Addchance Holdings Limited

互益集團有限公司

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

(Stock Code: 3344)

Annual Report **2012**


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,					
	2012 HK$'000	2011 HK$'000	Changes +/-%	2010 HK$'000	2009 HK$'000	2008 HK$'000
Turnover	**1,450,209**	1,291,790	12.3%	1,417,661	1,214,255	1,316,764
Gross profit	**278,468**	284,163	-2.0%	272,863	176,775	279,529
Profit for the year	**30,561**	90,253	-66.1%	71,431	50,898	66,849
Profit attributable to:						
Equity holders of the Company	**32,139**	89,939	-64.3%	71,272	49,880	67,567
Non-controlling interests	**(1,578)**	314	-602.5%	159	1,018	(718)
Earnings per share (in HK cents)	**7.28**	20.38	-64.3%	16.69	12.47	16.89

Financial Ratios

	Year ended 31st December,				
	2012	2011	2010	2009	2008
Profitability ratios:					
Gross margin (%)	**19.2**	22.0	19.2	14.6	21.2
Net margin (%)	**2.1**	7.0	5.0	4.2	5.1
Liquidity ratios:					
Current ratio (times)	**1.15**	1.10	1.25	0.98	0.90
Stock turnover (days) *(Note 1)*	**238**	283	172	164	206
Debtors turnover (days) *(Note 2)*	**147**	80	65	60	64
Creditors turnover (days) *(Note 3)*	**35**	22	24	32	47
Capital adequacy ratio					
Gearing ratio (%) *(Note 4)*	**43.8**	45.0	33.6	40.5	43.4

Notes:

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

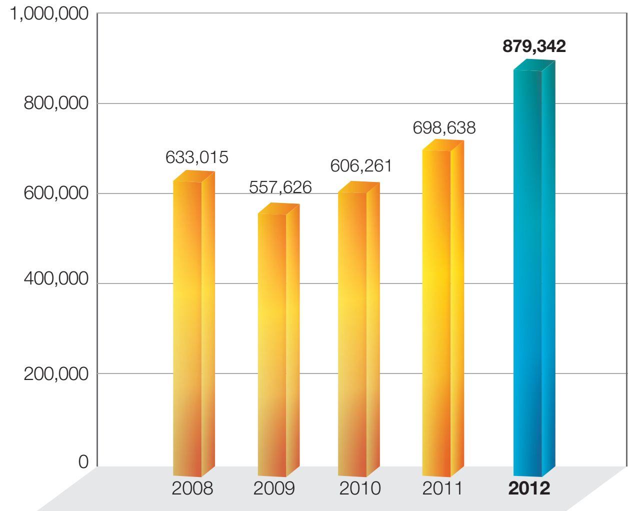
2. The number of debtors' turnover days is equal to the trade and bills receivables at the end of year divided by the sales of the year and then multiplied by 365 days.

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

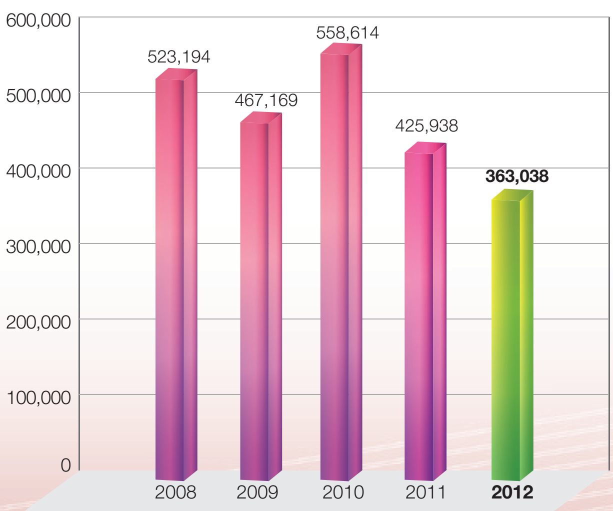
4. The gearing ratio is equal to the total bank borrowings at the end of the year divided by the total assets at the end of the year.

TURNOVER BY OPERATION

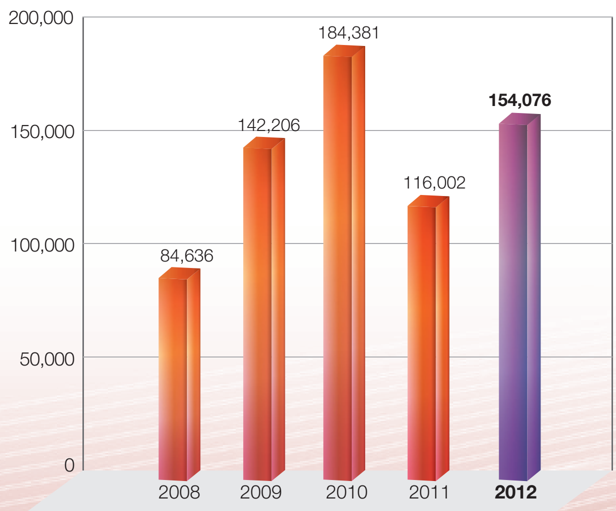
Production and sales of knitted sweaters
(HK$'000)



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



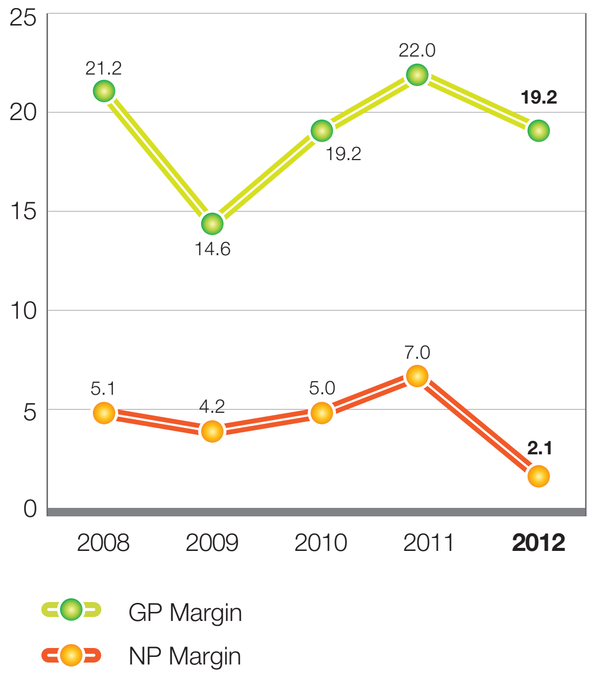
Production and sales of cotton yarns
(HK$'000)



FINANCIAL HIGHLIGHTS

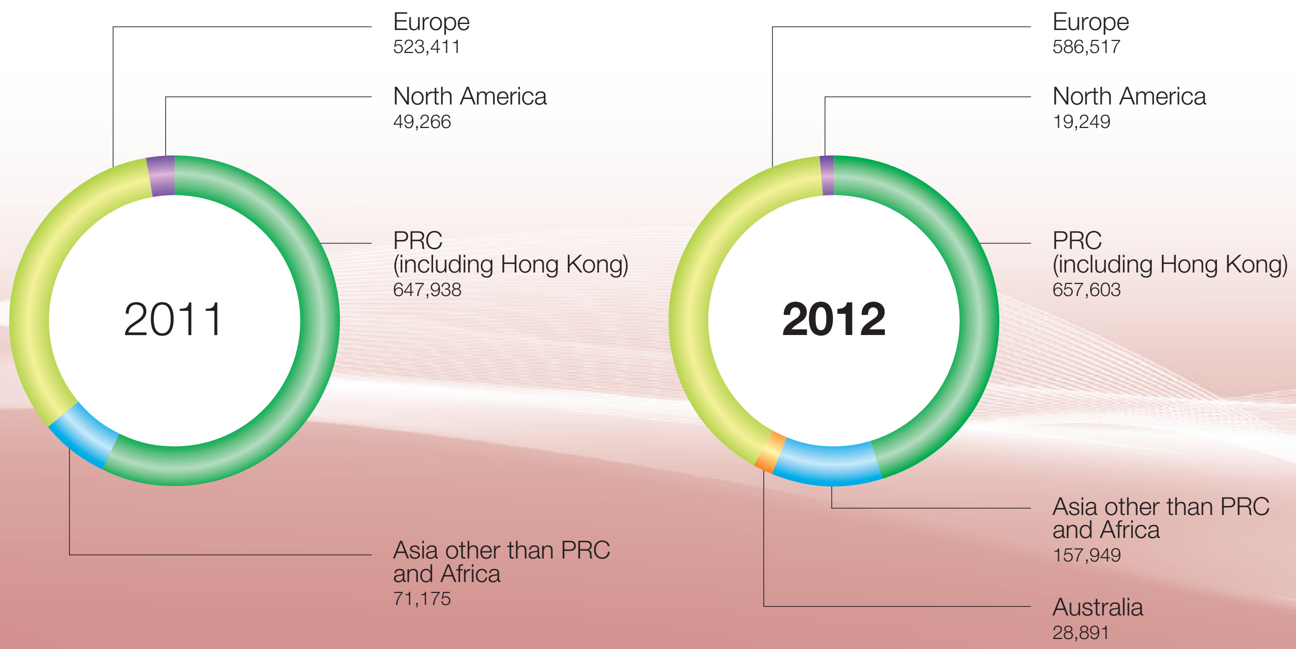
PROFIT MARGIN

(%)



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

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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road,
Georage Town,
Grand Cayman KY1-1110,
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.

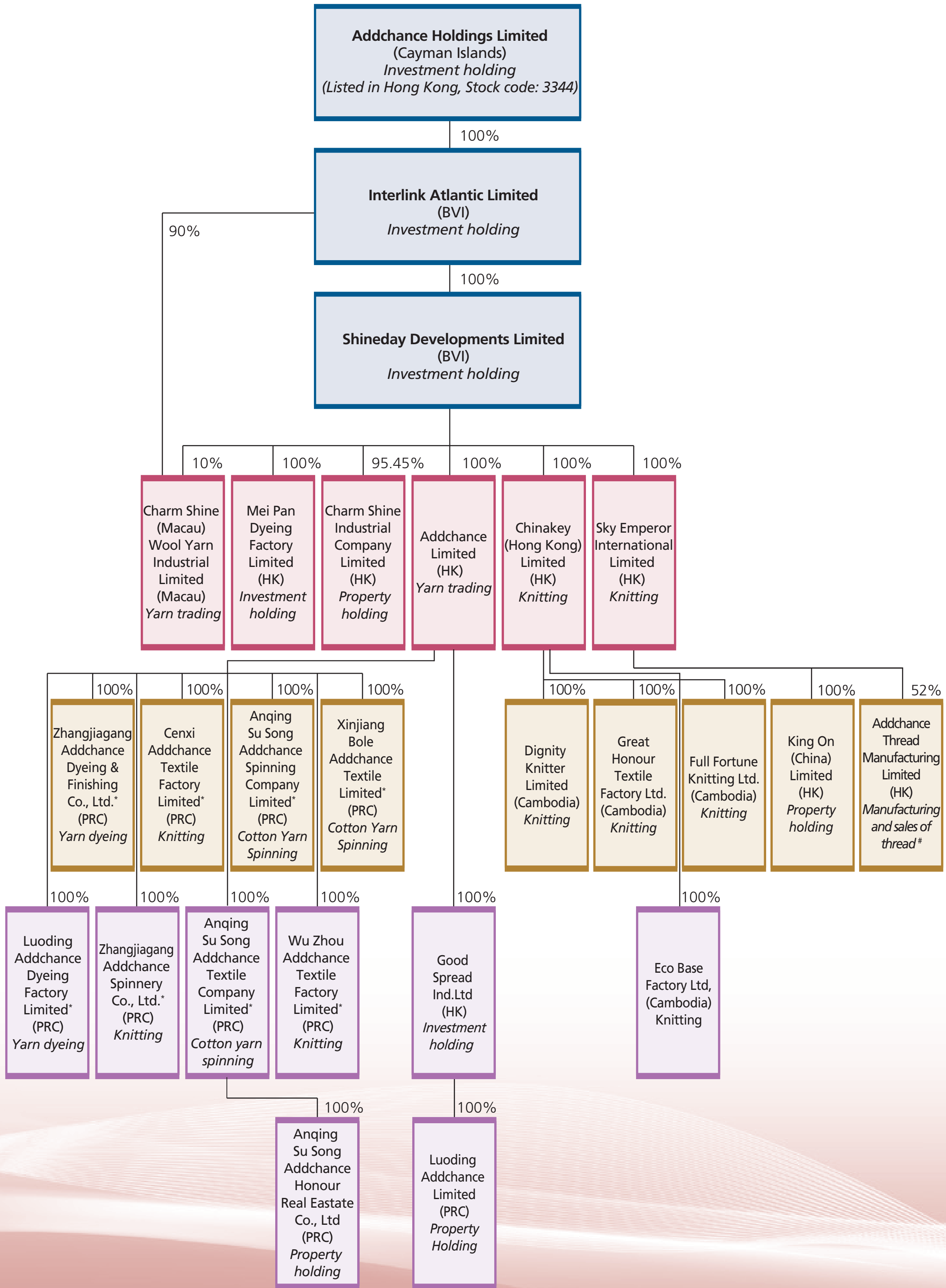
WEBSITE

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

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 31ST DECEMBER, 2012



this subsidiary is subsequently deregistered on March 8, 2013
* for identification purpose only

CHAIRMAN'S STATEMENT

DR. Sung Chung Kwun
Founder

2012 marked a challenging year for the textile industry. Under the continued fluctuations in the European Union ("EU") economy and uncertainties of quantitative easing policies in the United States ("US"), consumption sentiment in the market revived at a slow pace. Faced with a series of unfavourable factors such as the significant weakening of the competitiveness of domestic cotton exports due to higher cotton prices in China's textile industry as compared with those in other parts of the world, each of the peers in the textile industry would be of no exception, but had to be exposed to similar difficulties. This situation remained to be relieved.

During the year, the Group closely kept abreast of the internal and external conditions of the market. The Directors made joint efforts to capitalize the synergies of the Group's vertical production, reduce production costs by stepping up efforts over cost control, raw materials procurement and expense cuts, thereby mitigating the impact of the changing market on the Group. The Group's overseas production base in Cambodia benefited from the preferential import tariff policies implemented by countries including Japan and countries in the EU, and was blessed with increasing competitive edge among its industry peers. The Group plans to expand its production base in Cambodia. To play an active role in supporting the world's green, eco-friendly and energy-saving awareness, we took the first initiative to build a green plant in Cambodia. The vision for building this plant is to maximize the benefits of energy conservation and carbon emission reduction with the use of natural resources. Also, we reinforced our green support through our membership in an international cotton organization – Better Cotton Initiative (BCI). As one of the cotton yarn suppliers, widespread applauses were received from a number of major internationally-prestigious sweater brands. The Group's green factory will be well-equipped with considerable quantities of Germany-imported computer-operated automatic weaving machines and equipment, so as to expand the capacity of the symbols of green eco-friendly clothing products. The expanded capacity is anticipated to be put into full operation in 2013, by then benefits will be brought to us.

We are confident that the demand for textiles across the globe will remain robust as products offered by the textile industry are daily necessities for the global population. Thanks to the concerted efforts of the Board of Directors and the cost advantages in Cambodia, the Group is definitely well-poised to reap higher profitability for shareholders. We would also like to take this opportunity to thank all management personnel for their efforts and contribution to the Group.

Mr. SUNG Kim Wa
Chairman

Hong Kong, 25th March, 2013

BUSINESS REVIEW

We are pleased to report the audited results of the Group for the 12 months ended 31st December, 2012. The Group's consolidated revenue increased by approximately 12.3% to HK$1,450.2 million. Profit attributable to equity shareholders derived from the core business of the Group was approximately HK$35.9 million, with net profit margin of approximately 2.5%.

With the deteriorating sovereign debt crisis in the Eurozone, slow recovery of the US economy, the continuous surging production costs in the PRC and the significant fall in the cotton prices, the operating environment of the whole textile industry was still full of challenges. Cotton prices in the PRC market remained at a low level while the prices in overseas markets declined sharply, resulting in the decrease in the cotton and cotton-related products. This in turn limited our bargaining power to lift the selling price of those spinned products. The fall in the cotton and cotton-related costs also discouraged the customers from placing large orders in order to avoid pilling-up of the inventories. Customers adopted a wait-and-see approach with the expectation that the downward trend will go on. During the year under review, our procurement strategy towards cotton and cotton-related materials had also changed. Less cotton was purchased for the year in order to minimize the cotton stock pile-up. As a result of the policy adopted by the PRC government regarding the guaranteed offer price from the government, cotton price has started to stabilize since the second half of 2012.

Sweater business is still the most profitable business of the Group and we have been continuing to increase our production capacity to cope with the recovering export demand. For the year under review, an environmental green factory was built in different phases in Cambodia not only to increase our production capacity of knitted sweaters or panels but also to strengthen our competitive advantages towards those European customers and achieve the aim of environmental protection. The idea of our green factory was inspired by our customer, Marks and Spencer. The underlying concept is to try to make use of those environmental friendly materials, implement green production process and save energy. To implement the concept of reuse, reduce and recycle, we can minimize the daily disposal within the green factory.

Construction of this green factory had been completed by the end of the fiscal year 2012 as planned and operation had commenced in January 2013. Computerized knitting machines were already put in use and full operation had started on schedule. The establishment of this green factory has increased our sweater production capacity by around 20% and new EU, Australian and Japanese customers were gained during the year under review. We will continue to increase the output per person by upgrading the automation of machineries and enhancing the overall production efficiency and we will endeavour to optimize our value chain and operation efficiency. 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.

On 29th June, 2012, the Group entered into an Operation Right Transfer Agreement with third parties to transfer the operating right of the PRC subsidiary, Luoding Addchance Limited, whose principal business is property development. The consideration of this transfer was approximately HK$554 million and will be payable by six installments within 5 years. This transfer will strengthen the cash flow position of the Group and will pose a positive impact on the Group's net profit upon completion date.

PROSPECTS

The upsurge in the production costs in the PRC has become a trend in the coming years and this also brings opportunities to the Group. The Group strategically established our manufacturing plants in Cambodia for a number of years and over 95% of our sweater products were exported through our manufacturing plants in Cambodia. We do enjoy the cost benefits of our human resources in Cambodia, where the wages of workers represent approximately only 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 the EU and the Japanese customers. Therefore, further development or expansion in Cambodia would be our focus in the coming years.

To diversify our products variety, the Group became a member of BCI, aiming to reduce the amount of water and chemicals used to grow cotton and improve social and economic benefits for cotton farmers. Working with international social care organization like BCI, the Group not only can diversify our products variety but can also take the responsibility for community care. For the year under review, the Group started our production of the BCI products from our spinning production arms. We will continue to strengthen our production technology on value-added yarns in the coming years.

Looking ahead, the global economy will undoubtedly remain tough and uncertain. However, with our focus on Cambodia development, we can tackle the difficulties of continuously rising production costs in the PRC. The long established spinning arms in SuSong and Xinjiang also bode well for the Group on the upstream raw materials supply and the newly established green factory in Cambodia sharpens our competitive edge on procuring orders from the EU and the Japanese customers. Demand for middle and high-end textile products is expected to grow with the growing PRC domestic consumption. The Group will continue to enhance its competitive edge to capture the opportunities arising from the 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

Turnover

The Group is principally engaged in the production and sales 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 as well as socks and hosiery products.

Total revenue for the twelve months ended 31st December, 2012 was approximately HK$1,450.2 million. Comparing with the last corresponding year, the revenue significantly increased by around 12.3% for the year under review, increased from HK$1,291.8 million to approximately HK$1,450.2 million for the year under review. Production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group.

Turnover by operation
(Amount HK$'000)

	2012	2011	Changes +/-%	2010	2009	2008
Production and sale of dyed yarns	363,038	425,938	-14.8%	558,614	467,169	523,194
Production and sale of knitted sweaters	879,342	698,638	25.9%	606,261	557,626	633,015
Production and sale of cotton yarn	154,076	116,002	32.8%	184,381	142,206	84,636
Provision of dyeing and knitting services	33,396	28,994	15.2%	36,167	25,337	38,293
Trading of cotton and yarns	20,357	22,218	-8.4%	32,238	21,917	37,626
	1,450,209	1,291,790	12.3%	1,417,661	1,214,255	1,316,764

Turnover by operation
(in % of total)

	2012	2011	2010	2009	2008
Production and sale of dyed yarns	25.0	33.0	39.4	38.5	39.7
Production and sale of knitted sweaters	60.6	54.1	42.8	45.9	48.1
Production and sale of cotton yarn	10.6	9.0	13.0	11.7	6.4
Provision of dyeing and knitting services	2.3	2.2	2.5	2.1	2.9
Trading of cotton and yarns	1.5	1.7	2.3	1.8	2.9
	100	100	100	100	100

The Group recorded double-digit growth in its turnover in the year of 2012. Turnover of the sweater business substantially increased by approximately 25.9%, from approximately HK$698.6 million last year to approximately HK$879.3 million during the year under review, representing approximately 60.6% of the Group's total turnover. The Group can still manage to generate positive financial returns despite the unfavourable consumer spending environment. Both the sales volume and the average selling price of the knitted sweaters increased despite the stagnant market conditions, in which sales volume increased by around 18.5% whilst the average selling price increased by approximately 8.5% for the year under review with the increasing sales proportion of the middle and high-end products. New customers were gained from Europe, Australia and Japan strategically. Our sweater business is being benefited vertically from our upstream spinning arms by utilizing the raw material at a controllable and stable costs, which in turn improve our profit margin. 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 14.6% this year as planned. We also gained new customers from Australia and Japan in 2012 and the PRC domestic sales also increased. With the expectation of the growing demand for middle and high-end textile products, our PRC domestic sales are expected to increase further. We can continuously maintain a balance between the PRC domestic sales and export sales in order to naturally hedge against the continuous appreciation of the Renminbi (the "RMB"). Besides, textile products imported from Cambodia are subject to tax exemption for those European customers, which in turn further strengthen the bargaining power of the Group.

Sales generated from the production and sales of dyed yarn decreased by approximately 14.8%, from HK$425.9 million to approximately HK$363.0 million for the year under review, representing approximately 25.0% of the Group's total turnover. Similar to the results in the interim period, the impact of the drop in cotton and cotton-related raw materials costs did affect the selling price of dyed yarn as well. The average selling price of dyed yarn decreased significantly by approximately 19.5% comparing with the same last year. However, sales volume generated from dyed yarn in the second half of 2012 started to increase in view of the stabilization policy launched by the PRC government on the cotton price and the sales volume made from dyed yarn for the full year increased by around 8.7%. With our competitive advantage created by our self-owned upstream manufacturing facilities, the Group can provide stable supply of those yarn products for the production of dyed yarns and 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.

Production and sales of cotton yarns is another core business segment of the Group. Revenue generated from sales of cotton yarns increased further in the second half of 2012 by around 32.8% to approximately HK$154.1 million. With the stabilization of the cotton price in the second half of 2012, the sales volume of cotton yarns increased by approximately 8.7% yearly whereas the average selling price decreased to a lesser extent by only 8.5% instead of the significant drop by 15.5% in the first half of 2012. 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 year under review in order to avoid the piling up of the yarns products. As a result, the external utilization rate of the cotton yarn increased to 47.1% for the year under review.

Revenue generated from the provision of dyeing services increased slightly from HK$29.0 million to approximately HK$33.4 million for the year under review. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the PRC, Hong Kong and Macau accounted for approximately 95.3% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds were derived from exports to overseas countries and places including Thailand, Taiwan and Indonesia.

Cost of Sales

Cost of sales increased further by around 16.3% from HK$1,007.6 million to approximately HK$1,171.7 million for the year under review despite the 12.3% increase in sales. Continuously surging labour and production costs in the PRC affected the profit margin of the Group. However, with the lower labour costs in our Cambodia factories, the overall labour costs decreased slightly over the last year. Raw materials remained a major factor of the Group's cost of sales, standing at around 50.6% for the year under review with cotton and yarn making up 50% each respectively whereas electricity charges and depreciation can also be maintained at the similar level as those of last year.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK$278.5 million for the year under review, with gross profit margin at approximately 19.2%. It decreased by approximately 2.8% comparing with the gross profit margin last year. A drop in cotton price is the major factor that adversely affect the gross profit margin. Average selling price of dyed yarn and finished spin cotton yarn decreased substantially during the year by approximately 19.5% and 8.5% respectively comparing with the same last year. However, the Group was still able to transfer part of the cost to the end-customers by raising the average selling price of knitted sweater products by focusing on those high valued products during the year. Therefore, the improvement on the gross profit margin on sweater products can offset part of the impact of the decreasing profit margin of dyed yarn cotton yarn, maintaining the overall gross profit margin at around 19.2%. The Group will continuously try to manage the gross profit margin by improving the operation efficiency as well as factory utilization rate.

Net profit margin

Excluding the fair value adjustment on the derivatives financial instruments and exchange differences of appproximately HK$5.3 million for the year under review, a net profit of approximately HK$35.9 million was derived from the core business of the Group, with net profit margin of approximately 2.5%. The Group will continuously overcome the challenges by sharpening its competitive edge.

Other revenue

Other revenue of approximately HK$15.7 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 year under review, the Group's selling and distribution costs amounted to approximately HK$82.8 million, representing approximately 5.7% of the Group's turnover.

Administrative expenses

Administrative expenses of approximately HK$135.0 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 9.3% of the Group's turnover.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which remained at approximately HK$42.4 million, representing approximately 2.9% of the Group's turnover. It increased significantly due to the high utilization rate of bank loans raised for the year under review.

Borrowings

As at 31st December, 2012, the Group had outstanding bank borrowings of approximately HK$1,102.2 million, which were classified as falling due within one year. The amount was at a similar level as that as at the interim period end. Amongst the total bank borrowings, approximately HK$419.8 million was in term loan nature and approximately HK$682.4 million was in trade nature. Of the total term loan amount of HK$419.8 million, there is approximately HK$150.7 million that is repayable more than one year but not more than five years from the year end but contains a payment on demand clause in the loan agreements. According to the terms of repayment schedules of the respective loan agreements, approximately HK$150.7 million will be repaid within 2 to 5 years. Term loan raised was mainly used for the additions of the knitting machineries in Cambodia and the PRC production bases while the trade loan mainly comprised those financing arrangements for delivery of sweater products.

Net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, was 0.90, remained at the same level as that as at the interim period end.

The transfer of the operating right of Luoding Addchance Limited will strengthen the cash inflow position of approximately HK$554 million within 5 years. 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 implementing tighter control over costs, working capital and capital expenditure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2012, the Group's cash and cash equivalents amounted to HK$107.1 million, slightly decreasing from HK$133.4 million last year. Total assets increased to approximately HK$2,514.4 million as at year end.

With the change in the procurement strategy, corresponding decrease in the purchase of raw materials and the digestion of the inventories during the year under review, net cash outflow of around HK$36.3 million was used in operating activities. Net cash used in investing activities was approximately HK$42.2 million and kept at a better level as that of last year. There was no material changes on the capital expenditure for the year under review. Less cash was generated from financing activities, resulting the net cash and cash equivalents remained at around HK$107.1 million as at year end.

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 implementing tighter control over costs, working capital and capital expenditure. During the year under review, the Group transferred the operating right of one of its PRC subsidiaries at a consideration of approximately 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 by the Group were evenly denominated in Hong Kong dollar, US dollar and RMB. Part of the impact of the appreciation of the RMB against the US dollar was hedged through our PRC operations while another part of that impact was mitigated through appropriate hedging arrangements. Fluctuations in foreign currencies such as the US dollar and RMB remained a concern of the Group. To mitigate foreign currency risk, the Group may enter into appropriate hedging arrangements from time to time.

Debtors' turnover days

The debtors' turnover days were lengthened by 19 days from 128 days during the interim period to 147 days for the year under review because of the increase in sales made in the last quarter. Credit control on debt collection and new customer 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 subject to the trading history and the individual creditability of the customers.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2012 were approximately 238 days, which significantly improved by around 45 days as compared with 283 days for the last year. The stock turnover days kept improving with the delivery of batches of knitted panels in the third quarter of year 2012 and less cottons and yarns were procured during the year under review to minimize the stock piling-up. The Group will continuously monitor its inventory level to a secure level in the coming years.

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 Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the directors may consider relevant. The directors recommend the payment of (i) a final dividend of HK2.0 cents per share for the year ended 31st December, 2012 and (ii) a special dividend of HK3.0 cents per share to shareholders appearing on the register of members of the Company at the close of business on 10th June, 2013, which is subject to approval of the shareholders at the forthcoming annual general meeting.

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

None of the directors of the Company (the "Directors") is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions as set out in the Code on Corporate Governance Practice (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) (the "Corporate Governance Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") during the year ended 31st December, 2012 (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. Mr. Sung Kim Wa 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 Kim Wa. 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 Corporate Governance Code.

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 Mr. Sung Kim Wa. 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 and (ii) 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 24 to 26 of this report. During the Relevant Period, 5 Board meetings and 2 general meetings were held. The respective attendance of each member of the Board was as follows:–

	Board meetings	General meetings
Mr. Sung Kim Wa	5/5	2/2
Dr. Sung Chung Kwun	5/5	2/2
Mr. Wong Chiu Hong	5/5	2/2
Mr. Sung Kim Ping	5/5	2/2
Mr. Ip Siu Lam	3/5	1/2
Ms. Sung Kit Ching	3/5	1/2
Mr. Chan Tsz Fu, Jacky	5/5	2/2
Mr. Ng Man Kin	4/5	2/2
Professor Cai Xiu Ling	3/5	1/2

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. The Board makes decisions on important matters, including but not limited to the approval of the overall business strategies and policies, business development, risk management, annual budgets, financial results, investment proposals, major acquisition, disposals and capital transactions, internal control, material funding decisions and major commitments relating to the Group's operations. 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. Decisions on the Group's daily operations are delegated to the management of the Group.

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. 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, 2012 to 31st August, 2013 subject to retirement by rotation at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

Mr. Sung Kim Wa, an executive Director and the Chairman of the Group, is (i) the son of Dr. Sung Chung Kwun, the founder, the former Chairman, an executive Director and the controlling shareholder of the Company and (ii) the elder brother of Mr. Sung Kim Ping, an executive Director and (iii) the younger brother of Ms. Sung Kit Ching, an executive Director.

Dr. Sung Chung Kwun is the father of Mr. Sung Kim Wa, Mr. Sung Kim Ping and Ms. Sung Kit Ching.

Mr. Sung Kim Ping is (i) the son of Dr. Sung Chung Kwun and (ii) the younger brother of Mr. Sung Kim Wa and Ms. Sung Kit Ching.

Ms. Sung Kit Ching is (i) the daughter of Dr. Sung Chung Kwun and (ii) the elder sister of Mr. Sung Kim Wa and Mr. Sung Kim Ping.

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. 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, to determine, with delegated responsibility, the specific remuneration packages of all executive Directors and members of the senior management of the Company, to assess the performance of the executive Directors and to approve the terms of the service contracts of the executive Directors. 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 determine the policy for the nomination of Directors, 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 its 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	(2/3)

During the year ended 31st December, 2012, the Audit Committee reviewed the Group's interim and annual accounts. The Audit Committee had performed the following works:

(a) reviewed the financial reports for the six months ended 30th June, 2012 and for the year ended 31st December, 2012;

(b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;

(c) reviewed and recommended to the Board the audit scope and auditor's remuneration for the year ended 31st December, 2012.

Corporate Governance Function

The Company's corporate governance function is carried out by the Board pursuant to a set of written terms of reference adopted by the Board in compliance with code provision D.3.1 of the Corporate Governance Code, which include (a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (b) to review and monitor the training and continuous professional development of the Directors and senior management of the Group; (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

Continuous Professional Development

The Directors have been informed of the requirement under code provision A.6.5 of Corporate Governance Code as set out in Appendix 14 to the Listing Rules regarding continuous professional development. A summary of the training received by the Directors during the Relevant Period is as follows:

	Reading materials	Attending training programs	Attending briefings on the latest developments on the Listing Rules
Mr. Sung Kim Wa	✓	✓	✓
Dr. Sung Chung Kwun	✓	✓	✓
Mr. Wong Chiu Hong	✓	✓	✓
Mr. Sung Kim Ping	✓	✓	✓
Mr. Ip Siu Lam	✓	✓	✓
Ms. Sung Kit Ching	✓	✓	✓
Mr. Chan Tsz Fu, Jacky	✓	✓	✓
Mr. Ng Man Kin	✓	✓	✓
Professor Cai Xiu Ling	✓	✓	✓

COMPANY SECRETARY

The Company Secretary is Ms. Fung Ka Lai. The biographical details of the Company Secretary are set out in the section headed "Directors and Senior Management" of this annual report. The Company Secretary took not less than 15 hours of relevant professional training in the year ended 31st December, 2012 as required by the Listing Rules.

INTERNAL CONTROL

An Internal Control Department was set up by the Group in March 2007 to oversee the internal control of the Group and report directly to the Directors. During the Relevant Period, the Directors had conducted at least semi-annually a review of the effectiveness of the system of internal control in respect of the financial, operational, compliance controls and risk management function of the Group.

AUDITOR'S REMUNERATION

For the year ended 31st December, 2012, 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 35-36 of this report.

SHAREHOLDERS' RIGHTS

Convening extraordinary general meeting and putting forward proposals at Shareholders' meetings

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 requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Enquiries to the Board

We always welcome Shareholders' views and input. Shareholders and other stakeholders may at any time address their concerns to the Company Secretary by mail, facsimile or email. The contact details are as follows:

Address:	Sung's Tower, 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong
Facsimile no.:	(852) 2480 0663
Email:	info@addchance.com.hk

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

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 AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. SUNG Kim Wa (宋劍華先生), aged 46, is the Chairman of the Group. Mr. Sung has over 15 years of experience in the textile industry. Mr. Sung obtained his Bachelor degree in Computer Science from the University of Southern California in 1990. 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 68, 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. Due to the reaching of retirement age, Dr. Sung will retire as director at the forthcoming annual general meeting of the Company and will not offer himself for re-election.

Mr. WONG Chiu Hong (王昭康先生), aged 61, 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. Wong will retire as director at the forthcoming annual general meeting of the Company and, being eligible, have offered himself for re-election.

Mr. IP Siu Lam (葉少林先生), aged 57, 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 43, 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 49, 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.

Independent non-executive Directors

Mr. CHAN Tsz Fu, Jacky (陳子虎先生), aged 38, 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 fellow practising 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. NG Man Kin (吳文堅先生), aged 49, 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. Due to other job commitments, Mr. Ng will retire as director at the forthcoming annual general meeting of the Company and will not offer himself for re-election.

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. Due to other job commitments, Professor Cai will retire as director at the forthcoming annual general meeting of the Company and will not offer herself for re-election.

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 37, 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 45, 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 40, 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. An ordinary resolution will be proposed at the forthcoming annual general meeting of the Company for the election of Mr. Tsang as an executive Director.

Mr. YEUNG Choi Yee（楊賽儀先生）, aged 38, 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 2012 annual report and the audited consolidated financial statements for the year ended 31st December, 2012.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 39 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2012 are set out in the consolidated income statement on page 37.

The directors recommend the payment of a final dividend of HK2.0 cents per share and a special dividend of HK3.0 cents per share to the shareholders on the register of members of the Company at the close of business on 10th June, 2013 , amounting to approximately HK$22,063,000.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years ended 31st December, 2012 is set out on page 95.

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 31 to the consolidated financial statements.

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

During the year ended 31st December, 2012, neither the Company nor any of its subsidiaries has 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, 2012 amounted to approximately HK$400,539,000 (2011: HK$409,365,000).

DIRECTORS

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

Executive directors:

Mr. Sung Kim Wa (Chairman)
Dr. Sung Chung Kwun ("Dr. Sung")
Mr. Wong Chiu Hong
Mr. Sung Kim Ping
Ms. Sung Kit Ching
Mr. Ip Siu Lam

Independent non-executive directors:

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

Dr. Sung, Mr. Wong Chiu Hong and Mr. Ng Man Kin will retire from office at the forthcoming annual general meeting of the Company in accordance with Article 87(1) and (2) of the Company's Articles of Association. Professor Cai Xiu Ling will also retire from office at the forthcoming annual general meeting of the Company.

Dr. Sung, Mr. Ng Man Kin and Professor Cai Xiu Ling will not offer themselves for re-election. Mr. Wong Chiu Hong, being eligible, has offered himself for re-election at the forthcoming annual general meeting.

Ordinary resolutions will be proposed at the forthcoming annual general meeting for (i) the re-election of Mr. Wong Chiu Hong as Director according to the articles of association of the Company, (ii) the election of Mr. Tsang Fai (曾暉) as an executive Director and (iii) the election of Mr. Lui Chi Wah, Johnny (呂志華) and Ms. Huang Yunjie (黃韻婕) as independent non-executive Directors.

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.

Each of Mr. Sung Kim Ping, Ms. Sung Kit Ching and Mr. Sung Kim Wa has entered into a letter 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. Mr. Sung Kim Ping has renewed the letter of appointment on 17th April, 2011 for a term of three years from 17th April, 2011 until terminated by either party thereto giving to the other not less than three months' prior notice in writing.

Each of the independent non-executive directors of the Company has entered into a letter of appointment with the Company and is appointed for a period of one year commencing from 1st September, 2012 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, 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	(i) Interest in controlled corporation *(Note)*	267,000,000	60.51%
	(ii) Beneficial owner	59,630,000	13.51%
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 31st December, 2012.

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%. of the Shares in issue as at the date of this report. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12 month period must not exceed 1%. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company, its ultimate holding company, any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as provided in the paragraph headed "Continuing Connected Transaction" below, no contracts of significance to which the Company, its ultimate holding company, any of its fellow subsidiaries or subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTINUING CONNECTED TRANSACTION

The related party transaction with Addchance Dyeing Factory Limited as disclosed in note 38 to the consolidated financial statements constituted a non-exempt continuing connected transaction under the Listing Rules, details of which are set out below. The said transaction has complied with the requirements under Chapter 14A of the Listing Rules.

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 (i) ended 18th November, 2012 was adjusted to HK$350,000 and (ii) ending 18th November, 2013 was adjusted to HK$400,000.

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, 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, 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.

The auditors of the Company have confirmed that the above continuing connected transaction (i) has received the approval of the board of directors of the Company, (ii) has been entered into in accordance with the relevant agreement governing the transaction; and (iii) has not exceeded the cap as disclosed in the relevant announcement of the Company dated 1st December, 2010.

The other related party transaction with Dr. Sung as disclosed in note 38 to the consolidated financial statements constituted an exempt continuing connected transaction.

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

As at 31st December, 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	59,630,000	13.51%

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

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 executive directors of the Company has undertaken to the Company to, among others, procure that he/she or any of his/her associates will not directly or indirectly be interested in any business which may compete with or similar to the business of the Group from time to time.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the executive directors of the Company are decided by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics. The remuneration of the non-executive directors (including the independent non-executive directors) of the Company are recommended by the Remuneration Committee.

The Company has adopted the Scheme as an incentive to the directors and eligible employees, details of which 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 38.7% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 14.6% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 25.4% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 6.9% of the Group's total purchases.

Save as disclosed in Note 38 to the consolidated financial statements, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2012.

AUDITORS

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

On behalf of the Board

CHAIRMAN
MR. SUNG KIM WA
Hong Kong, 25th March, 2013

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 37 to 94, which comprise the consolidated statement of financial position as at 31st December, 2012, 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.

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, 2012, 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
25th March, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
Revenue	*7*	1,450,209	1,291,790
Cost of sales		(1,171,741)	(1,007,627)
Gross profit		278,468	284,163
Other income		15,691	14,827
Other gains and losses	*9*	(5,291)	19,852
Selling and distribution costs		(82,844)	(75,914)
Administrative expenses		(135,001)	(116,474)
Finance costs	*10*	(42,368)	(33,163)
Profit before tax		28,655	93,291
Income tax credit (expense)	*11*	1,906	(3,038)
Profit for the year	*12*	30,561	90,253
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		19,130	46,069
Total comprehensive income for the year		49,691	136,322
Profit for the year attributable to:			
Owners of the Company		32,139	89,939
Non-controlling interests		(1,578)	314
		30,561	90,253
Total comprehensive income attributable to:			
Owners of the Company		51,269	136,008
Non-controlling interests		(1,578)	314
		49,691	136,322
Earnings per share, in HK cents	*16*		
Basic		7.28	20.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investment properties	*17*	1,832	1,884
Property, plant and equipment	*18*	823,421	823,838
Prepaid lease payments	*19*	121,787	60,047
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment	*20*	24,723	50,110
Club debenture	*21*	1,070	1,070
Other assets	*21*	15,899	–
Deferred tax assets	*22*	159	159
		988,891	937,108
CURRENT ASSETS			
Prepaid lease payments	*19*	2,293	1,504
Inventories	*23*	765,237	782,497
Trade receivables, bills receivable and other receivables, deposits and prepayments	*24*	619,841	333,125
Amounts due from related companies	*25*	2,278	1,725
Tax recoverable		3,213	2,898
Bank balances and cash	*26*	132,598	156,903
		1,525,460	1,278,652
CURRENT LIABILITIES			
Trade and other payables	*27*	148,522	141,002
Bills payable	*28*	53,704	6,294
Derivative financial instruments	*29*	20,199	18,221
Bank borrowings – due within one year	*30*	1,076,727	967,486
Tax liabilities		4,149	3,418
Bank overdrafts	*30*	25,506	23,532
		1,328,807	1,159,953
NET CURRENT ASSETS		196,653	118,699
TOTAL ASSETS LESS CURRENT LIABILITIES		1,185,544	1,055,807

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2012

	NOTES	2012 HK$'000	2011 HK$'000
CAPITAL AND RESERVES			
Share capital	*31*	4,413	4,413
Reserves		1,072,880	1,030,434
Equity attributable to owners of the Company		1,077,293	1,034,847
Non-controlling interests		43	1,621
		1,077,336	1,036,468
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*22*	15,821	19,339
Deposit received from transfer of the operation right of a subsidiary	*27*	92,387	–
		1,185,544	1,055,807

The consolidated financial statements on pages 37 to 94 were approved and authorised for issue by the board of directors on 25th March, 2013 and are signed on its behalf by:

Mr. SUNG Kim Wa	Dr. SUNG Chung Kwun
DIRECTOR	*DIRECTOR*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 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$'000	Subtotal HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2011	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 37)*	–	–	–	–	–	–	–	–	(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
Exchange differences arising on translation of foreign operations directly recognised in equity	–	–	–	–	–	19,130	–	19,130	–	19,130
Profit for the year	–	–	–	–	–	–	32,139	32,139	(1,578)	30,561
Total comprehensive income for the year	–	–	–	–	–	19,130	32,139	51,269	(1,578)	49,691
Dividend recognised as distribution *(note 15)*	–	–	(8,823)	–	–	–	–	(8,823)	–	(8,823)
At 31st December, 2012	4,413	134,054	109,157	24,673	12,514	178,029	614,453	1,077,293	43	1,077,336

Notes:

(a) The contributed surplus of the Group 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. 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, 2012

	NOTES	2012 HK$'000	2011 HK$'000
OPERATING ACTIVITIES			
Profit before tax		28,655	93,291
Adjustments for:			
Finance costs		42,368	33,163
Interest income		(668)	(415)
Depreciation of property, plant and equipment		90,562	89,921
Depreciation of investment properties		52	52
Amortisation of prepaid lease payments		2,266	1,470
Gain on disposal of a subsidiary		–	(47,823)
Loss (gain) on disposal of property, plant and equipment		11	(12)
Written off on trade receivables		891	127
Written off on other receivables		1,500	1,500
Change in fair value of derivative financial instruments		1,978	18,221
Operating cash flows before movements in working capital		167,615	189,495
Decrease (increase) in inventories		29,194	(222,856)
Increase in trade receivables, bills receivable and other receivables, deposits and prepayments		(287,887)	(34,038)
Increase in amounts due from related companies		(553)	(1,534)
Increase (decrease) in trade and other payables		9,117	(64,413)
Increase (decrease) in bills payable		47,410	(26,479)
Cash used in operations		(35,104)	(159,825)
Income tax paid		(1,196)	(5,957)
NET CASH USED IN OPERATING ACTIVITIES		(36,300)	(165,782)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(77,614)	(157,763)
Acquisition of prepaid lease payments		(31,864)	–
Purchase of other assets		(15,899)	–
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		(10,000)	(32,265)
Deposit received from transfer of the operation right of a subsidiary	27	92,387	–
Interest received		668	415
Proceeds on disposal of property, plant and equipment		115	25
Proceeds on disposal of a subsidiary	37	–	38,666
NET CASH USED IN INVESTING ACTIVITIES		(42,207)	(150,922)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2012

	2012 HK$'000	2011 HK$'000
FINANCING ACTIVITIES		
New bank borrowings raised	2,283,974	1,892,425
Repayments of bank borrowings	(2,181,808)	(1,501,056)
Interest paid	(42,368)	(33,163)
Dividend paid	(8,823)	(13,238)
Repayment of advance from non-controlling interests	–	(175)
NET CASH FROM FINANCING ACTIVITIES	50,975	344,793
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(27,532)	28,089
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	1,253	4,034
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	133,371	101,248
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER, represented by	107,092	133,371
Bank balances and cash	132,598	156,903
Bank overdrafts	(25,506)	(23,532)
	107,092	133,371

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 39.

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 amendments to IFRSs issued by the International Accounting Standards Board.

Amendments to IAS 12	Deferred Tax: Recovery of Underlying Assets; and
Amendments to IFRS 7	Financial Instruments: Disclosures – Transfers of Financial Assets

Except as described below, 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.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivable. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the bills receivable are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bills receivable, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing *(see note 30)*. The relevant disclosures have been made regarding the transfer of these bills receivable on application of the amendments to IFRS 7 *(see note 24a)*. In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

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

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]

[1] *Effective for annual periods beginning on or after 1st January, 2013.*
[2] *Effective for annual periods beginning on or after 1st January, 2014.*
[3] *Effective for annual periods beginning on or after 1st January, 2015.*
[4] *Effective for annual periods beginning on or after 1st July, 2012.*

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:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are 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.

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

IFRS 9 Financial Instruments – continued

- 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 for annual period beginning on 1st January, 2015 will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 31st December, 2012.

IFRS 10 Consolidated Financial Statements

IFRS10 replaces the parts of IAS 28 *Consolidation and Separate Financial Statements* that deal with consolidated financial statements. SIC 12 *Consolidation – Special Purpose Entities* will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

The directors anticipate that the adoption of IFRS 10 for annual period beginning on 1st January, 2013 will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 31 December, 2012.

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.

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

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for the Group for annual period beginning on 1st January, 2013. The directors anticipate that the application of the new standard is unlikely to have material impact on assets and liabilities as reported in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for the Group for annual period beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

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 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.

Income and expenses 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Revenue recognition – continued

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 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 property 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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. 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. Income and expenses items 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

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 before tax 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.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use on disposal. Gains or losses arising from derecognition of an intangible assets 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 (other than financial asset or financial liability at fair value through profit or loss) 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 debt instrument 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 and points 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 debt instrument, 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 measured at amortised cost using the effective interest method, less any identified impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Financial assets – continued

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets 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 credit period of 30-120 days and observable changes in national or local economic conditions that correlate with default on receivables.

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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other 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 and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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

Debt 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 instruments

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 and points 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 including trade and other payables, bills payable, bank borrowing and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

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 gain or loss arising on remeasurement is recognised in profit or loss in the period in which they arise.

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.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments – continued

Derecognition – continued

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 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 (or a cash-generating unit) 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 or cash-generating unit 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 (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION AND JUDGEMENT

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, 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 useful lives and impairment of property, plant and equipment

Management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. When there is indication that an item of the property, plant and equipment has suffered an impairment loss, management of the Group takes into consideration the estimation of its recoverable amount. The recoverable amounts calculation requires the Group to estimate higher of fair value less costs to sell and value in use expected to arise from the property, plant and equipment. In determining the value in use, a discount rate is estimated in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2012, the carrying amount of property, plant and equipment of the Group amounted to HK$823,421,000 (2011: HK$823,838,000).

Deposit received from transfer of the operation right of a subsidiary

As disclosed in note 27, the Group entered into an operation right transfer agreement with a third party during the year to transfer the operating right of a subsidiary, Luoding Addchance Limited. The total consideration of this transfer is approximately HK$554,321,000 and will be payable by six installments within 5 years from 31st December, 2012. The pre-requisite conditions precedent set out in the agreement have not been met as at 31st December, 2012. The Group anticipates that the occurrence of the transfer is highly probable on or before 30th January, 2014 when the conditions precedent set out in the operation right agreement are expected to be fulfilled. A payment of HK$92,387,000 received in the current period has been classified as non-current liabilities.

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, 2012, the carrying amount of trade receivables is HK$449,280,000, net of allowance for doubtful debts of HK$9,438,000 (2011: HK$212,611,000, 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 30, 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

	2012 HK$'000	2011 HK$'000
Financial assets		
Loans and receivables		
Trade receivables, bills receivable and other receivables	595,331	303,237
Amounts due from related companies	2,278	1,725
Bank balances and cash	132,598	156,903
	730,207	461,865
Financial liabilities		
Amortised cost		
Trade and other payables	68,914	60,488
Bills payable	53,704	6,294
Bank borrowings	1,076,727	967,486
Bank overdrafts	25,506	23,532
	1,224,851	1,057,800
Derivative financial instruments	20,199	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, bank borrowings, bank overdrafts 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 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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
United State dollars ("USD")	413,176	187,972	351,726	391,942
Renminbi ("RMB")	497	923	–	–
EURO ("EUR")	21	7,662	–	3,658

Sensitivity analysis

The Group is mainly exposed to the EUR and RMB.

The following table details the Group's sensitivity to a 5% (2011: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2011: 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 Hong Kong dollars is pegged to USD, and adjusts their translation at the year end for a 5% (2011: 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% (2011: 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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Profit for the year	(1)	(167)	(21)	(38)

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(i) *Currency risk* – continued

Sensitivity analysis – continued

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, 2012 would decrease by HK$3,743,000 (2011: HK$2,159,000). For 5% weakening of RMB against USD, the post-tax profit for the year ended 31st December, 2012 would increase by HK$3,387,000 (2011: HK$1,953,000). 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.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(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 notes 30 and 29, 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 30, respectively. It is the Group's policy to keep its bills payable and bank borrowings at fixed rate of interests so as to minimise the cash flow interest rate risk.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Inter Bank Offered Rate ("HIBOR"), London Inter Bank Offered Rate ("LIBOR") and China Interbank Offered Rate ("CHIBOR") interest rate and International Swaps and Derivatives Association Swap Rate ("HKD-ISDA-SWAP RATE") arising from the Group's variable-rate bank balances, bills payable and bank borrowings and interest rate swaps.

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 (2011: 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.

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Market risk – continued

(ii) *Interest rate risk* – continued

Sensitivity analysis – continued

If interest rates had been 50 basis points (2011: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended 31st December, 2012 would decrease/increase by HK$4,302,000 (2011: HK$3,548,000). 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 (2011: 50 basis point) 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, 2012 would increase/decrease by HK$4,452,000 (2011: HK$4,365,000).

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31st December, 2012, 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, 2012, the Group has a concentration of credit risk to its five largest customers which comprised HK$245,979,000 (2011: HK$67,055,000) 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 China and (iii) the amount of risk exposure associated with the trade receivables. The Group normally grant a credit term of 30-120 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 international credit-rating agencies.

Liquidity risk

The Group has net current assets of approximately HK$196,653,000 as at 31st December, 2012 (2011: HK$118,699,000). The Group has sufficient funds to finance its current working capital requirements taking into account 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 substantial compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2012, the Group has available unutilised short term bank loan facilities of approximately HK$461 million (2011: HK$383 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 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
2012							
Non-derivative financial liabilities							
Trade and other payables	–	28,685	40,229	–	–	68,914	68,914
Bills payable	2.6	53,704	–	–	–	53,704	53,704
Bank overdrafts	6	25,506	–	–	–	25,506	25,506
Bank borrowings							
– variable rate	3.3	242,457	326,265	397,844	–	966,566	951,186
– fixed rate	6.7	6,531	25,105	100,638	–	132,274	125,541
		356,883	391,599	498,482	–	1,246,964	1,224,851
Derivatives – net settlement							
Foreign currency forward contracts	–	37	45	501	1,115	1,698	1,698
Interest rate swap	2.5	–	–	–	19,317	19,317	18,501
		37	45	501	20,432	21,015	20,199

	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	2.6	–	–	–	16,879	16,879	15,649
		139	217	1,312	17,783	19,451	18,221

6. FINANCIAL INSTRUMENTS – continued

(b) Financial risk management objectives and policies – continued

Liquidity risk – continued

Bank loans with a repayment on demand clause of HK$150,726,000 (2011: HK$98,355,000) 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$163,368,000 and HK$106,559,000 for 2012 and 2011, 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.

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

	2012			
	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Financial liabilities				
Derivative financial liabilities	–	20,199	–	20,199

	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 for both years.

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:

	2012 HK$'000	2011 HK$'000
Production and sale of cotton yarn	154,076	116,002
Production and sale of knitted sweaters	879,342	698,638
Production and sale of dyed yarns	363,038	425,938
Provision of dyeing services	33,396	28,994
Trading of cotton and yarns	20,357	22,218
	1,450,209	1,291,790

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 revenue 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, 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$'000	Total for reportable segments HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	154,076	879,342	363,038	33,396	20,357	1,450,209	–	1,450,209
Inter-segment sales	173,191	–	222,285	17,435	129,331	542,242	(542,242)	–
Segment revenue	327,267	879,342	585,323	50,831	149,688	1,992,451	(542,242)	1,450,209
SEGMENT PROFIT	(4,378)	73,672	18,230	5,331	471	93,326	–	93,326
Interest income								668
Rental income								754
Unallocated expenses								(21,747)
Other gains and losses								(1,978)
Finance costs								(42,368)
Profit before tax								28,655

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

8. SEGMENT INFORMATION – continued

Segment revenue 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, 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, 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$'000	Total HK$'000
ASSETS						
Segment assets	497,555	1,250,391	480,262	66,067	63,027	2,357,302
Unallocated corporate assets						157,049
CONSOLIDATED TOTAL ASSETS						2,514,351
LIABILITIES						
Segment liabilities	41,640	72,333	149,892	9,052	21,696	294,613
Unallocated corporate liabilities						1,142,402
CONSOLIDATED TOTAL LIABILITIES						1,437,015

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

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, other assets, club debenture, amounts due from related companies, tax recoverable, deferred tax assets and bank balances and cash 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, tax liabilities, derivative financial instruments and deferred tax liabilities 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, 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$'000	Unallocated HK$'000	Total HK$'000
Addition to non-current assets	6,521	40,100	66,283	29,940	41	–	142,885
Depreciation of property, plant and equipment	27,065	41,273	19,637	2,316	271	–	90,562
Amortisation of prepaid lease payments	618	608	1,024	9	7	–	2,266
Loss on disposal of property, plant and equipment	–	–	–	–	–	11	11

8. SEGMENT INFORMATION – continued

Other segment information – continued

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

Note: Non-current assets excluded deferred tax assets.

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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
PRC	469,259	442,993	719,199	700,146
Hong Kong	188,344	204,945	28,942	17,519
Other Asian countries	157,949	71,175	240,591	219,284
Australia	28,891	–	–	–
Europe	586,517	523,411	–	–
North America	19,249	49,266	–	–
	1,450,209	1,291,790	988,732	936,949

Included in revenue for customers located in Europe, amounts of HK$294,360,000 (2011: HK$254,024,000), HK$102,811,000 (2011: HK$42,623,000) and HK$21,719,000 (2011: HK$34,589,000) were arising from sales to customers based in the United Kingdom, Germany and the Netherlands, respectively.

8. SEGMENT INFORMATION – continued

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:

	2012 HK$'000	2011 HK$'000
Customer A from segment of production and sale of knitted sweaters	212,129	142,381
Customer B from segment of production and sale of knitted sweaters	–*	170,886

* The corresponding amount is less than 10% of the total sales for the year ended 31st December, 2012.

9. OTHER GAINS AND LOSSES

	2012 HK$'000	2011 HK$'000
Gain on disposal of a subsidiary	–	47,823
Change in fair value of derivative financial instruments	(1,978)	(18,221)
Net exchange losses	(3,313)	(9,750)
	(5,291)	19,852

10. FINANCE COSTS

	2012 HK$'000	2011 HK$'000
Interest on:		
Bank borrowings wholly repayable within five years	42,368	33,163

11. INCOME TAX (CREDIT) EXPENSE

	2012 HK$'000	2011 HK$'000
The charge comprises:		
Hong Kong Profits Tax		
– Current year	1,275	2,057
– Overprovision in prior years	(391)	(218)
PRC Enterprise Income Tax – current year	728	2,739
	1,612	4,578
Deferred taxation *(note 22)*		
– Current year	(3,518)	(1,540)
	(1,906)	3,038

11. INCOME TAX (CREDIT) EXPENSE – continued

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

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

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). The first profit-making year of these PRC subsidiaries range from of 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries have expired by 2011.

Pursuant to the relevant laws and regulations in Cambodia, the profit generated from Cambodian subsidiaries of the Company is 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:

	2012 HK$'000	2011 HK$'000
Profit before tax	28,655	93,291
Taxation at the domestic income tax rate of 16.5% *(note)*	4,728	15,393
Effect of tax exemptions and reduction granted to Cambodian subsidiaries (2011: PRC and Cambodian subsidiaries)	(27,241)	(17,917)
Tax effect of income not taxable for tax purpose	(270)	(6,450)
Tax effect of expenses not deductible for tax purpose	8,166	4,088
Overprovision in prior years	(391)	(218)
Tax effect of tax losses not recognised	12,891	10,897
Utilisation of tax losses previously not recognised	(59)	(3,618)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	270	863
Income tax (credit) expenses for the year	(1,906)	3,038

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

	2012 HK$'000	2011 HK$'000
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration *(note 13)*	8,440	7,491
Other staff costs	297,126	267,558
Retirement benefits scheme contributions, excluding directors	9,497	9,706
Total staff costs	315,063	284,755
Amortisation of prepaid lease payments	2,266	1,470
Auditor's remuneration	2,100	2,000
Cost of inventories recognised as an expense	1,171,741	1,007,627
Depreciation of property, plant and equipment	90,562	89,921
Depreciation of investment properties	52	52
Written off on trade receivables	891	127
Written off on other receivables	1,500	1,500
Loss on disposal of property, plant and equipment	11	–
and after crediting the following other income items:		
Interest income (as included in other income)	668	415
Gain on disposal of property, plant and equipment	–	12
Gross rental income from investment properties (as included in other income)	754	509
Less: direct operating expenses from investment properties that generated rental income during the year	(102)	(114)
	652	395

13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of 10 (2011: 11) directors were as follows:

For the year ended 31st December, 2012

	Dr. Sung Chung Kwun HK$'000	Mr. Wong Chiu Hong HK$'000	Mr. Ip Siu Lam HK$'000	Ms. Sung Kit Ching HK$'000	Mr. Sung Kim Ping HK$'000	Mr. Sung Kim Wa HK$'000	Mr. Lau Gary Q. (note i) 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	–	–	–	–	–	–	60	160	160	160	540
– salaries and other benefits	1,800	1,320	600	830	1,320	1,320	–	–	–	–	7,190
– bonus	200	180	–	–	180	53	–	–	–	–	613
– retirement benefit scheme contributions	–	14	14	14	14	14	3	8	8	8	97
	2,000	1,514	614	844	1,514	1,387	63	168	168	168	8,440

For the year ended 31st December, 2011

	Dr. Sung Chung Kwun HK$'000	Mr. Wong Chiu Hong HK$'000	Ms. Mok Pui Mei (note ii) HK$'000	Mr. Ip Siu Lam HK$'000	Ms. Sung Kit Ching (note iii) HK$'000	Mr. Sung Kim Ping HK$'000	Mr. Sung Kim Wa (note iv) 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

Notes:

i. Mr. Lau Gary Q. retired as a director on 31st May, 2012.

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

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

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

No directors waived any emoluments for both years.

The bonus payment for both years is determined at the discretion of the remuneration committee.

14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2011: three) were directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining one (2011: two) individual were as follows:

	2012 HK$'000	2011 HK$'000
Employees		
– salaries and other benefits	1,080	1,860
– bonus	105	110
– retirement benefit scheme contributions	14	24
	1,199	1,994

Their emoluments were within the following band:

	2012 No. of employees	2011 No. of employees
Nil to HK$1,000,000	–	1
HK$1,000,001 to HK$1,500,000	1	1

During the year ended 31st December, 2012 and 31st December, 2011, 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

	2012 HK$'000	2011 HK$'000
Dividend recognised as distribution during the year		
– 2011 Final dividend of HK2.0 cents (2011: 2010 final dividend of HK3.0 cents) per share	8,823	13,238

The (i) final dividend of HK2.0 cents in respect of the year ended 31st December, 2012 and (ii) special dividend of HK3.0 cents (2011: final dividend of HK2.0 cents in respect of the year ended 31st December, 2011) 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$32,139,000 (2011: HK$89,939,000) and on the weighted average number of shares in issue during the year of 441,250,000 (2011: 441,250,000).

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, 2011, 31st December, 2011 and 2012	2,706
ACCUMULATED DEPRECIATION	
At 1st January, 2011	770
Provided for the year	52
At 31st December, 2011	822
Provided for the year	52
At 31st December, 2012	874
CARRYING VALUES	
At 31st December, 2012	1,832
At 31st December, 2011	1,884

The fair value of the Group's investment properties at 31st December, 2012 was HK$3,490,000 (2011: HK$3,540,000). 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.

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:

	2012 HK$'000	2011 HK$'000
Hong Kong – medium-term lease	1,483	1,525
Outside Hong Kong – long-term lease	349	359
	1,832	1,884

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Plant and machinery HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvement HK$'000	Construction in progress HK$'000	Total HK$'000
COST							
At 1st January, 2011	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
Exchange adjustments	7,255	9,037	272	184	–	176	16,924
Additions	289	56,562	984	1,686	3,302	16,392	79,215
Transfer	5,679	121	(84)	–	–	(5,716)	–
Disposals	–	(1,204)	(21)	(1,592)	–	–	(2,817)
At 31st December, 2012	443,747	995,694	30,087	24,573	3,302	30,595	1,527,998
DEPRECIATION							
At 1st January, 2011	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
Exchange adjustments	726	4,888	94	160	–	–	5,868
Provided for the year	13,574	72,750	1,876	2,329	33	–	90,562
Eliminated on disposals	–	(1,108)	(13)	(1,570)	–	–	(2,691)
At 31st December, 2012	97,863	560,703	23,597	22,381	33	–	704,577
CARRYING VALUES							
At 31st December, 2012	345,884	434,991	6,490	2,192	3,269	30,595	823,421
At 31st December, 2011	346,961	447,005	7,296	2,833	–	19,743	823,838

The above items of property, plant and equipment are depreciated on a straight-line basis 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%
Leasehold improvement	12%

18. PROPERTY, PLANT AND EQUIPMENT – continued

The carrying value of the Group's buildings comprises:

	2012 HK$'000	2011 HK$'000
Properties in the PRC erected on land with medium-term leases	252,114	251,438
Properties erected on land with medium-term leases in Hong Kong	63	69
Properties erected on land with medium-term leases in Cambodia	93,707	95,454
	345,884	346,961

19. PREPAID LEASE PAYMENTS

	2012 HK$'000	2011 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in Hong Kong:		
Medium-term leases	1,618	1,672
Leasehold land outside Hong Kong:		
Medium-term leases	122,462	59,685
Short leases	–	194
	124,080	61,551
Analysed for reporting purposes as:		
Current asset	2,293	1,504
Non-current asset	121,787	60,047
	124,080	61,551

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 AND OTHER ASSETS

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.

During the year, the subsidiaries of the Group (the "Subsidiaries") entered into life insurance policies with HSBC Life (International) Limited to insure two executive directors, Sung Kim Ping and Sung Kim Wa. Under the policies, the beneficiary and policy holders are the Subsidiaries, and the total insured sum is approximately USD7,800,000 (equivalent to HK$60,840,000). The Subsidiaries are required to pay an upfront payment of USD2,038,000 (equivalent to HK$15,899,000). The Subsidiaries may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the accumulation of premium paid plus accumulated guaranteed interest earned and minus certain charges and surrender amounts in accordance with terms of the policies (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteen policy year, a pre-determined specified surrender charge would be imposed on the Subsidiaries.

At the inception date, the upfront payment is separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit element is measured at cost adjusted for interest and return recognised for each year. The insurance company will pay the Subsidiaries a guaranteed interest rate of 4% per annum for the first year, and a return of a minimum guaranteed interest rate of 2% per annum for the next 34 years, on the Cash Value before deduction of any surrender amounts. The management expects that the Group is unlikely to withdraw the life insurance policies in the foreseeable future, and the amounts have been classified as non-current assets.

22. DEFERRED TAX ASSETS/LIABILITIES

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

	2012 HK$'000	2011 HK$'000
Deferred tax liabilities	15,821	19,339
Deferred tax assets	(159)	(159)
	15,662	19,180

22. DEFERRED TAX ASSETS/LIABILITIES – continued

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$'000	Withholding tax on undistributed profits of PRC subsidiaries HK$'000	Total HK$'000
At 1st January, 2011	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
Credit to profit or loss	(231)	–	(3,287)	–	(3,518)
At 31st December, 2012	**10,388**	**(159)**	**3,086**	**2,347**	**15,662**

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$11,224,000 as at 31st December, 2012 (2011: HK$51,768,000) 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.

Under the Law on Taxation of Cambodia, withholding tax is imposed on dividends declared in respect of profits earned by Cambodian subsidiaries from 1st June, 1998 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Cambodian subsidiaries amounting to HK$377,458,000 as at 31st December, 2012 (2011: HK$212,359,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	2012 HK$'000	2011 HK$'000
Unused tax losses		
– Recognised as deferred tax asset	961	961
– Unrecognised tax losses *(note)*	274,380	196,611
	275,341	197,572

Included in unrecognised tax losses are losses of HK$160,959,000 (2011: HK$94,749,000) that will expire between 2013 to 2017 (2011: 2012 to 2016). 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

	2012 HK$'000	2011 HK$'000
Raw materials	255,437	271,641
Work in progress	319,695	286,821
Finished goods	190,105	224,035
	765,237	782,497

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.

At 31st December, 2012, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK$449,280,000 and bills receivable of HK$134,760,000 (2011: HK$212,611,000 and HK$70,793,000, respectively) and their aged analysis, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, is as follows:

	2012 HK$'000	2011 HK$'000
Aged:		
0 – 30 days	266,875	133,846
31 – 60 days	109,614	64,882
61 – 90 days	90,001	33,673
91 – 120 days	51,374	26,738
Over 120 days	75,614	33,703
	593,478	292,842
Less: Allowance for doubtful debts	(9,438)	(9,438)
	584,040	283,404
Prepaid expenses	15,432	18,013
VAT receivables	5,297	8,284
Deposits	1,279	1,142
Others	13,793	22,282
	619,841	333,125

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.

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

Ageing of trade receivables which are past due but not impaired

	2012 HK$'000	2011 HK$'000
Over 120 days	75,614	33,703
Less: allowance for doubtful debts on trade receivables	(9,438)	(9,438)
	66,176	24,265

The Group has not provided for impairment loss on trade receivables of HK$66,176,000 (2011: HK$24,265,000) 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.

The allowance for doubtful debts made on trade receivables is mainly because 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, 2012			
Trade receivables, bills receivable and other receivables	374,177	–	374,177
At 31st December, 2011			
Trade receivables, bills receivable and other receivables	147,822	7,647	155,469

Note: Included in trade receivables, bills receivable and other receivables, deposits and prepayments is bills receivable of HK$123,747,000 (2011: HK$50,927,000) representing bills discounted with full recourse with maturity period of 0-90 days. The Group has recognised the cash received on such discounted bills receivable of HK$123,747,000 (2011: HK$50,927,000) as secured bank borrowings.

24a. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31st December, 2012 that were transferred to banks by discounting the bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing *(see note 30)*. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

As at 31st December, 2012

	Bills receivable discounted to banks with full recourse HK$'000
Carrying amount of transferred assets	123,747
Carrying amount of associated liabilities	(123,747)
Net position	–

25. AMOUNTS DUE FROM RELATED COMPANIES

Details of the amounts due from related companies are as follows:

	Notes	2012 HK$'000	2011 HK$'000	Maximum amount outstanding during the year HK$'000
Addchance Dyeing Factory Limited	*(i)*	2,105	1,555	2,105
Anford Trading Limited	*(ii)*	49	49	49
Trenex (Hong Kong) Limited	*(iii)*	20	20	20
Soundyet Enterprises Limited	*(iii)*	17	14	17
Wai Yee Knitting Factory Limited	*(iv)*	87	87	87
		2,278	1,725	

The amounts due from related companies are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, the amount is expected to be settled within one year from 31st December, 2012.

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 the 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 ranged from 0.01% to 0.40% per annum (2011: 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 HK$'000	RMB HK$'000	EUR HK$'000	Total HK$'000
At 31st December, 2012				
Bank balances and cash	**38,999**	**497**	**21**	**39,517**
At 31st December, 2011				
Bank balances and cash	40,150	923	15	41,088

27. TRADE AND OTHER PAYABLES AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHT OF A SUBSIDIARY

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

	2012 HK$'000	2011 HK$'000
Aged:		
0 – 60 days	40,229	36,073
61 – 90 days	4,064	6,322
Over 90 days	15,700	10,678
	59,993	53,073
Receipt in advance from customers	7,096	22,624
Deposit received from transfer of operation right of a subsidiary	92,387	–
Payable for acquisition of property, plant and equipment	–	1,038
Payable for acquisition of prepaid lease payments	–	1,528
Accrued expenses	70,274	57,746
VAT tax payables	2,238	144
Other payables	8,921	4,849
	240,909	141,002
Less: Deposit received from transfer of operation right of a subsidiary shown under non-current liabilities *(Note)*	92,387	–
Trade and other payables shown under current liabilities	148,522	141,002

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.

27. TRADE AND OTHER PAYABLES AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHT OF A SUBSIDIARY – continued

The Group's trade and other payables that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	USD HK$'000
At 31st December, 2012	
Trade and other payables	6,671
At 31st December, 2011	
Trade and other payables	3,525

Note:

As disclosed in the announcement made by the Company dated 25th September, 2012 (the "Announcement"), the Group entered into an operation right transfer agreement (the "Agreement") with an independent third party (the "Acquirer"), for the transfer of the operation right of 100% interest in a subsidiary, Luoding Addchance Limited which owns a piece of land in the PRC for a cash consideration of HK$554,321,000 which will be settled in six installments with the first installment of HK$92,387,000 being received during the year ended 31st December, 2012 and the remaining five installments with an aggregate amount of HK$461,934,000 will be received from 30th May, 2013 to 30th July, 2016.

Subject to fulfilment of the pre-requisite conditions precedent set out in the Agreement, the Group will grant, within 60 days from the date when the Group has received the full amount of the first three installments of the consideration which will take place on 30th January, 2014 in accordance with the Agreement, the Acquirer an option to subscribe for 99.999% of the enlarged issued share capital of news shares of the subsidiary with an exercise price of HK$1 per share.

28. BILLS PAYABLE

The amounts carry interest at HIBOR ranging from 2.31% to 2.8% per annum (2011: 1.84% to 2.6% per annum) and are repayable on demand or within four months.

At the end of both reporting periods, no bills payable are denominated in currency other than the functional currencies of the relevant group entities.

29. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2012 HK$'000	2011 HK$'000
Derivatives not under hedge accounting:		
Foreign currency forward contracts – net settled	1,698	2,572
Interest rate swaps	18,501	15,649
	20,199	18,221

29. DERIVATIVE FINANCIAL INSTRUMENTS – continued

The Group has entered into some foreign currency forward contracts and interest rate swaps with monthly net-settlement.

Major terms of foreign currency forward contracts are as follows:

31st December, 2012

Notional amount	Maturity	Forward exchange rates
Buy USD in aggregate notional amount of USD6,800,000	Ranging from 3rd January, 2013 to 24th February, 2014	HK$/USD ranging from 7.725 to 7.75
Buy USD in aggregate notional amount of USD10,800,000	Ranging from 9th October, 2013 to 29th January, 2014	RMB/USD ranging from 6.30 to 6.55

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

Major terms of interest rate swaps are as follows:

31st December, 2012

Notional amount	Maturity	Swap
HK$300,000,000	Ranging from 6th February, 2013 to 6th May, 2015	From HIBOR to 2.73%
HK$150,000,000	Ranging from 10th January, 2013 to 10th September, 2013	From HKD-ISDA-SWAP RATE to 1.55%

31st December, 2011

Notional amount	Maturity	Swap
HK$300,000,000	Ranging from 6th August, 2012 to 6th May, 2015	From HIBOR to 2.73%

30. BANK BORROWINGS/BANK OVERDRAFTS

	2012 HK$'000	2011 HK$'000
Bank overdrafts	25,506	23,532
Bank borrowings		
– Bank loans	772,855	703,571
– Trust receipt loans	303,872	263,915
	1,076,727	967,486
	1,102,233	991,018
Analysed by:		
Secured	163,744	94,952
Unsecured	938,489	896,066
	1,102,233	991,018
Total bank borrowings:		
Fixed-rate	125,541	147,593
Variable-rate	976,692	843,425
	1,102,233	991,018
Carrying amount repayable*:		
Within one year	951,507	892,663
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)	150,726	98,355
	1,102,233	991,018
Less: Amount due and repayable within one year shown under current liabilities	(1,102,233)	(991,018)
Amount shown under non-current liabilities	–	–

* 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. Details of which are set out in note 34.

30. 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, 2012			
Bank loans	218,937	–	218,937
Trust receipt loans	126,118	–	126,118
	345,055	–	345,055
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

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

	2012 HK$'000	2011 HK$'000
On demand or within one year	125,541	147,593

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:

	2012	2011
Effective interest rate:		
Fixed-rate borrowings	6.0% to 7.6%	4.3% to 8.8%
Variable-rate borrowings	1.80% to 6.75%	2.0% to 6.65%

31. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	10,000,000,000	100,000
Ordinary shares of HK$0.01 each		
Issued and fully paid:		
At 1st January, 2011, 31st December, 2011 and 31st December, 2012	441,250,000	4,413

32. 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, 2012 or 31st December, 2011 under the Scheme. No options were granted, exercised, cancelled or lapsed during both years.

33. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2012 HK$'000	2011 HK$'000
Office premises	5,216	4,228

33. 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:

	2012 HK$'000	2011 HK$'000
Within one year	4,944	4,752
In the second to fifth year inclusive	4,380	7,620
Over five years	3,467	4,507
	12,791	16,879

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$754,000 (2011: HK$509,000). 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,	
	2012 HK$'000	2011 HK$'000
Within one year	545	507
In the second to fifth year inclusive	335	315
	880	822

34. PLEDGE OF ASSETS

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

	2012 HK$'000	2011 HK$'000
Land use rights	79,631	12,090
Property, plant and equipment	46,278	37,502
Other assets	15,899	–
	141,808	49,592

The Group also had bills receivable discounted with recourse amounted to HK$123,747,000 (2011: HK$50,927,000).

35. CAPITAL COMMITMENTS

	2012 HK$'000	2011 HK$'000
Capital expenditure in respect of (i) acquisition of property, plant and equipment and (ii) land use rights relating to change of its usage to commercial purpose contracted for but not provided in the consolidated financial statements	19,102	9,409

36. PENSION/RETIREMENT BENEFITS SCHEME

The Group operates the Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The qualified employees employed by the operations in the PRC are members of the state-managed retirement benefits schemes operated by the PRC. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC is to make the required contributions under the schemes.

During the year, the retirement benefit scheme contributions amounted to HK$9,594,000 (2011: HK$9,790,000).

37. DISPOSAL OF A SUBSIDIARY

On 24th October, 2011, the Group disposed of its entire 98% equity interest in a subsidiary for a consideration of RMB61,500,000 (equivalent to approximately HK$73,214,000).

	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.

38. RELATED PARTY DISCLOSURES

Details of the balances with related parties are set out in note 25.

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

Related parties	Relationship	Nature of transactions	2012 HK$'000	2011 HK$'000
Dr. Sung Chung Kwun	*(Note 1)*	Rental expense paid	889	919
Addchance Dyeing Factory Limited	*(Note 2)*	Rental expense paid	4,200	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 the 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.

38. RELATED PARTY DISCLOSURES – continued

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.

39. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2012 and 2011 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		
				2012	2011	2012	2011	
Interlink Atlantic Limited		British Virgin Islands ("BVI") 24th November, 1999	Ordinary share US$1	100%	100%	–	–	Investment holding
Addchance Limited		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		Hong Kong 22nd October, 1997	Ordinary shares HK$1,000,000	–	–	100%	100%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited		Hong Kong 12th March, 1997	Ordinary shares HK$10,000	–	–	100%	100%	Trading of knitted sweaters
Charm Shine (Macau) Wool Yarn Industrial Limited		Macau 15th September, 1987	MOP500,000	–	–	100%	100%	Trading of dyed yarn and raw white yarn
Mei Pan Dyeing Factory Limited		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		Hong Kong 24th April, 2008	Ordinary shares HK$2,000,000	–	–	52%	52%	Manufacturing and sales of thread
King On (China) Limited		Hong Kong 3rd October, 2007	Ordinary shares HK$10,000	–	–	100%	100%	Property holding
張家港互益染整有限公司 Zhangjiagang Addchance Dyeing & Finishing Co., Ltd.	*(i)*	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.	*(i)*	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.	*(i)*	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.	*(i)*	PRC 12th December, 2003	Registered capital US$12,000,000	–	–	100%	100%	Manufacturing of knitted sweaters and provision of knitting services

39. 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		
				2012	2011	2012	2011	
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd.	*(i)*	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	*(i)*	PRC 16th December, 2005	Registered capital US$3,500,000	–	–	100%	100%	Manufacturing of knitted sweaters
安慶市宿松互益精紡有限公司 An Qing Su Song Addchance Spinning Company Limited	*(i)*	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	*(i)*	PRC 3rd April, 2007	Registered capital US$15,000,000 Paid up capital US$13,200,000	–	–	100%	100%	Manufacturing of cotton yarn
羅定忠益房地產開發有限公司（前稱「羅定忠益實業有限公司」） Luoding Addchance Limited	*(i)*	PRC 30th December, 2011	Registered capital US$6,500,000	–	–	100%	100%	Property Holding
Full Fortune Knitting Ltd.	*(ii)*	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%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Dignity Knitter Limited		Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Great Honour Textile Factory Limited		Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Ecobase Factory Limited	*(iv)*	Cambodia 1st January, 2012	Registered capital US$2,000,000	–	–	100%	–	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves

Notes:

(i) These companies are wholly-foreign owned enterprise.

(ii) The registered capital has not been paid up as at 31st December, 2012.

(iii) The company was deregistered during the year ended 31st December, 2012.

(iv) The company was incorporated during the year ended 31st December, 2012.

All subsidiaries are limited liability companies. 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.

40. SUMMARISED FINANCIAL POSITION OF THE COMPANY

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

	2012 HK$'000	2011 HK$'000
Assets		
Interests in subsidiaries, unlisted	160,803	160,803
Amounts due from subsidiaries	264,178	273,003
Bank balances and cash	12	13
	424,993	433,819
Liabilities		
Other payable	8	8
Amount due to a subsidiary	20,033	20,033
	20,041	20,041
	404,952	413,778
Capital and reserves		
Share capital	4,413	4,413
Reserves *(note)*	400,539	409,365
	404,952	413,778

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2011	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
Loss for the year	–	–	(3)	(3)
Dividend recognised as distribution	–	(8,823)	–	(8,823)
At 31st December, 2012	134,054	266,782	(297)	400,539

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 in prior years thereof and (ii) less dividends paid.

RESULTS

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000
Turnover	1,316,764	1,214,255	1,417,661	1,291,790	1,450,209
Profit before tax	76,157	58,245	79,503	93,291	28,655
Income tax (expense) credit	(9,308)	(7,347)	(8,072)	(3,038)	1,906
Profit for the year	66,849	50,898	71,431	90,253	30,561
Profit attributable to:					
Owners of the Company	67,567	49,880	71,272	89,939	32,139
Non-controlling interests	(718)	1,018	159	314	(1,578)
	66,849	50,898	71,431	90,253	30,561

ASSETS AND LIABILITIES

	2008 HK$'000	2009 HK$'000	2010 HK$'000	2011 HK$'000	2012 HK$'000
Total assets	1,780,114	1,658,626	1,779,763	2,215,760	2,514,351
Total liabilities	(1,045,293)	(871,907)	(866,136)	(1,179,292)	(1,437,015)
	734,821	786,719	913,627	1,036,468	1,077,336
Equity attributable to owners of the Company	734,675	785,328	912,077	1,034,847	1,077,293
Non-controlling interests	146	1,391	1,550	1,621	43
	734,821	786,719	913,627	1,036,468	1,077,336

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 Friday, 31st May, 2013 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, 2012.

2. (a) To declare a final dividend of HK2.0 cents per share for the year ended 31st December, 2012; and

   (b) To declare a special dividend of HK3.0 cents per share.

3. (a) To re-elect Mr. Wong Chiu Hong as director of the Company;

   (b) To elect Mr. Tsang Fai as an executive director of the Company;

   (c) To elect Mr. Lui Chi Wah, Johnny as an independent non-executive director of the Company;

   (d) To elect Ms. Huang Yunjie as an independent non-executive director of the Company; and

   (e) To authorise the remuneration committee of the Company to fix directors' remuneration.

4. To re-appoint Deloitte Touche Tohmatsu as 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, 26th April, 2013

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

Notes:

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

(2) The register of members of the Company will be closed from Wednesday, 29th May, 2013 to Friday, 31st May, 2013 (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 annual general meeting, all transfers documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 28th May, 2013.

(3) Subject to the passing of the relevant resolution at the annual general meeting and for the purposes of ascertaining shareholders' entitlement to the final dividend and the special dividend, the register of members of the Company will be closed from Thursday, 6th June, 2013 to Monday, 10th June, 2013 (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and the proposed special 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 4:30 p.m. on Wednesday, 5th June, 2013.