)	–	–	–	–	(13,238)	–	(13,238)
At 30th June, 2011 (unaudited)	4,413	134,054	117,980	24,673	12,514	113,706	524,790	932,130	1,403	933,533
Exchange difference arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	45,193	–	45,193	–	45,193
Profit for the period	–	–	–	–	–	–	57,524	57,524	218	57,742
Total comprehensive income for the period	–	–	–	–	–	45,193	57,524	102,717	218	102,935
At 31st December, 2011 (audited)	4,413	134,054	117,980	24,673	12,514	158,899	582,314	1,034,847	1,621	1,036,468
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	6,387	–	6,387	–	6,387
Profit for the period	–	–	–	–	–	–	22,010	22,010	(1,578)	20,432
Total comprehensive income for the period	–	–	–	–	–	6,387	22,010	28,397	(1,578)	26,819
Dividend recognised as distribution *(note 8)*	–	–	(8,825)	–	–	–	–	(8,825)	–	(8,825)
At 30th June, 2012 (unaudited)	4,413	134,054	109,155	24,673	12,514	165,286	604,324	1,054,419	43	1,054,462

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 Atlantic Limited (being the holding company of companies comprising the group before group reorganisation carried out in 2005), over the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation; and (ii) less dividend paid 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 recomputed in their statutory financial statements presented under the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves until the reserve balance reaches 50% of their paid-in capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

	For the six months ended 30th June,	
	2012 HK$'000 (unaudited)	2011 HK$'000 (unaudited)
Net cash used in operating activities	(60,946)	(78,203)
Net cash used in investing activities:		
Prepaid lease payments	(31,695)	–
Purchase of property, plant and equipment	(28,016)	(85,469)
Other investing cash flows	140	48
Deposit received for disposal of a subsidiary	–	18,837
	(59,571)	(66,584)
Net cash from financing activities:		
New bank loans raised	960,255	499,608
Repayment of bank borrowings	(852,645)	(384,266)
Interest paid	(20,844)	(13,521)
	86,766	101,821
Net decrease in cash and cash equivalents	(33,751)	(42,966)
Cash and cash equivalents at 1st January	133,371	99,115
Cash and cash equivalents at 30th June	99,620	56,149
Cash and cash equivalents at 30th June, represented by		
Bank balances and cash	123,968	79,256
Bank balances and cash included in assets classified as held for sale	–	409
Bank overdrafts	(24,348)	(23,516)
	99,620	56,149

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2012 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2011.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"):

Amendments to IFRS 7	Disclosures – Transfer of Financial Assets
Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets

The application of the above amended IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

The Group has not early applied the new or revised standards that have been issued but are not yet effective. The following new or revised standards have been issued after the date the consolidated financial statements for the year ended 31st December, 2011 were authorised for issuance and are not yet effective:

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
Amendments to IFRS 1	Government Loans[1]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition, Guidance[1]

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

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

3. SEGMENT INFORMATION

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

Six months ended 30th June, 2012

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	63,548	327,519	193,844	12,608	10,726	608,245	–	608,245
Inter-segment sales	85,430	166,958	238,052	6,878	60,390	557,708	(557,708)	–
	148,978	494,477	431,896	19,486	71,116	1,165,953	(557,708)	608,245
SEGMENT PROFIT	3,693	31,032	21,082	1,811	1,652	59,270	–	59,270
Unallocated income								776
Unallocated expenses								(15,159)
Other gains and losses								(5,386)
Finance costs								(20,844)
Group's profit before tax								18,657

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30th June, 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$'000	Segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	57,537	273,603	253,935	14,392	17,717	617,184	–	617,184
Inter-segment sales	97,279	228,790	392,333	7,384	93,013	818,799	(818,799)	–
	154,816	502,393	646,268	21,776	110,730	1,435,983	(818,799)	617,184
SEGMENT PROFIT	2,270	32,107	24,791	2,139	2,335	63,642	–	63,642
Unallocated income								640
Unallocated expenses								(13,995)
Finance costs								(13,521)
Group's profit before tax								36,766

Segment profit represents profit before tax of each segment without allocation of central administrative costs, directors' emoluments, interest income, rental income, change in fair value of derivative financial instruments and finance costs.

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

	30.6.2012 HK$'000	31.12.2011 HK$'000
Production and sale of cotton yarn	481,730	492,573
Production and sale of knitted sweaters	1,126,473	968,111
Production and sale of dyed yarns	556,831	495,147
Provision of dyeing services	36,204	37,472
Trading of cotton and yarns	69,377	57,818
	2,270,615	2,051,121

4. OTHER GAINS AND LOSSES

	For the six months ended 30th June, 2012 HK$'000	2011 HK$'000
Fair value loss of derivative financial instruments	(5,386)	–
Net exchange (loss) gain	(4,368)	2,063
	(9,754)	2,063

5. FINANCE COSTS

	For the six months ended 30th June, 2012 HK$'000	2011 HK$'000
Interest on bank borrowings wholly repayable within five years	20,844	13,521

6. INCOME TAX (CREDIT) EXPENSE

	For the six months ended 30th June,	
	2012	2011
	HK$'000	HK$'000
The (credit) charge comprises:		
Hong Kong Profits Tax – current year	371	2,199
PRC Enterprise Income Tax – current year	1,137	233
Deferred taxation:		
– Current year	(3,283)	2,066
	(1,775)	4,498

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

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

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from the PRC Enterprise Income Tax for the two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). The first profit-making year of certain PRC subsidiaries range from 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries have expired by 2011. The Tax Holiday continues to be applicable for the PRC subsidiaries after the EIT Law on Enterprise Income Tax was implemented. For the other PRC entities which have not commenced their first profit-making year, they are still entitled to the Tax Holiday according to EIT law.

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

7. PROFIT FOR THE PERIOD

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

	For the six months ended 30th June,	
	2012 HK$'000	2011 HK$'000
Depreciation of investment properties	26	26
Depreciation of property, plant and equipment	52,311	48,085
Amortisation of prepaid lease payments	1,326	708
Interest income	(140)	(48)

8. DIVIDEND

During the current interim period, a final dividend of HK2.0 cents per share in respect of the year ended 31st December, 2011 (six months ended 30th June, 2011: HK3.0 cents per share in respect of the year ended 31st December, 2010) was declared and subsequently paid to the owners of the Company in July 2012.

The directors of the company do not recommend the payment of an interim dividend for the six months ended 30th June, 2012 (six months ended 30th June, 2011: nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit for the period attributable to owners of the Company of HK$22,010,000 (six months ended 30th June, 2011: HK$32,415,000) and on the number of shares in issue of 441,250,000 (six months ended 30th June, 2011: 441,250,000).

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

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred capital expenditure of approximately HK$29,660,000 (six months ended 30th June, 2011: HK$85,469,000).

Depreciation on property, plant and equipment amounting to HK$52,311,000 (six months ended 30th June, 2011: HK$48,085,000) was provided for in the condensed consolidated statement of comprehensive income during the current interim period.

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

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

At 30th June, 2012, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK$378,558,000 and bills receivables of HK$51,874,000 (31st December, 2011: trade receivables of HK$212,611,000 and bills receivables of HK$70,793,000), respectively, and their aged analysis, net of allowance for doubtful debts presented based on the invoice date, at the end of reporting period is as follows:

	30.6.2012 HK$'000	31.12.2011 HK$'000
Aged:		
0 – 30 days	339,331	133,846
31 – 60 days	42,916	64,882
61 – 90 days	19,752	33,673
91 – 120 days	14,722	26,738
Over 120 days	13,711	24,265
	430,432	283,404
Other receivables, deposits and prepayments	51,889	49,721
	482,321	333,125

12. TRADE AND OTHER PAYABLES/BILLS PAYABLE

At 30th June, 2012, included in trade and other payables are trade payables of HK$95,078,000 (31st December, 2011: HK$53,073,000) and their aged analysis, presented based on the invoice date, at the end of reporting period is as follows:

	30.6.2012 HK$'000	31.12.2011 HK$'000
Aged:		
0 – 60 days	68,763	36,073
61 – 90 days	7,890	6,322
Over 90 days	18,425	10,678
	95,078	53,073
Other payables and accruals	67,016	87,929
	162,094	141,002

At 30th June, 2012, bills payable are aged within 0 – 150 days (31st December, 2011: 0 – 120 days).

13. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to approximately HK$960,255,000 (six months ended 30th June, 2011: HK$499,608,000) as additional working capital and made repayment of approximately HK$852,645,000 (six months ended 30th June, 2011: HK$384,266,000). Included in the new loans are amounts of approximately HK$24,691,000 bearing fixed interest rates which ranged from 4.34% to 8.80% per annum and the remaining amounts bearing variable interest rates at a margin over Hong Kong Interbank Offered Rate which ranged from 2.12% to 6.77% per annum.

As at 30th June, 2012, bank loans of HK$200,628,000 (31st December, 2011: HK$98,355,000) that are repayable more than one year but not more than five years from the end of the reporting period based on the relevant repayment schedule, contain a repayment on demand clause and accordingly, are shown under current liabilities.

14. SHARE CAPITAL

There was no movement in the share capital in both periods.

15. COMMITMENTS

As at 30th June, 2012, the Group had commitments of HK$17,670,000 (31st December, 2011: HK$9,409,000) for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment.

16. PLEDGE OF ASSETS

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

	30.6.2012 HK$'000	31.12.2011 HK$'000
Land use rights	–	12,090
Property, plant and equipment	29,799	37,502
	29,799	49,592

17. RELATED PARTY DISCLOSURES

During the current interim period, the Group entered into the following transactions with related party:

Related party	Relationship	Nature of transactions	For the six months ended 30th June, 2012 HK$'000	 2011 HK$'000
Addchance Dyeing Factory Limited	*(Note)*	Rental expense paid	2,200	1,800

17. RELATED PARTY DISCLOSURES *(Continued)*

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 party.

(Note) Dr. Sung Chung Kwun and Sung Kim Ping, being directors and shareholders of the Company, have controlling interests in the company.

Compensation of key management personnel

The remuneration of directors and key executives of the Company is determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to HK$3,639,000 (six months ended 30th June, 2011: HK$3,090,000).

18. EVENT AFTER THE END OF THE REPORTING PERIOD

On 29th June, 2012, the Group entered into an agreement with an independent third party (the "Buyer") to transfer the operation rights and controlling interests upon completion of certain conditions (details of which are set out in the announcement dated 9th July, 2012) (the "Operation Rights Transfer Agreement") over Good Spread Industrial Limited ("Good Spread") and 羅定忠益房地產開發有限公司 ("Luoding Addchance"), both are wholly-owned subsidiary of the Company, for an aggregate cash consideration of HK$554,321,000 payable by six installments (the "Consideration").

In addition, pursuant to the Operation Rights Transfer Agreement, Good Spread has agreed to grant the Buyer an option to subscribe for shares of Good Spread at HK$1 per share not exceeding 99.99% of the enlarged issued share capital of Good Spread (the "Subscription Option"). Prior to the exercise of the Subscription Option, the Group is required to complete the transfer of the entire equity interests in Luoding Addchance to Good Spread.

The above transactions are not yet completed as at the date when the condensed consolidated financial statements are authorised for issue. The directors of the Company are still in the progress of assessing the financial impact to the Group.

BUSINESS REVIEW

We are pleased to report the unaudited results of the Group for the six months ended 30th June, 2012. The Group's consolidated revenue slightly decreased by approximately 1.4% to HK$608.2 million. Profit attributable to equity shareholders derived from the core business of the Group was approximately HK$30.2 million, with net profit margin of approximately 5.0%.

The sovereign debt crisis in Eurozone, persistent high unemployment rate in US with the slow recovery of US economy and the continuous surging production costs in the PRC continue to add uncertainties to the economy in the period under review. The operating environment of the whole textile industry was still full of challenges with the fluctuating raw material prices and the continuous appreciation of the RMB. Cotton prices dropped gradually from December 2011 onwards. The fall in the cotton and cotton-related costs discouraged the customers from placing large orders in order to avoid piling-up of the inventories. It also limited our bargaining power in the selling price of our products.

Our procurement strategy towards cotton and cotton-related materials had changed in light of the drop in cotton prices. Less cotton and yarns were purchased during the period under review in order to minimize the cotton stock pile-up. Other direct manufacturing costs such as energy and wages also increased due to the widespread inflation worldwide. However, as a one-stop service provider, the Group was still able to stabilize our supply chain and strengthen our control on raw material costs. We continuously adopted a new series of strategies to lock-in our profit margin without being affected by any change 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. Further, our existing spinning arm in SuSong and Xinjiang do allow the Group to further sustain our cost advantages by providing stable supply chain at a lower controllable cost. Leveraging on our competitive edges, the Group still managed to maintain its gross profit margin.

On 29th June, 2012, the Group entered into an Operation Right Transfer Agreement with third parties to transfer the operating right of Luoding Addchance Limited, one of its PRC subsidiaries, the principal business of which is property development. The consideration of the transfer is approximately HK$554 million and will be payable by six installments within 4 years. This transaction constitutes a very substantial disposal for the Company under the Listing rules and will be subject to the approval of the shareholders at the extraordinary general meeting of the Company. This transfer will strengthen the cash flow position of the Group and will have a positive impact to the Group's net profit upon completion.

PROSPECTS

Cotton price was believed to remain at a relatively stable level as a result of the policy adopted by the PRC government regarding the guaranteed offer price from the government. Further, it is anticipated that the quantitative easing policies adopted by the US government will also stabilize the global economy in the coming year.

Green Factory development

Cambodia, being the final exporting country for the Group's sweaters products, is politically stable. The Group strategically established our manufacturing plants in Cambodia for a number of years and over 95% of our sweaters products were exported through our Cambodia manufacturing plants. We enjoyed the cost benefits of its human resources in Cambodia, where the wages of workers are only around one-third of those in the PRC. Further, Cambodia enjoyed import tariff concessions from Europe and Japan. All these factors can strengthen our bargaining power of orders received from EU and Japan customers. Therefore, in the future, further development in Cambodia would be our focus on developing our sweater business.

Sweater business is still the most profitable business of the Group and we will continue to increase our production capacity to cope with the recovering export demand. Computerized knitting machines were imported into Cambodia knitting manufacturing arms on schedule and were placed into operation. Furthermore, an environmental green 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 and achieve the aim of "節能減排 (reducing the consumption of energy and emissions)". The establishment of this green factory is in good progress and we expect that this factory will further expand our customer base and the operation of this green factory will commence in the last quarter of 2012. We will also continue to increase the output per person by upgrading the automation of machineries and enhancing the overall production efficiency and we endeavoured to optimize our value chain and operation 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 PRC domestic market bodes well for the Group to increase our domestic sales in the PRC. Sales made to PRC markets are expected to increase further thereafter.

Product development – Better Cotton Initiative (BCI) cotton and environmental cotton

In order to diversify our products variety, the Group started our product development by obtaining those environmental cotton patents and tried to develop the BCI cotton with certain governmental institution in Xinjiang. The Group became a member of BCI since 1st May, 2012 and will try to become a project partner with the said governmental institution with the aim to strengthen the supply chain linkages. We will continue to strengthen our production technology on value-added yarns in the coming year.

Looking ahead, we anticipate that the operating environment will continue to be more competitive and the global economy will continue to recover at a slow growth rate. However, our long established spinning arms in SuSong and Xinjiang bode well for the Group on the upstream raw materials supply and the newly established green factory in Cambodia sharpen our competitive edges on procuring orders from EU and US customers. The prevailing tough operating environment will continue to exert pressures on industry participants and poised for further industry consolidation. The Group will continue to enhance its competitive edges to capture the opportunities arising from this challenge, strive to implement further stringent cost control measures and streamline existing operations and structures to further enhance operational efficiency and profit margin.

FINANCIAL REVIEW

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. Further, the Group started to expand our product varieties to hosiery products.

Total revenue for the six months ended 30th June, 2012 was about HK$608.2 million. Comparing with the same period last year, the revenue slightly decreased by around 1.4%, from approximately HK$617.2 million to approximately HK$608.2 million for the period under review. Production and sales of knitted sweaters and dyed yarn remained the principal operation of the Group.

Turnover of the sweater business significantly increased by about 19.7%, from approximately HK$273.6 million in the corresponding period last year to about HK$327.5 million during the period under review, representing approximately 53.8% of the Group's total turnover. Owing to the drop in cotton price, the selling price can only be bargained at the similar level last period. However, the sales volume increased by around 27.6% despite the soft market conditions for the period under review. 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 sales volume. Our sweater products were still mainly exported to Europe and the Group continues to expand our customer base to reduce its reliance on some customers. As a percentage of the revenue of sweater business, the sales made to our largest customer was approximately 15.6% this year as planned. Also, we continued to gain new customers in the year 2012 and the PRC domestic sales also increased upon the signing of those strategic agreements with certain PRC customers. We are able to maintain a balance between the PRC domestic sales and export sales in order to naturally hedge against the continuous appreciation of RMB. Besides, textile products imported from Cambodia are subject to tax exemption for those European customers and again strengthen the bargaining power of the Group.

Sales generated from the production and sales of dyed yarn decreased by around 23.7%, from approximately HK$253.9 million to approximately HK$193.8 million for the period under review, representing about 31.9% of the Group's total turnover. The impact of the drop in cotton and cotton-related raw materials costs do affect the selling price of dyed yarn as well. The average selling price of dyed yarn decreased by about 17.9% comparing with the same last period while in turn the sales volume made from dyed yarn decreased by around 7.0% accordingly. However, with our competitive advantage resulting from our self-owned upstream manufacturing facilities, the Group can provide stable and lower market cost yarn products for the production of dyed yarns despite the decreasing cotton costs for the period under review and in turn profit margin derived from dyed yarns segment can be maintained. We continued to exercise tight cost controls and efficient order scheduling and production planning in order to streamline our existing operations and improve our profit margin.

In line with the drop in the revenue from sales of dyed yarn, revenue generated from the provision of dyeing services also decreased from approximately HK$14.4 million during the same period last year to approximately HK$12.6 million during the period under review, representing a decrease of about 12.5%. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the sales to the PRC, Hong Kong and Macau accounted for approximately 96.8% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds was derived from exports to overseas countries and places including Thailand, Taiwan, and Indonesia.

Production and sales of cotton yarns is another core business segment of the Group following a series of expansion of our spinning facilities in Xinjiang and Anqing. Revenue generated from cotton yarns increased from approximately HK$57.5 million to approximately HK$63.5 million representing an increase of around 10.4%. With the drop in cotton price and the change in the procurement strategy and inventory control strategy, more cotton yarns sales were made for the period under review in order to cease the piling up of cotton yarns. Average selling price was therefore decreased in line with the drop in cotton price by around 15.5% whereas the sales volume increased by approximately 30.7%. As a result, the external utilization rate of the cotton yarn increased from 37.2% to 42.7% for the period under review. Cotton price is expected to remain stable in the coming year and the sales orders made from cotton yarns are expected to be neutralized and the cotton yarns inventory will be digested in the coming half year.

TURNOVER by operation
(Amount HK$'000)

	Six months ended 30th June		Changes
	2012	2011	+/-%
Production and sale of dyed yarns	193,844	253,935	-24%
Production and sale of knitted sweaters	327,519	273,603	20%
Production and sale of cotton yarn	63,548	57,537	10%
Provision of dyeing services	12,608	14,392	-12%
Trading of cotton and yarns	10,726	17,717	-39%
	608,245	617,184	-1%

TURNOVER by operation
(in % of total)

	Six months ended 30th June	
	2012	2011
Production and sale of dyed yarns	31.9%	41.2%
Production and sale of knitted sweaters	53.8%	44.3%
Production and sale of cotton yarn	10.4%	9.3%
Provision of dyeing services	2.1%	2.3%
Trading of cotton and yarns	1.8%	2.9%

Cost of Sales

In line with the slight decrease in sales of approximately 1.4%, the cost of sales decreased further by around 1.9% from approximately HK$473.6 million to approximately HK$464.4 million for the period under review. Raw materials remained a major factor of the Group's cost of sales, standing at around 45.7% for the period under review with cotton and yarn making up 50% each respectively. Despite the continuous increase in the minimum wages in the PRC, our direct labour costs can be controlled at a similar level as that of the same period last year and it accounted for about 22.1% of the Group's total cost of sales. Electricity and depreciation charges were also maintained at the similar level as that of the last corresponding period.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK$143.8 million for the period under review, with gross profit margin at approximately 23.6%. It slightly increased by around 0.3 percentage points comparing with the gross profit margin of the same period last year. During the period under review, cotton prices decreased apparently and it limited our bargaining power on raising the product prices. However, the increase in sales volume minimized the fixed overhead costs and with our improvement in the operating efficiency, factory utilization rate as well as other cost control measures, the Group still managed to improve its gross profit margin.

Net profit margin

Excluding the fair value adjustment on the derivatives financial instruments and exchange differences of around HK$9.8 million for the period under review, a net profit of approximately HK$30.2 million was derived from the core business of the Group for the period under review, with net profit margin of about 5.0%. The Group will continuously overcome the challenges by sharpening its competitive edge.

Other revenue

Other revenue of approximately HK$5.8 million mainly comprised the income derived from the disposal of scrapped materials, exchange gains and interest income.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. For the period under review, the Group's selling and distribution costs amounted to approximately HK$35.8 million, representing approximately 5.9% of the Group's turnover, which remained at the similar level as that of the last corresponding period.

Administrative expenses

Administrative expenses of approximately HK$64.5 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 10.6% of the Group's turnover, which remained at the similar level as the last corresponding period.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which increased from approximately HK$13.5 million for the last corresponding period to HK$20.8 million for the period under review, which represented approximately 3.4% of the Group's turnover. Amount increased apparently in line with the high utilization rate of the bank loans raised for the period under review.

Borrowings

As at 30th June, 2012, the Group had outstanding bank borrowings of approximately HK$1,101.5 million, which will become due within one year. Amount increased by around HK$110.5 million or 11.2% when comparing with the balance as at 31st December, 2011. Among the total bank borrowings, approximately 60% was in trade loan nature and the remaining 40% was in term loan nature in which was used to finance the purchases of machineries. The increase in loan balances for the period under review was mainly attributed to the increase in term loan in relation to the additions of the knitting machineries in Cambodia and PRC production bases.

Trade loan mainly comprised those financing arrangements for delivery of sweaters products. It would be released upon the delivery was made. Net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, therefore increased from 0.81 as at 31st December, 2011 to 0.95 as at 30th June, 2012.

The Group will continuously focus on reducing its net gearing ratio 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 30th June, 2012, the Group's cash and cash equivalents amounted to approximately HK$99.6 million, which substantially increased by around 77.5% or HK$43.5 million, from about HK$56.1 million as at 31st December, 2011. Total assets amounted to approximately HK$2,400.6 million, representing an increase of approximately HK$184.8 million comparing with about HK$2,215.8 million as at 31st December, 2011.

With the change in the procurement strategy and the corresponding decrease in purchasing raw materials during the period under review, net cash used in operating activities decreased to around HK$60.9 million as at 30th June, 2012 with around 22.1% less cash used. Net cash used in investing activities also decreased to HK$59.6 million, together with the increase in net cash generated from bank loans raised, the cash and cash equivalents increased apparently to approximately HK$99.6 million as at 30th June, 2012.

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 properties of non-core business as well as implementing tighter control over costs, working capital and capital expenditure. During the period under review, the Group transferred the operating right of one of its PRC subsidiaries at a consideration of about HK$554.3 million in order to dispose of those non-core business. This disposal will strengthen the cash inflow position of the Group in the coming years.

The sales and purchases of the Group were evenly denominated in Hong Kong dollar, US dollar and Renminbi. Part of the effect of the appreciation of the Renminbi against the US dollar was hedged through our PRC operations while another part of that effect was mitigated through appropriate hedging arrangements. Fluctuations in the exchange rates of foreign currencies such as US dollar and Renminbi 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 six months ended 30th June, 2012 was approximately 334 days, which increased by around 37 days as compared with 297 days for the corresponding period last year. During the period under review, less cotton and yarns were procured in order to minimize the stock piling-up in view of the heavy slump on the cotton price. However, as batches of knitted panels were piled up for the delivery that were made in the third quarter of year 2012 and this resulted in the inventory level increased so significantly. If we exclude delivery amount of knitted panels in the third quarter of 2012, the calculated stock turnover days will come back to around 220 days. On the other hand, seasonality do affected the inventory level in each interim period as the peak delivery time for sweaters started in the third quarter every year. The Group will continuously monitor its inventory level to a secure level throughout the year.

Debtors' turnover days

The debtors' turnover days was lengthened by 17 days from 111 days during the last corresponding period to 128 days during the six months ended 30th June, 2012. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner continuously. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers, taking into amount of the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and is expected to take into account 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 subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the cash required for the Group's operation in the second half of 2012, the Board of Directors of the Company does not recommend the payment of interim dividend for the six months ended 30th June, 2012.

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.

The auditors have confirmed that, for the year ended 31st December 2011, the above continuing connected transaction:

(1) have received the approval of the Company's board of directors;

(2) have been entered into in accordance with the relevant agreement governing the transactions; and

(3) have not exceeded the cap disclosed in announcement dated 1st December 2010.

DISCLOSURE OF INTERESTS

Interest of Directors in the shares, underlying shares and debentures

As at 30th June, 2012, the interests and short positions of the directors and chief executive of the Company in the share, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in the 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	57,510,000	13.03%
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 or the chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2012.

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

As at 30th June, 2012, 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	57,510,000	13.03%

Save as disclosed above, as at 30th June, 2012, 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.

SHARE OPTION SCHEME

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

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2012.

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

The Company has not redeemed any of its listed shares during the six months ended 30th June, 2012. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the six months ended 30th June, 2012.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code on Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012), as set out in Appendix 14 to the Listing Rules during the six months ended 30th June, 2012 save that Code provision A.2.1 requires that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sung Kim Wa ("Mr. Sung") is the Chairman of the Board and there is no chief executive officer appointed by the Company and the day-to-day management of the Group is led by Mr. Sung. There is no time schedule to change this structure as the Directors consider that this structure provides the Group with strong and consistent leadership in the Company's decision making process and operational efficiency.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30th June, 2012.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group, its internal control, financial reporting matters, interim results and the interim report for the six months ended 30th June, 2012.