Addchance Holdings Limited

互益集團有限公司

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

(Stock Code: 3344)

Interim Report **2013**


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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. SUNG Kim Wa *(Chairman)*
Mr. SUNG Kim Ping
Mr. WONG Chiu Hong
Ms. SUNG Kit Ching
Mr. IP Siu Lam
Mr. TSANG Fai

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Tsz Fu, Jacky
Mr. ZHUANG Zhongxi
Ms. HUANG Yunjie

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Ms. FUNG Ka Lai

MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Mr. CHAN Tsz Fu, Jacky
Mr. ZHUANG Zhongxi
Ms. HUANG Yunjie

AUTHORIZED REPRESENTATIVES

Mr. WONG Chiu Hong
Ms. FUNG Ka Lai

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PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

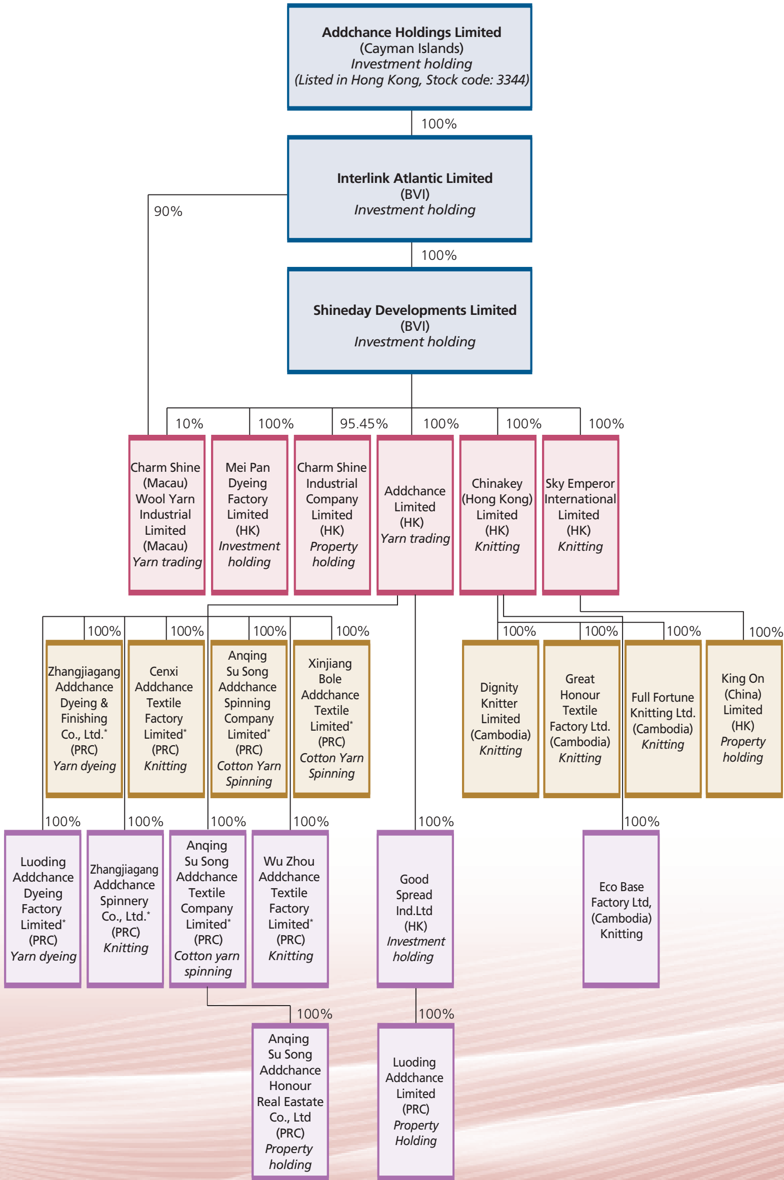
WEBSITE

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

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 30TH JUNE, 2013



* for identification purpose only

FINANCIAL HIGHLIGHTS

Key Financial Results

	Six months ended 30 June		
	2013 HK$'000	2012 HK$'000	Changes +/-%
Turnover	**510,983**	608,245	-16.0%
Gross profit	**168,522**	143,828	17.2%
Profit for the year	**41,552**	20,432	103.4%
Profit attributable to:			
Equity holders of the Company	**34,750**	22,010	-57.9%
Minority interests	**–**	-1,578	-100.0%
Earnings per share (in HK cents)	**7.87**	4.99	57.7%

Financial Ratios

	Six months ended 30 June	
	2013	2012
Profitability ratios:		
Gross margin	**33.0%**	23.6%
Net margin	**6.8%**	3.4%
Liquidity ratios:		
Current ratio (times)	**1.1**	1.1
Stock turnover (days) *(Note 1)*	**571**	334
Debtors turnover (days) *(Note 2)*	**180**	128
Creditors turnover (days) *(Note 3)*	**73**	50
Capital adequacy ratio		
Gearing ratio (%) *(Note 4)*	**44.4%**	47.1%

Notes:

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

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

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

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

Deloitte.
德勤

TO THE BOARD OF DIRECTORS OF ADDCHANCE HOLDINGS LIMITED
互益集團有限公司
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Addchance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 26, which comprise the condensed statement of financial position as of 30th June, 2013 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28th August, 2013

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	NOTES	For the six months ended 30th June, 2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Revenue	3	510,983	608,245
Cost of sales		(342,461)	(464,417)
Gross profit		168,522	143,828
Other income		5,002	5,758
Other gains and losses	4	(5,250)	(9,754)
Selling and distribution costs		(46,754)	(35,818)
Administrative expenses		(68,738)	(64,513)
Finance costs	5	(20,422)	(20,844)
Profit before tax		32,360	18,657
Income tax credit	6	2,390	1,775
Profit for the period	7	34,750	20,432
Other comprehensive income that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		8,030	6,387
Total comprehensive income for the period		42,780	26,819
Profit for the period attributable to:			
Owners of the Company		34,750	22,010
Non-controlling interests		–	(1,578)
		34,750	20,432
Total comprehensive income for the period attributable to:			
Owners of the Company		42,780	28,397
Non-controlling interests		–	(1,578)
		42,780	26,819
Earnings per share, in HK cents			
Basic	9	7.87	4.99

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2013

	NOTES	30.6.2013 HK$'000 (unaudited)	31.12.2012 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		1,806	1,832
Property, plant and equipment	*10*	834,992	823,421
Prepaid lease payments	*13*	45,934	121,787
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		25,006	24,723
Club debenture		1,070	1,070
Other assets	*11*	15,899	15,899
Deferred tax assets		159	159
		924,866	988,891
CURRENT ASSETS			
Prepaid lease payments		1,201	2,293
Inventories		1,079,817	765,237
Trade receivables, bills receivables and other receivables, deposits and prepayments	*12*	587,652	619,841
Amounts due from related companies		2,856	2,278
Tax recoverable		3,263	3,213
Bank balances and cash		162,666	132,598
		1,837,455	1,525,460
Asset classified as held for sale	*13*	77,150	–
		1,914,605	1,525,460
CURRENT LIABILITIES			
Trade and other payables	*14*	224,468	148,522
Bills payable	*14*	35,777	53,704
Deposit received from transfer of the operation right of a subsidiary	*13*	184,774	–
Derivative financial instruments	*18*	30,015	20,199
Bank borrowings – due within one year	*15*	1,206,257	1,076,727
Tax liabilities		7,215	4,149
Bank overdrafts		17,688	25,506
Dividend payable		22,063	–
		1,728,257	1,328,807
NET CURRENT ASSETS		186,348	196,653
TOTAL ASSETS LESS CURRENT LIABILITIES		1,111,214	1,185,544

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2013

	NOTES	30.6.2013 HK$'000 (unaudited)	31.12.2012 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital	*16*	4,413	4,413
Reserves		1,093,597	1,072,880
Equity attributable to owners of the Company		1,098,010	1,077,293
Non-controlling interests		–	43
		1,098,010	1,077,336
NON-CURRENT LIABILITIES			
Deferred tax liabilities		13,204	15,821
Deposit received from transfer of the operation right of a subsidiary	*13*	–	92,387
		1,111,214	1,185,544

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 *(Note a)*	Special reserves HK$'000 *(Note b)*	Statutory reserves HK$'000 *(Note c)*	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1st January, 2012 (audited)	4,413	134,054	117,980	24,673	12,514	158,899	582,314	1,034,847	1,621	1,036,468
Exchange differences arising on translation of foreign operations	–	–	–	–	–	6,387	–	6,387	–	6,387
Profit for the period	–	–	–	–	–	–	22,010	22,010	(1,578)	20,432
Total comprehensive income for the period	–	–	–	–	–	6,387	22,010	28,397	(1,578)	26,819
Dividend recognised as distribution *(note 8)*	–	–	(8,823)	–	–	–	–	(8,823)	–	(8,823)
At 30th June, 2012 (unaudited)	4,413	134,054	109,157	24,673	12,514	165,286	604,324	1,054,421	43	1,054,464
Exchange differences arising on translation of foreign operations	–	–	–	–	–	12,743	–	12,743	–	12,743
Profit for the period	–	–	–	–	–	–	10,129	10,129	–	10,129
Total comprehensive income for the period	–	–	–	–	–	12,743	10,129	22,872	–	22,872
Dividend recognised as distribution *(note 8)*	–	–	–	–	–	–	–	–	–	–
At 31st December, 2012 (audited)	4,413	134,054	109,157	24,673	12,514	178,029	614,453	1,077,293	43	1,077,336
Exchange differences arising on translation of foreign operations	–	–	–	–	–	8,030	–	8,030	–	8,030
Profit for the period	–	–	–	–	–	–	34,750	34,750	–	34,750
Total comprehensive income for the period	–	–	–	–	–	8,030	34,750	42,780	–	42,780
Dividend recognised as distribution *(note 8)*	–	–	(22,063)	–	–	–	–	(22,063)	–	(22,063)
Deregistration of a subsidiary	–	–	–	–	–	–	–	–	(43)	(43)
At 30th June, 2013 (unaudited)	4,413	134,054	87,094	24,673	12,514	186,059	649,203	1,098,010	–	1,098,010

Notes:

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

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

(c) The Group's statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's subsidiaries established in The People's Republic of China ("PRC") and Macau under PRC or Macau laws and regulations. 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.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2013

		For the six months ended 30th June,	
	NOTE	2013 HK$'000 (unaudited)	2012 HK$'000 (unaudited)
Net cash used in operating activities		(109,602)	(60,946)
Net cash from (used in) investing activities:			
Acquisition of prepaid lease payments		–	(31,695)
Purchase of property, plant and equipment		(50,645)	(28,016)
Other investing cash flows		143	140
Deposit received from transfer of the operation right of a subsidiary	13	92,387	–
		41,885	(59,571)
Net cash from financing activities:			
New bank loans raised		847,731	960,255
Repayment of bank borrowings		(721,706)	(852,645)
Interest paid		(20,422)	(20,844)
		105,603	86,766
Net increase (decrease) in cash and cash equivalents		37,886	(33,751)
Cash and cash equivalents at 1st January		107,092	133,371
Cash and cash equivalents at 30th June		144,978	99,620
Cash and cash equivalents at 30th June, represented by			
Bank balances and cash		162,666	123,968
Bank overdrafts		(17,688)	(24,348)
		144,978	99,620

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2013 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2012.

In the current interim period, the Group has applied, for the first time, the following new or revised International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance
IFRS 13	Fair Value Measurement
IAS 19 (as revised in 2011)	Employee Benefits
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income
Amendments to IFRSs	Annual Improvements to IFRSs 2009-2011 Cycle
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

IFRS 13 Fair Value Measurement

The Group has applied IFRS 13 for the first time in the current interim period. IFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various IFRSs. Consequential amendments have been made to IAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of IFRS 13 is broad, and 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, subject to a few exceptions. IFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of IFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively. Disclosures of fair value information are set out in note 18.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce new terminology for 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. 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 additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are 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 existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to IAS1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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

3. 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.

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

Six months ended 30th June, 2013

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	61,096	196,100	227,354	21,353	5,080	510,983	–	510,983
Inter-segment sales	80,458	256,641	263,332	8,547	109,736	718,714	(718,714)	–
	141,554	452,741	490,686	29,900	114,816	1,229,697	(718,714)	510,983
SEGMENT PROFIT	(1,011)	33,103	39,015	1,124	613	72,844	–	72,844
Interest income								143
Rental income								596
Unallocated expenses								(10,986)
Other gains and losses								(9,815)
Finance costs								(20,422)
Group's profit before tax								32,360

3. SEGMENT INFORMATION *(Continued)*

Six months ended 30th June, 2012

	Production and sale of cotton yarn HK$'000	Production and sale of knitted sweaters HK$'000	Production and sale of dyed yarns HK$'000	Provision of dyeing services HK$'000	Trading of cotton and yarns HK$'000	Segment total HK$'000	Elimination HK$'000	Total HK$'000
REVENUE								
External sales	63,548	327,519	193,844	12,608	10,726	608,245	–	608,245
Inter-segment sales	85,430	166,958	238,052	6,878	60,390	557,708	(557,708)	–
	148,978	494,477	431,896	19,486	71,116	1,165,953	(557,708)	608,245
SEGMENT PROFIT	3,693	31,032	21,082	1,811	1,652	59,270	–	59,270
Interest income								140
Rental income								636
Unallocated expenses								(15,159)
Other gains and losses								(5,386)
Finance costs								(20,844)
Group's profit before tax								18,657

Segment profit represents the profit before tax of each segment without allocation of central administrative costs, directors' salaries, change in fair value of derivative financial instruments, other income not attributable to segment profit and finance costs.

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

	30.6.2013 HK$'000	31.12.2012 HK$'000
Production and sale of cotton yarn	472,301	497,555
Production and sale of knitted sweaters	1,378,958	1,250,391
Production and sale of dyed yarns	423,586	480,262
Provision of dyeing services	62,524	66,067
Trading of cotton and yarns	237,233	63,027
Unallocated corporate assets	264,869	157,049
	2,839,471	2,514,351

4. OTHER GAINS AND LOSSES

	For the six months ended 30th June, 2013 HK$'000	2012 HK$'000
Fair value loss of derivative financial instruments	(9,815)	(5,386)
Net exchange gain (loss)	4,522	(4,368)
Gain on deregistration of a subsidiary	43	–
	(5,250)	(9,754)

5. FINANCE COSTS

	For the six months ended 30th June, 2013 HK$'000	2012 HK$'000
Interest on bank borrowings wholly repayable within five years	20,422	20,844

6. INCOME TAX CREDIT

	For the six months ended 30th June, 2013 HK$'000	2012 HK$'000
The (credit) charge comprises:		
Hong Kong Profits Tax		
– Current period	1,122	371
– Overprovision in prior years	(2,905)	–
PRC Enterprise Income Tax – current period	2,015	1,137
	232	1,508
Deferred taxation		
– Current period	(2,622)	(3,283)
	(2,390)	(1,775)

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

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 Cambodia, the profit generated from subsidiaries of the Company are entitled to exemption from Cambodian Income Tax until 2018.

7. PROFIT FOR THE PERIOD

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

	For the six months ended 30th June,	
	2013 HK$'000	2012 HK$'000
Depreciation of investment properties	26	26
Depreciation of property, plant and equipment	45,428	52,311
Amortisation of prepaid lease payments	1,147	1,326
Interest income	(143)	(140)

8. DIVIDEND

	For the six months ended 30th June,	
	2013 HK$'000	2012 HK$'000
Dividend recognised as distribution during the period		
– 2012 Final dividend of HK2.0 cents (2012: 2011 final dividend of HK2.0 cents) per share	8,823	8,823
– 2012 Special dividend of HK3.0 cents (2012: nil)	13,240	–
	22,063	8,823

During the current interim period, (i) a final dividend of HK2.0 cents per share in respect of the year ended 31st December, 2012 and (ii) special dividend of HK3.0 cents (six months ended 30th June, 2012: final dividend of HK2.0 cents per share in respect of the year ended 31st December, 2011) was declared and subsequently paid to the owners of the Company in July 2013.

Subsequent to the end of current interim period, the directors of the Company recommend the payment of an interim dividend of HK2.0 cents per share for the six months ended 30th June, 2013 (six months ended 30th June, 2012: nil).

9. EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the profit for the period attributable to owners of the Company of HK$34,750,000 (six months ended 30th June, 2012: HK$22,010,000) and on the number of shares in issue of 441,250,000 (six months ended 30th June, 2012: 441,250,000).

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

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred capital expenditure of approximately HK$50,645,000 (six months ended 30th June, 2012: HK$29,660,000).

Depreciation on property, plant and equipment amounting to HK$45,428,000 (six months ended 30th June, 2012: HK$52,311,000) was provided for in the condensed consolidated statement of profit or loss and other comprehensive income during the current interim period.

11. OTHER ASSETS

During the year ended 31st December, 2012, the subsidiaries of the Company (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 United States Dollar ("USD") 7,800,000 (equivalent to HK$60,840,000). The Subsidiaries paid an upfront payment of USD2,038,000 (equivalent to HK$15,899,000).

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

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

At 30th June, 2013, included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$461,612,000 and bills receivables of HK$46,905,000 (31st December, 2012: trade receivables of HK$449,280,000 and bills receivables of HK$134,760,000), respectively, and their aged analysis, net of allowance for doubtful debts presented based on the invoice date, which approximated the revenue recognition date, at the end of reporting period is as follows:

	30.6.2013 HK$'000	31.12.2012 HK$'000
Aged:		
0 – 30 days	283,442	266,875
31 – 60 days	105,689	109,614
61 – 90 days	22,725	90,001
91 – 120 days	18,969	51,374
Over 120 days	77,692	66,176
	508,517	584,040
Others	79,135	35,801
	587,652	619,841

13. ASSET CLASSIFIED AS HELD FOR SALE

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, Good Spread Industrial Limited ("Good Spread"), the immediate holding company of 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 two installments of HK$184,774,000 in total being received as at 30th June, 2013 (31st December 2012: first installment of HK$92,387,000) and the remaining four installments with an aggregate amount of HK$369,547,000 will be received from 30th January, 2014 to 30th July, 2016.

Subject to fulfilment of the pre-requisite conditions precedent set out in the Agreement, the Acquirer can, 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, subscribe for 99.999% of the enlarged issued share capital of news shares of Good Spread with an exercise price of HK$1 per share.

The directors of the Company considered that it is highly probable that the pre-requisite conditions will be fulfilled and the third installment will be received on 30th January, 2014. Therefore, the directors of the Company expect that the disposal will take place within twelve months from the end of the current interim reporting period. Accordingly, the prepaid lease payments has been classified as asset held for sale as at 30th June, 2013 and is separately presented in the condensed consolidated statement of financial position. The consideration of HK$92,387,000 received as at 31st December 2012 was reclassified from non-current liability to current liability as the end of the current interim reporting period.

Asset related to disposal of the subsidiary as at the end of the current interim period is as follows:

	30.6.2013 HK$'000	31.12.2012 HK$'000
Prepaid lease payments	77,150	–

14. TRADE AND OTHER PAYABLES/BILLS PAYABLE

At 30th June, 2013, included in trade and other payables are trade payables of HK$102,298,000 (31st December, 2012: HK$59,993,000) and their aged analysis, presented based on the invoice date, at the end of reporting period is as follows:

	30.6.2013 HK$'000	31.12.2012 HK$'000
Aged:		
0 – 60 days	69,094	40,229
61 – 90 days	12,100	4,064
Over 90 days	21,104	15,700
	102,298	59,993
Other payables and accruals	122,170	88,529
	224,468	148,522

At 30th June, 2013, bills payable are aged within 0 – 120 days (31st December, 2012: 0 – 120 days).

15. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to approximately HK$847,731,000 (six months ended 30th June, 2012: HK$960,255,000) as additional working capital and made repayment of approximately HK$721,706,000 (six months ended 30th June, 2012: HK$852,645,000). Included in the new loans are amounts of approximately HK$173,892,000 bearing fixed interest at rates ranging from 5.88% to 6.90% per annum and the remaining amounts bearing variable interest at rates at a margin over Hong Kong Interbank Offered Rate which ranged from 2.22% to 6.65% per annum.

As at 30th June, 2013, bank loans of HK$104,818,000 (31st December, 2012: HK$150,726,000) that are repayable more than one year but not more than five years from the end of the reporting period based on the relevant repayment schedule, contain a repayment on demand clause and accordingly, are shown under current liabilities.

16. SHARE CAPITAL

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

17. COMMITMENTS

As at 30th June, 2013, the Group had commitments of HK$8,933,000 (31st December, 2012: HK$9,102,000) for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment.

As at 30th June, 2013, the Group had commitments of HK$10,000,000 (31st December, 2012: HK$10,000,000) for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of land use rights relating to change of its usage to commercial purpose.

18. FAIR VALUE MEASUREMENTS OF DERIVATIVES

The Group was entered into some derivative contracts which are classified as derivative financial liabilities as at 30th June, 2013 and 31st December, 2012, and are measured at fair value at the end of each reporting period. The following summary gives information about how the fair values of these derivative liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

- 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).

18. FAIR VALUE MEASUREMENTS OF DERIVATIVES *(Continued)*

Financial liabilities	Fair value as at 30.6.2013	Fair value hierarchy	Valuation technique and key input(s)
(1) Foreign currency forward contracts classified as derivative financial instruments in the condensed consolidated statement of financial position *(Note 1)*	HK$11,092,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
(2) Interest rate swaps classified as derivative financial instruments in the condensed consolidated statement of financial position	HK$18,923,000	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Note 1: The Group has entered into some foreign currency forward contracts to buy USD in aggregate notional amount of USD4,500,000 and USD63,600,000 with forward exchange rates HKD/USD ranging from 7.73 to 7.78 and RMB/USD ranging from 6.27 to 6.55 respectively.

Due to the appreciation of Renminbi against USD in the current interim period, the Group recognised a fair value loss of derivative financial instruments amounting to HK$9,815,000. During the current interim period, the Group has entered into nine foreign currency forward contracts in aggregate notional amount of USD54,000,000 with monthly net – settlement and the maturity date of these contracts are ranging from 6th January, 2015 to 2nd June, 2015.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

19. PLEDGE OF ASSETS

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

	30.6.2013 HK$'000	31.12.2012 HK$'000
Prepaid lease payments	3,099	3,136
Property, plant and equipment	34,536	42,119
Other assets	15,899	15,899
	53,534	61,154

20. RELATED PARTY DISCLOSURES

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

Related party	Relationship	Nature of transactions	For the six months ended 30th June, 2013 HK$'000	2012 HK$'000
Dr. Sung Chung Kwun	*(Note 1)*	Rental expense paid	445	445
Addchance Dyeing Factory Limited	*(Note 2)*	Rental expense paid	2,400	2,200

In the opinion of the directors, the above transactions were undertaken in the ordinary course of business on terms mutually agreed between the Group and the related party.

(Note 1) Dr. Sung Chung Kwun is a former executive director and having controlling interests in the Company. He retired as an executive director on 31st May, 2013.

(Note 2) Dr. Sung Chung Kwun and Sung Kim Ping have controlling interests in the related company. Sung Kim Ping is a director of the Company.

Compensation of key management personnel

The remuneration of directors and key executives of the Company is determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to HK$3,654,000 (six months ended 30th June, 2012: HK$3,639,000).

BUSINESS REVIEW

We are pleased to report the unaudited results of the Group for the six months ended 30th June, 2013. The Group's consolidated revenue decreased by approximately 16.0% to HK$511.0 million. Except for the effect of the fair value loss of those derivative financial instruments of approximately HK$9.8 million, the net profit derived from core operations was approximately HK$44.6 million with net profit margin of 8.7%.

The business environment of the whole textile industry remained challenging and volatile during the period under review. Our turnover decreased by 16.0% as our customers delayed their knitted sweaters shipment, while other business segments including dyed yarn and cotton yarn remained stable. Our average selling price was kept steady despite the fluctuating market. During the period under review, cotton price in China slowly recovered, resulting in the increases of sales of cotton and cotton-related products. Our overall productivity was improved in order to cope with the rising demand. Further, our production costs were generally averaged down. Together with the growing order from our expanded customer base, particularly Japanese, our overall baseline was much improved in first half of 2013 as compared to previous year.

Sweater business is still the most profitable business segment of the Group and we have been continuing to increase our production capacity to cope with the recovering demand. Our first green factory in Cambodia was completed by the end of 2012 and has commenced operation in the first quarter of 2013. According to China National Textile and Apparel Council, in order to develop a sustainable growth strategy for the local textile industry, China has started working towards building a greener environment in the coming years. This pretty much synchronizes with our developmental plan. Our green factory, which was inspired by our customer, Marks and Spencer, was established under the concept of reuse, reduce and recycle. By using environmental friendly materials and implementing green production process, we aim to achieve better energy conservation and minimize daily disposals. The factory will receive all recognized environment-related permits by the third quarter in 2013. Upon full operation of our green factory, we expect to launch a complete new product with higher average selling price which is favorable to our overall pricing strategy. As the pioneer in term of green textile manufacturing, we will use our best endeavour to optimize the overall production efficiency as well as making contributions to create a greener and more environmental-friendly industry in the future.

On 29th June, 2012, the Group entered into an Operation Right Transfer Agreement with third parties to transfer the operation right of 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 4 years commencing from July 2012. As of 30th June, 2013, we have received 2 installments of payment in the aggregate sum of approximately HK$184.8 million. This transfer further strengthens the cash flow position of the Group and will pose a positive impact on the Group's net profit upon completion date.

PROSPECTS

The market condition for textile industry remained difficult in the first half of 2013. The profit of some enterprises slumped and the backlog of franchisees remained heavy, mainly due to the rising raw material prices, reduced purchasing power of the end market as well as real estate control policies. Growth of major industry players was curbed and sentiment remained sluggish.

Looking ahead, the global economy will undoubtedly remain uncertain. However, with our focus on developing our business in Cambodia, we can, not only hedge against the difficulties of continuously rising production costs in the PRC, but also sharpen our competitiveness on procuring orders from EU and Japan. The long established spinning arms in SuSong and Xinjiang also bode well for the Group on the upstream raw materials supply. Demand for middle and high-end textile products is expected to grow with the growing China domestic consumption. As guided by the 12th Five-year Plan of the PRC government, the textile industry is believed to undergo significant reorganization and transformation. With the better industrial environment, we believe that China will continue to be one of the largest countries in the world for textile production and exports, bringing in huge business opportunities for the players.

By combining expertise in production and efficiencies in production capability through full vertical integration, we are capable of delivering an innovative portfolio of products and services with unsurpassed quality. Specializing in the manufacture of dyed yarns and knitted sweaters, we have been recognized by international accreditation organizations for our dedication and commitment to our customers. Further, by leveraging on our new cash flow stream from the Operation Right Transfer Agreement, we believe that we are in a much better position to capture any market opportunities, to mitigate the impacts of the market's current volatility and maintain our leading position in the global cotton textile industry.

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 six months ended 30th June 2013 was approximately HK$511.0 million, representing a decrease of approximately 16.0% as compared to corresponding period in 2012. Production and sales of knitted sweaters and dyed yarn remained the principal operation of the Group.

Turnover of the sweater business decreased by approximately 40.1%, from approximately HK$327.5 million to approximately HK$196.1 million during the period under review, representing approximately 38.4% of the Group's total turnover. The decrease in turnover was due to the delay in knitted sweaters shipment. Average selling price of the knitted sweaters remained stable despite the stagnant market conditions while sales volume decreased by approximately 30.3%. 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 the Group, the sales made to our largest customer was approximately 16.0% for the first half of 2013. We also gained largest sales order from our Japanese customers during the period under review whilst the PRC domestic sales also increased under the rebounce of China domestic cotton prices. 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 ("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 increased by approximately 17.3%, from approximately HK$193.8 million to approximately HK$227.4 million for the period under review, representing approximately 44.5% of the Group's total turnover. The rather steady performance of dyed yarn was again due to the picking up of cotton and cotton related raw materials. The average selling price of dyed yarn increased slightly while sales volume made from dyed yarn increased by approximately 18.6%. 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. During the period under review, revenue generated from the sales of cotton yarns decreased slightly by approximately 3.9% to approximately HK$61.1 million. Sales volume of cotton yarns was kept stable whereas the average selling price recorded a decrease of approximately 5.1%. The external utilization rate of the cotton yarn was kept at around 43%.

Revenue generated from the provision of dyeing services increased from HK$12.6 million to approximately HK$21.4 million for the first half of 2013. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production facilities based in Guangdong, Jiangsu and Zhejiang provinces of the PRC. Sales proceeds from the PRC, Hong Kong and Macau accounted for approximately 96.5% of the Group's total sales proceeds from dyed yarn. The remaining sales proceeds were derived from exports to overseas countries and places including Thailand, Taiwan and Indonesia.

TURNOVER by operation
(Amount HK$'000)

	Six months ended 30th June		Changes
	2013	2012	+/-%
Production and sale of dyed yarns	227,354	193,844	17%
Production and sale of knitted sweaters	196,100	327,519	-40%
Production and sale of cotton yarn	61,096	63,548	-4%
Provision of dyeing and knitting services	21,353	12,608	69%
Trading of cotton and yarns	5,080	10,726	-53%
	510,983	608,245	-16%

TURNOVER by operation
(in % of total)

	Six months ended 30th June	
	2013	2012
Production and sale of dyed yarns	44.4%	31.9%
Production and sale of knitted sweaters	38.4%	53.8%
Production and sale of cotton yarn	12.0%	10.4%
Provision of dyeing and knitting services	4.2%	2.1%
Trading of cotton and yarns	1.0%	1.8%

Cost of Sales

With the decrease in sales of approximately 16.0%, the cost of sales decreased further by approximately 26.3% during the period under review. With the change in the product mix in the sweaters products, the strengthening of our yarns procurement strategies and improvement in the wastage percentage during the production cycles, the raw materials consumed per unit of products decreased significantly comparing with the same during the last corresponding period. Also the subcontracting charges decreased during the period under review with the expansion of our production capacity. Direct labour costs and electricity kept increasing but at a controllable level.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK$168.5 million for the period under review, achieving a gross profit margin of approximately 33.0%. The overall gross profit margin increased from 23.6% for the corresponding period last year to 33.0% for the six months ended 30 June 2013. During the period under review, the Group is able to leverage on the cost advantage of the production base in Cambodia and optimize our product mix, therefore improving the Group's performance for the first half of 2013. The Group was still able to pass part of the cost to end-customers by raising the average selling price of knitted sweaters products by focusing on different product mix. 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

Except for the effect of the fair value loss of those derivative financial instruments of approximately HK$9.8 million, the net profit derived from core operations was approximately HK$44.6 million with net profit margin of 8.7%. The Group will continuously overcome the challenges by sharpening its competitive edge.

Other revenue

Other revenue of approximately HK$5.0 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. During the period under review, the Group's selling and distribution costs amounted to approximately HK$46.8 million, representing approximately 9.1% of the Group's turnover.

Administrative expenses

Administrative expenses of approximately HK$68.7 million mainly comprised staff cost, which included employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 13.4% 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$20.4 million, representing approximately 4.0% of the Group's turnover. Finance costs remained at the similar level as that in the corresponding period last year.

Borrowings

As at 30th June, 2013, the Group had outstanding bank borrowings of approximately HK$1,223.9 million, which will become due within one year. Amount increased by approximately HK$121.7 million or 11.0% when comparing with the balance as at 31st December, 2012. Of the total bank borrowings amount, approximately 63% was in trade loan nature and the remaining 37% was in term loan nature in which was used to finance the capital expenditures. Trade loan amount increased in the period under review with the trading volume just made before period end increased. It would be released upon the delivery of those goods sold.

Net gearing ratio, which represented the bank borrowings net of bank balances and cash divided by net assets, increased from 0.95 as at 30th June, 2012 to 1.0 as at 30th June, 2013.

The transfer of the operation right of Luoding Addchance Limited will strengthen the cash inflow position of approximately HK$554 million in 4 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 implementation of tighter control over costs, working capital and capital expenditure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June, 2013, the Group's cash and cash equivalents amounted to approximately HK$145.0 million, which significantly increased by approximately HK$45.4 million or 45.5%, from approximately HK$99.6 million during the corresponding period last year. Total assets amounted to approximately HK$2,839.5 million, representing an increase of approximately HK$325.1 million comparing with approximately HK$2,514.4 million as at 31st December, 2012.

Net cash used in operating activities increased further to approximately HK$109.6 million while the cash generated from the investing activities increased comparing with the same last corresponding period because of the 2nd instalment payment received on the transfer of the operation right of Luoding Addchance Limited. With the increase in net cash generated from financing activities, the net cash and cash equivalents increased to approximately HK$145.0 million as at period 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 the implementation of tighter control over costs, working capital and capital expenditure. In the corresponding period last year, the Group transferred the operation right of Luoding Addchance Limited 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 of the Group were evenly denominated in Hong Kong dollar, US dollar and RMB respectively. Part of the effect of the appreciation of the Renminbi against the US dollar was hedged through our PRC operations while another part of that effect was mitigated through appropriate hedging arrangements. Fluctuations in foreign currencies such as the US dollar and the RMB remained a concern of the Group. To mitigate foreign currency risk, the Group will enter into appropriate hedging arrangements from time to time.

Stock turnover days

Stock turnover days of the Group for the six months ended 30th June 2013 was approximately 571 days, which significantly lengthened by around 237 days as compared with 334 days for the corresponding period last year. As the production lead time for our major customers increased significantly in the period under review and the seasonality issue effect in each interim period end, the calculated stock turnover days lengthened. With the removal of those knitted panels delivery effect on the third quarter of 2013, it is anticipated that the number of stock turnover days will return to the similar level as that for the corresponding period last year. The Group will continuously monitor its inventory level to a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days was lengthened by 52 days from 128 days during the last corresponding period to 180 days for the period under review because of the increase in sales made in the last quarter. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner continuously. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and may 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 deem relevant. The Directors recommended the payment of an interim dividend of HK2.0 cents per share for the six months ended 30th June, 2013 to shareholders appearing on the register of members of the Company as at 16th September, 2013 (record date).

CONTINUING CONNECTED TRANSACTION

The related party transaction with Addchance Dyeing Factory Limited as disclosed in note 20 to the condensed 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, the former 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. The total rental expenses paid by the Group for the six months ended 30th June, 2013 amounted to HK$2,400,000.

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 20 to the consolidated financial statements constituted an exempt continuing connected transaction.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2013, 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
Ms. Sung Kit Ching	Beneficial owner	3,374,000	0.76%
Mr. Sung Kim Wa	Beneficial owner	374,000	0.08%

Other than as disclosed above, none of the directors or the chief executive of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th June, 2013.

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

As at 30th June, 2013, 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	(i) Interest in controlled corporation *(Note)*	267,000,000	60.51%
	(ii) Beneficial owner	60,090,000	13.62%

Note:

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

Save as disclosed above, as at 30th June, 2013, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2013.

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

The Company had not redeemed any of its listed shares during the six months ended 30th June, 2013. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the six months ended 30th June, 2013.

CORPORATE GOVERNANCE

During the six months ended 30th June, 2013, none of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save that Code Provision A.2.1 requires that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sung Kim Wa is the chairman of the Company and there was no chief executive officer appointed by the Company and the day-to-day management of the Group was led by Mr. Sung Kim Wa. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group with strong and consistent leadership in the Company's decision making process and operational efficiency.

The Company will adopt the board diversity policy in compliance with the amended version of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules which will become effective from 1 September 2013 onwards. The Company will disclose the details of its compliance with the said requirement in its next annual report for the year ending 31 December 2013.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code for the six months ended 30th June, 2013.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's interim results for the six months ended 30th June, 2013. The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 30th June, 2013.

NUMBER AND PROPORTION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

According to the Listing Rules, the Company shall have at least 3 independent non-executive Directors ("INEDs"), which shall represent at least one-third of the Board.

A proposed ordinary resolution regarding the election of Mr. Lui Chi Wah, Johnny was not passed by the Shareholders at the annual general meeting of the Company (the "AGM") held on 31st May 2013 and upon conclusion of the AGM, the Board comprised 6 executive Directors and 2 INEDs. Both the number of INEDs and their proportion on the Board do not satisfy the requirements prescribed under the Listing Rules. An announcement in respect of such non-compliance was made by the Company on 31st May 2013.

The Company has remedied the said non-compliance by appointing Mr. Zhuang Zhongxi as an INED on 1st August 2013. An announcement in respect of such appointment has been made by the Company on the same date.