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 2014


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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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New Territories
Hong Kong

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Cayman Islands

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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4th Floor, Royal Bank House,
24 Shedden Road,
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Grand Cayman KY1-1110,
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HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712-16, 17/F
Hopewell Centre
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Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

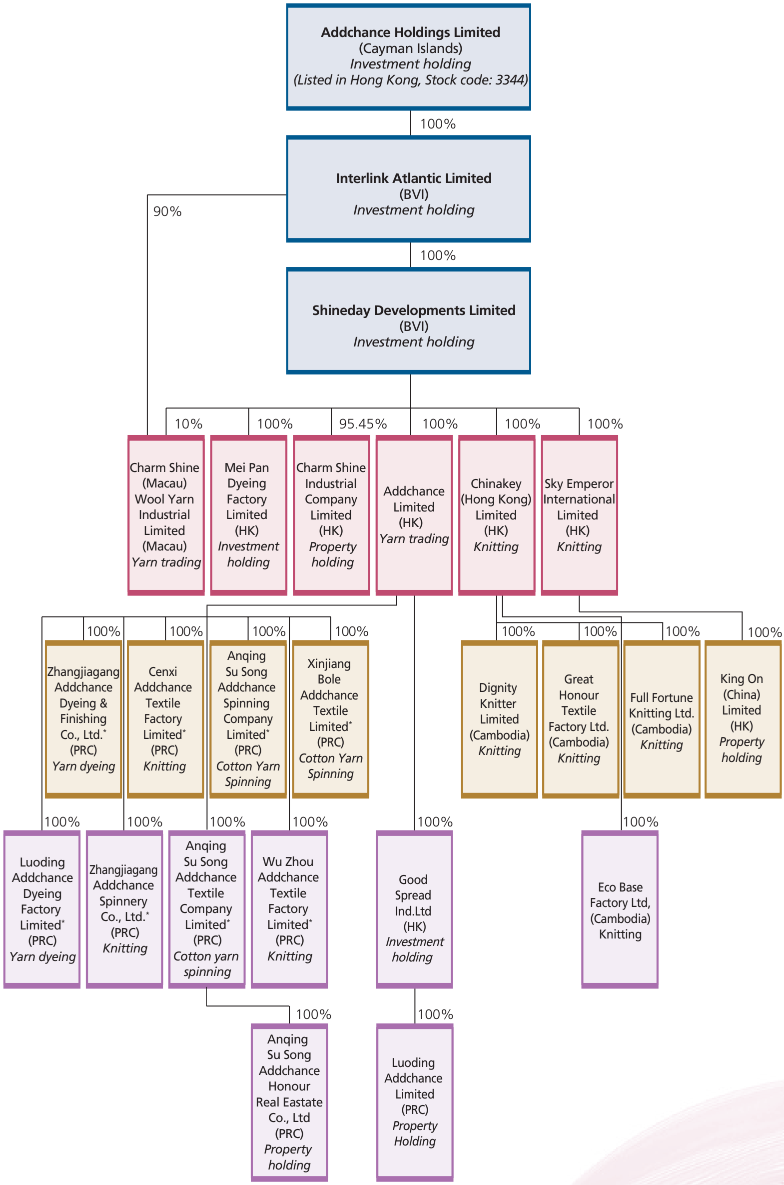
WEBSITE

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

STOCK CODE

3344

CORPORATE STRUCTURE AS AT 30TH JUNE, 2014



* for identification purpose only

FINANCIAL HIGHLIGHTS

Key Financial Results

	Six months ended 30 June		
	2014 HK$'000	2013 HK$'000	Changes +/-%
Turnover	**418,326**	510,983	-18.1%
Gross profit	**94,001**	168,522	-44.2%
(Loss)profit for the year	**(42,872)**	34,750	-223.4%
(Loss)profit attributable to:			
Equity holders of the Company	**(42,872)**	34,750	-223.4%
Minority interests	**–**	–	–%
(Loss)earnings per share (in HK cents)	**(972)**	7.87	-223.5%

Financial Ratios

	Six months ended 30 June	
	2014	2013
Profitability ratios:		
Gross margin	**22.5%**	33.0%
Net margin	**-10.2%**	6.8%
Liquidity ratios:		
Current ratio (times)	**1.09**	1.1
Stock turnover (days) *(Note 1)*	**659**	571
Debtors turnover (days) *(Note 2)*	**218**	180
Creditors turnover (days) *(Note 3)*	**65**	73
Capital adequacy ratio:		
Gearing ratio (%) *(Note 4)*	**46.1%**	44.4%

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.

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.
德勤

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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 25, which comprise the condensed consolidated statement of financial position as of 30th June, 2014 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
29th August, 2014

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

	NOTES	For the six months ended 30th June, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Revenue	3	418,326	510,983
Cost of sales		(324,325)	(342,461)
Gross profit		94,001	168,522
Other income		5,517	5,002
Other gains and losses	4	(16,829)	(5,250)
Selling and distribution costs		(41,166)	(46,754)
Administrative expenses		(63,146)	(68,738)
Finance costs	5	(21,440)	(20,422)
(Loss) profit before tax		(43,063)	32,360
Income tax credit	6	191	2,390
(Loss) profit for the period	7	(42,872)	34,750
Other comprehensive income that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		37,779	8,030
Total comprehensive (expense) income for the period		(5,093)	42,780
(Loss) earnings per share, in HK cents			
Basic	9	(9.72)	7.87

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2014

	NOTES	30.6.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		1,754	1,780
Property, plant and equipment	*10*	845,298	823,026
Prepaid lease payments		65,962	46,535
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		14,305	24,723
Club debenture		1,070	1,070
Other assets		15,863	15,899
Deferred tax assets		37	36
		944,289	913,069
CURRENT ASSETS			
Prepaid lease payments		1,550	2,509
Inventories		1,181,604	880,723
Trade receivables, bills receivables and other receivables, deposits and prepayments	*11*	573,899	654,138
Amounts due from related companies		4,401	3,543
Tax recoverable		218	218
Pledged bank deposits		48,077	46,296
Bank balances and cash		68,002	82,513
		1,877,751	1,669,940
Assets classified as held for sale	*12*	108,963	108,963
		1,986,714	1,778,903
CURRENT LIABILITIES			
Trade and other payables	*13*	244,036	175,682
Bills payable	*13*	–	13,072
Deposit received from transfer of the operation right of a subsidiary	*12*	184,774	184,774
Derivative financial instruments	*17*	30,101	19,845
Tax liabilities		2,939	3,007
Bank borrowings – due within one year	*14*	1,334,813	1,153,911
Bank overdrafts		15,951	17,564
Dividend payable		8,823	–
		1,821,437	1,567,855
NET CURRENT ASSETS		165,277	211,048
TOTAL ASSETS LESS CURRENT LIABILITIES		1,109,566	1,124,117

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2014

	NOTES	30.6.2014 HK$'000 (unaudited)	31.12.2013 HK$'000 (audited)
CAPITAL AND RESERVES			
Share capital	*15*	4,413	4,413
Reserves		1,090,651	1,104,567
		1,095,064	1,108,980
NON-CURRENT LIABILITY			
Deferred tax liabilities		14,502	15,137
		1,109,566	1,124,117

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2014

	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, 2013 (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
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(4,911)	–	(4,911)	–	(4,911)
Profit for the period	–	–	–	–	–	–	24,705	24,705	–	24,705
Total comprehensive income for the period	–	–	–	–	–	(4,911)	24,705	19,794	–	19,794
Transfer to statutory reserves	–	–	–	–	1,313	–	(1,313)	–	–	–
Dividend recognised as distribution *(note 8)*	–	–	(8,824)	–	–	–	–	(8,824)	–	(8,824)
At 31st December, 2013 (audited)	4,413	134,054	78,270	24,673	13,827	181,148	672,595	1,108,980	–	1,108,980
Exchange differences arising on translation of foreign operations	–	–	–	–	–	37,779	–	37,779	–	37,779
Loss for the period	–	–	–	–	–	–	(42,872)	(42,872)	–	(42,872)
Total comprehensive expense for the period	–	–	–	–	–	37,779	(42,872)	(5,093)	–	(5,093)
Transfer to statutory reserves	–	–	–	–	741	–	(741)	–	–	–
Dividend recognised as distribution *(note 8)*	–	–	(8,823)	–	–	–	–	(8,823)	–	(8,823)
At 30th June, 2014 (unaudited)	4,413	134,054	69,447	24,673	14,568	218,927	628,982	1,095,064	–	1,095,064

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 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, 2014

	For the six months ended 30th June, 2014 HK$'000 (unaudited)	2013 HK$'000 (unaudited)
Net cash used in operating activities	(100,138)	(109,602)
Net cash (used in) from investing activities:		
Acquisition of prepaid lease payments	(6,685)	–
Purchase of property, plant and equipment	(55,756)	(50,645)
Other investing cash flows	24	143
Deposit received from transfer of the operation right of a subsidiary	–	92,387
	(62,417)	41,885
Net cash from financing activities:		
New bank loans raised	920,541	847,731
Repayment of bank borrowings	(749,444)	(721,706)
Interest paid	(21,440)	(20,422)
	149,657	105,603
Net (decrease) increase cash and cash equivalents	(12,898)	37,886
Cash and cash equivalents at 1st January	64,949	107,092
Cash and cash equivalents at 30th June	52,051	144,978
Cash and cash equivalents at 30th June, represented by		
Bank balances and cash	68,002	162,666
Bank overdrafts	(15,951)	(17,688)
	52,051	144,978

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 Standards 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, 2014 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2013.

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

- Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities;
- Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities;
- Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets;
- Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting; and
- IFRIC – Int 21 Levies.

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

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, 2014

	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	34,047	164,877	194,844	16,295	8,263	418,326	–	418,326
Inter-segment sales	38,368	263,896	279,398	5,107	146,654	733,423	(733,423)	–
	72,415	428,773	474,242	21,402	154,917	1,151,749	(733,423)	418,326
SEGMENT (LOSS) PROFIT	(3,486)	27,287	(8,486)	(361)	(22,510)	(7,556)	–	(7,556)
Interest income								24
Rental income								882
Unallocated expenses								(4,807)
Other gains and losses								(10,166)
Finance costs								(21,440)
Group's loss before tax								(43,063)

3. SEGMENT INFORMATION *(Continued)*

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$'000	Total for reportable segments HK$'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 (LOSS) 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

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

3. SEGMENT INFORMATION *(Continued)*

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. This is the measure reported to the chief operating decision maker, the executive directors, for the purposes of reasonable allocation and performance assessment.

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

	30.6.2014 HK$'000	31.12.2013 HK$'000
Production and sale of cotton yarn	412,289	423,460
Production and sale of knitted sweaters	1,510,966	1,512,113
Production and sale of dyed yarns	365,278	329,734
Provision of dyeing services	47,245	43,079
Trading of cotton and yarns	353,100	123,268
Assets classified as held or sale	108,963	108,963
Unallocated corporate assets	133,162	151,355
	2,931,003	2,691,972

4. OTHER GAINS AND LOSSES

	For the six months ended 30th June,	
	2014 HK$'000	2013 HK$'000
Change in fair value of other assets	90	–
Change in fair value of derivative financial instruments	(10,256)	(9,815)
Net exchange (losses) gains	(6,663)	4,522
Gain on deregistration of a subsidiary	–	43
	(16,829)	(5,250)

5. FINANCE COSTS

	For the six months ended 30th June, 2014 HK$'000	2013 HK$'000
Interest on bank borrowings wholly repayable within five years	21,440	20,422

6. INCOME TAX CREDIT

	For the six months ended 30th June, 2014 HK$'000	2013 HK$'000
The credit comprises:		
Hong Kong Profits Tax		
– Current period	241	1,122
– Under(over)provision in prior years	40	(2,905)
PRC Enterprise Income Tax – current period	163	2,015
	444	232
Deferred taxation		
– Current period	(635)	(2,622)
	(191)	(2,390)

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. (LOSS) PROFIT FOR THE PERIOD

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

	For the six months ended 30th June,	
	2014 HK$'000	2013 HK$'000
Depreciation of investment properties	26	26
Depreciation of property, plant and equipment	47,646	45,428
Amortisation of prepaid lease payments	730	1,147
Interest income	(24)	(143)

8. DIVIDEND

	For the six months ended 30th June,	
	2014 HK$'000	2013 HK$'000
Dividend recognised as distribution during the period		
– 2013 final dividend of HK2.0 cents (2013: 2012 final dividend of HK2.0 cents) per share	8,823	8,823
– 2012 special dividend of HK3.0 cents per share	–	13,240
	8,823	22,063

8. DIVIDEND *(Continued)*

During the current interim period, a final dividend of HK2.0 cents per share in respect of the year ended 31st December, 2013 (six months ended 30th June, 2013: final dividend of HK2.0 cents per share in respect of the year ended 31st December, 2012) was declared and subsequently paid to the owners of the Company in August 2014.

The directors of the Company have determined that no dividend will be paid for the six months ended 30th June, 2014 (six months ended 30th June, 2013: HK2.0 cents per share).

9. (LOSS) EARNINGS PER SHARE

The calculation of basic loss per share for the period is based on the loss for the period attributable to owners of the Company of HK$42,872,000 (profit for the six months ended 30th June, 2013: HK$34,750,000) and on the number of shares in issue of 441,250,000 (six months ended 30th June, 2013: 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 HK$56,737,000 (six months ended 30th June, 2013: HK$50,645,000).

Depreciation on property, plant and equipment amounting to HK$47,646,000 (six months ended 30th June, 2013: HK$45,428,000) was provided for in the condensed consolidated statement of profit or loss and other comprehensive income during the current interim period.

11. 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.

11. TRADE RECEIVABLES, BILLS RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

At 30th June, 2014, included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$453,664,000 and bills receivables of HK$50,256,000 (31st December, 2013: trade receivables of HK$522,108,000 and bills receivables of HK$71,507,000), 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:

	30.6.2014 HK$'000	31.12.2013 HK$'000
Aged:		
0 – 30 days	307,816	327,869
31 – 60 days	74,159	85,415
61 – 90 days	24,631	81,863
91 – 120 days	16,058	20,051
Over 120 days	81,256	78,417
	503,920	593,615
Others	69,979	60,523
	573,899	654,138

12. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHT OF A SUBSIDIARY

As disclosed in the circular made by the Company dated 25th September, 2012 (the "Circular"), the Group entered into an operation right transfer agreement (the "Agreement") with an independent third party (the "Acquirer"), for the transfer of the operation rights of 100% interest in a subsidiary, Good Spread Industrial Limited ("Good Spread"), the immediate holding company of Luoding Addchance Limited for a cash consideration of HK$554,321,000 which will be payable in six instalments within 5 years from 31st December, 2012, with the first two instalments of HK$184,774,000 in total being received as at 31st December, 2013 and the remaining four instalments with an aggregate amount of HK$369,547,000 will be received from 30th January, 2014 to 30th July, 2016.

12. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHT OF A SUBSIDIARY *(Continued)*

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 instalments of the consideration which should originally take place on 30th January, 2014 in accordance with the Agreement, subscribe for 99.999% of the enlarged issued share capital of new shares of Good Spread with an exercise price of HK$1 per share.

During the year ended 31st December, 2013, the Company borrowed HK$184,774,000, being an amount equal to the third and the fourth instalments in total, from a bank and the Acquirer agreed to transfer fund to the Company to repay the loans when they fall due in December 2014. This arrangement of fund transfer will replace the third and the fourth instalments which should originally be payable on 30th January, 2014 and 30th November, 2014, respectively. Due to the above arrangement, the pre-requisite conditions precedent set out in the Agreement is considered not be fulfilled on 30th January, 2014. The Acquirer can only subscribe for 99.999% of the enlarged issued share capital of new shares of Good Spread with an exercise price of HK$1 per share within 60 days from the date on which it has transferred fund to the Company to repay the bank loans in December 2014.

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 assets of Good Spread and Luoding Addchance Limited have been classified as assets held for sale and is separately presented in the condensed consolidated statement of financial position at the end of the reporting period. The first two instalments of the consideration (i.e. deposit received from transfer of the operation rights of a subsidiary) of HK$184,774,000 in total received as at 30th June, 2014 has been classified as a current liability (31st December, 2013: HK$184,774,000).

Assets related to disposal of the subsidiary as at the end of the reporting period are as follows:

	30.6.2014 HK$'000	31.12.2013 HK$'000
Prepaid lease payments	75,555	75,555
Property, plant and equipment	33,408	33,408
	108,963	108,963

13. TRADE AND OTHER PAYABLES/BILLS PAYABLE

At 30th June, 2014, included in trade and other payables are trade payables of HK$116,573,000 (31st December, 2013: HK$70,356,000) and their aged analysis, presented based on the invoice date, at the end of reporting period is as follows:

	30.6.2014 HK$'000	31.12.2013 HK$'000
Aged:		
0 – 60 days	58,330	35,957
61 – 90 days	21,442	13,195
Over 90 days	36,801	21,204
	116,573	70,356
Other payables and accruals	127,463	105,326
	244,036	175,682

There is no bills payable at 30th June, 2014 and the bills payable at 31st December, 2013 are aged within 0 to 120 days.

14. BANK BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK$920,541,000 (six months ended 30th June, 2013: HK$847,731,000) as additional working capital and made repayment of HK$749,444,000 (six months ended 30th June, 2013: HK$721,706,000). Included in the new loans are amounts of HK$184,105,000 bearing fixed interest at rates ranging from 6.00% to 7.80% per annum and the remaining amounts bearing variable interest at rates at a margin over Hong Kong Interbank Offered Rate which ranged from 2.50% to 9.90% per annum.

As at 30th June, 2014, bank loans of HK$52,027,000 (31st December, 2013: HK$90,406,000) that are repayable in 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, they are classified under current liabilities.

15. SHARE CAPITAL

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

16. COMMITMENTS

	30.6.2014 HK$'000	31.12.2013 HK$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of acquisition of:		
– Property, plant and equipment	9,272	10,768
– Land use rights	–	10,000
	9,272	20,768

17. FAIR VALUE MEASUREMENTS OF DERIVATIVES

The Group has entered into certain derivative contracts which are classified as derivative financial liabilities as at 30th June, 2014 and 31st December, 2013, 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).

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

Financial liabilities	Fair value as at 30.6.2014	Fair value as at 31.12.2013	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$10,846,000	HK$1,782,000	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$19,255,000	HK$18,063,000	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: As at 30th June, 2014, the Group has entered into some foreign currency forward contracts to buy USD in aggregate notional amount of USD2,000,000 and USD9,000,000 with forward exchange rates HKD/USD ranging from 7.74 to 7.78 and RMB/USD ranging from 6.03 to 6.35 respectively.

Due to the depreciation of Renminbi against USD in the current interim period, the Group recognised a fair value loss of derivative financial instruments amounting to HK$10,256,000. During the current interim period, the Group entered into two foreign currency forward contracts in the aggregate notional amount of USD3,000,000 with monthly net-settlement and the maturity date of these contracts is on 29th December, 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.

18. 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:

	30.6.2014 HK$'000	31.12.2013 HK$'000
Land use rights *(Note)*	86,487	86,207
Property, plant and equipment	8,451	8,359
Other assets	15,863	15,899
Pledged bank deposits	48,077	46,296
	158,878	156,761

Note: Land use rights of HK$75,555,000 (31st December, 2013: HK$75,555,000) included in assets classified as held for sale.

19. 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, 2014 HK$'000	2013 HK$'000
Dr. Sung Chung Kwun	Note 1	Rental expense paid	445	445
Addchance Dyeing Factory Limited	Note 2	Rental expense paid	2,820	2,400

19. RELATED PARTY DISCLOSURES *(Continued)*

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

Note 1: Dr. Sung Chung Kwun is a former executive director and former chairman and having controlling interests in the Company.

Note 2: Dr. Sung Chung Kwun and Sung Kim Ping, being former director and director of the Company, have controlling interests in the related 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, the aggregate amount of which was HK$4,388,000 during the current interim period (six months ended 30th June, 2013: HK$3,654,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

We are pleased to report the unaudited results of the Group for the six months ended 30th June, 2014. The Group's consolidated revenue decreased by approximately 18.1% to HK$418.3 million. During the reporting period, the Group recorded a loss of approximately HK$32.6 million from its core business.

With the cancellation of the PRC government's national cotton temporary reserve policy and the absence of a detailed full scale of direct subsidies policy, the cotton textiles trading industry experienced a period of uncertainty and sluggish growth in the first half of 2014. The yarn textile industry is undergoing an overall downward trend in market price and decelerating overall production. Since the drop in the auction price of the national cotton reserve set by the PRC government in the first quarter of 2014, the average yarn selling prices in the PRC market further declined with the pessimistic and cautious approach adopted by those cotton and dyed yarns customers.

On the other hand, market demands from European customers increased as expected and the average selling price increased despite the competitive environment. Our production capacity increased with the expansion of our green factory in Cambodia and the corresponding production costs were generally averaged down. Overall baseline for sweater business segment was expected to be improved significantly for the full year of 2014.

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. Our first green factory in Cambodia has commenced operation since the first quarter of 2013 and our production capacity was increased as planned since then. According to China National Textile and Apparel Council, China has started working towards building a greener environment in the coming years to develop a sustainable growth strategy for the local textile industry. This, to a large extent, synchronizes with our development 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. We received the recognized environmental-related permits as planned. Full operation has commenced in 2013 and the production costs were averaged down. The establishment of the green factory not only increased our production capacity but also strengthened our competitive advantages towards those EU customers. We expect that we can launch new environmental products with higher average selling prices in order to maintain our market share in this competitive environment. As the pioneer in 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. In order to increase our output per person by upgrading the automation of machineries and enhancing the overall production efficiency, we will endeavour to optimize our value chain and operation efficiency.

On 29th June, 2012, the Group entered into an Operation Right Transfer Agreement with third parties to transfer the operating right of our subsidiary in the PRC, Luoding Addchance Limited, which is principally engaged in the business of property development. The consideration of this transfer was approximately HK$554.3 million and will be payable by six instalments within 5 years commencing from July 2012. As at 30th June, 2014, we have received 2 instalments 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 to the Group's net profit upon completion date.

PROSPECTS

The cotton price in the PRC market is expected to be more market-oriented with the cancellation of the PRC government's national cotton temporary reserve policy which had been implemented for the past three years. Clearer pricing trend on the domestic cotton is expected in the second half of 2014 with the implementation of the detailed regulations on subsidies policy for domestic cotton by the PRC government. Cotton yarn prices are expected to become more stable in the next season.

The market condition for textile industry remained difficult in the first half of 2014. The profit of some enterprises declined and the inventories 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. 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. Our manufacturing plants which were established in Cambodia for a number of years can enjoy the cost benefits of the human resources in Cambodia and the import tariff concessions granted by EU and Japan. These factors strengthened our bargaining power of orders received from EU and Japan. Therefore, further development in Cambodia will be our focus in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking ahead, the global economy will undoubtedly remain uncertain. However, with our focus on development in Cambodia, we can, not only hedge against the difficulties of continuously rising production costs in the PRC, but also strengthen 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 increase with the growing domestic consumption in the PRC. As guided by the 12th Five-year Plan of the PRC government, 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 textile manufacturers and exporters in the world, bringing in huge business opportunities for the market players.

Being a member of Better Cotton Initiative ("BCI"), the Group aimed to diversify our product varieties by reducing the amount of water and chemicals used to grow cotton and improve social and economic benefits for cotton farmers. Working with this international social care organization, the Group not only can diversify our product varieties but can also take the responsibility for community care. Production of those BCI products has already been started in 2013 in our spinning production arms. We expect that we can continue to strengthen our production technology on value-added yarns in the coming years.

By combining our 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 derived from the Operation Right Transfer Agreement, we believe that we are in a much better position to grasp any market opportunities, mitigate the impacts of the market's current volatility and maintain our leading position in the global cotton textile industry.

FINANCIAL REVIEW

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

Total revenue for the six months ended 30th June, 2014 was approximately HK$418.3 million. Comparing with the corresponding period last year, the revenue dropped by around 18.1% for the period under review, decreased from approximately HK$511.0 million to approximately HK$418.3 million for the period under review. Production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group.

Similar to the seasonal trend in each interim period, turnover of the sweater business decreased by around 15.1%, from approximately HK$196.1 million to approximately HK$164.9 million during the period under review, representing approximately 39.4% of the Group's total turnover. The decrease in turnover was due to the lengthening of the production lead time from our EU customers. Most of the shipments were made after the end of the period under review and in turn sales will be recognized subsequent to the end of the period under review. Average selling price of the knitted sweaters can be raised by around 10% despite the stagnant market conditions while sales volume decreased by approximately 31.5%. Same as last year, the Group's sales contribution of sweater business was mainly driven by the increased orders from EU and Japan while the domestic sales from the PRC decreased as expected with continuing rising labour costs in the PRC. The Group strategically shifted the sales focus from the PRC to EU customers by utilizing the competitive advantages of the low labour cost of our factories in Cambodia. Such competitive advantages allowed the Group to grasp greater market shares. New customers were secured from Europe, Australia and Japan strategically. Our sweater business is being vertically benefited from our upstream spinning arms by utilizing the raw materials at a controllable and stable costs and in turn improving our profit margins. Our sweater products were still mainly exported to Europe and the Group continues to expand our customer base to reduce our reliance on some customers. With the expansion of our green factory in Cambodia, the Group will focus our products on those middle to high-end textile products with environmental-friendly features. Besides, textile products imported from Cambodia are entitled to tax exemption for those European customers and again strengthen the bargaining power of the Group.

Sales generated from the production and sales of dyed yarn decreased by approximately 14.3%, from approximately HK$227.4 million to approximately HK$194.8 million for the period under review, representing approximately 46.6% of the Group's total turnover. As mentioned above, the average yarn selling prices in the PRC market dropped significantly during the period under review with the persimisstic and cautious approach adopted by those cotton and dyed yarns customers. Therefore, less amount of yarn was ordered from third party suppliers with lower average selling prices and more self-made yarn was utilized. With our competitive advantage gained from our self-owned upstream manufacturing facilities, the Group can ensure stable supply on 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 margins in the future.

Production and sales of cotton yarns is another core business segment of the Group. Revenue generated from sales of cotton yarns decreased by approximately HK$27.1 million or 44.4% to approximately HK$34.0 million. Sales volume of cotton yarns decreased by around 14.4% whereas the average selling price recorded a decrease of approximately 3.3%. With the general weak cotton yarn prices in the industry and the changes in the procurement and inventory control strategies, less cotton yarns sales were made for the period under review in order to avoid the accumulation of inventories of the yarns products. As a result, the external utilization rate of the cotton yarn was kept at around 43.1%.

In line with the overall weak trend in the dyed yarn business, revenue generated from the provision of dyeing services decreased from HK$21.4 million to approximately HK$16.3 million for the period 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 over 95% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds was derived from exports to overseas countries and places including Thailand, Taiwan, and Indonesia.

TURNOVER by operation
(Amount HK$'000)

	Six months ended 30th June		Changes
	2014	2013	+/-%
Production and sale of dyed yarns	194,844	227,354	-14.3
Production and sale of knitted sweaters	164,877	196,100	-15.9
Production and sale of cotton yarn	34,047	61,096	-44.3
Provision of dyeing services	16,295	21,353	-23.7
Trading of cotton and yarns	8,263	5,080	+62.7
	418,326	510,983	-18.1

TURNOVER by operation
(in % of total)

	Six months ended 30th June	
	2014	2013
Production and sale of dyed yarns	46.6%	44.4%
Production and sale of knitted sweaters	39.4%	38.4%
Production and sale of cotton yarn	8.1%	12.0%
Provision of dyeing services	3.9%	4.2%
Trading of cotton and yarns	2.0%	1.0%

Cost of Sales

With the decrease in sales of approximately 14.6%, the cost of sales decreased in lesser extent by approximately 1.1% for the period under review. With the expansion of the production capacity in Cambodia and the resulting decrease in labour costs, the change in product mix, 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 are expected to be improved in the second half of 2014 upon the removal of those seasonal factors. Direct labour costs and other factory overheads kept increasing but at a controllable level.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK$94.0 million for the period under review, with gross profit margin at approximately 22.5%. The overall gross profit margin decreased slightly comparing with the gross profit margin during the corresponding period last year. With the decrease in sales in the first half of 2014, those variable and fixed production costs were not able to be leveraged down so as the sales volumes were not optimized in the production cycles. However, with the recovery of the sales orders in the second half in 2014, the Group is able to leverage on the cost advantage of the production base in Cambodia and optimize the product mix and therefore improving the Group's performance. On the other hand, 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 those high-valued products during the period under review. 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$10.3 million, a net loss of approximately HK$32.6 million was incurred from the core business of the Group during the period under review. With the overall weak trend on the cotton yarn industry, our dyeing and spinning business segments suffered a temporary loss, sweater business continued to remain as our profitable business segment. Cotton yarn prices are expected to be more stable in the next season and with the removal of the seasonal factors, we expect that the overall net profit margin will be improved in the second half of 2014. The Group will continuously overcome the challenges by sharpening its competitive edge.

Other revenue

Other revenue of approximately HK$5.5 million mainly comprised the income derived from the disposal of scrapped materials, exchange gains and interest income.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. For the period under review, the Group's selling and distribution costs amounted to approximately HK$41.2 million, representing approximately 9.8% of the Group's turnover.

Administrative expenses

Administrative expenses of approximately HK$63.1 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 15.1% of the Group's turnover during the period under review.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which remained at approximately HK$21.4 million, representing approximately 5.1% of the Group's turnover. Amount was kept at a stable level as that during the corresponding period last year.

Borrowings

As at 30th June, 2014, the Group had outstanding bank borrowings of approximately HK$1,350.8 million, which was classified as falling due within one year. Amount increased further by approximately HK$126.9 million or 10.4% when comparing with the balance as at last corresponding period end. Amongst the total bank borrowings, approximately HK$577.1 million was in term loan nature and approximately HK$757.7 million was in trade nature. Trade loan amount was kept a similar level as last period end because of the seasonal factors. Loan would be released upon the delivery of those goods sold. Term loan raised was mainly relating to the installations of additional knitting machineries in Cambodia and PRC production bases.

Net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, was increased to 1.13 for the period under review.

The transfer of the operating right of Luoding Addchance Limited will strengthen the cash inflow position of approximately HK$554.3 million in 5 years commencing from July 2012. 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, 2014, the Group's cash and cash equivalents amounted to approximately HK$52.1 million, which decreased from HK$64.9 million last year end. Total assets increased to approximately HK$2,931.0 million as at period end.

Net cash used in operating activities remained at a similar level as that during the corresponding period last year. Less cash was generated from investing activities due to the absence of the instalment payments received from the transfer of the operating right of Luoding Addchance Limited during the period under review. Although there was an increase in the net cash generated from financing activities, the net cash and cash equivalents held by the Group as at period end decreased to approximately HK$52.1 million.

The Group mainly met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings. The Group will focus on reducing the net gearing ratio continuously by improving profitability, procuring the disposal of non-core properties as well as the implementation of tighter control over costs, working capital and capital expenditure. In 2012, the Group entered into an Operation Right Transfer Agreement with third parties to transfer 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 of the Group. This disposal will strengthen the cash inflow position of the Group in the coming years.

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

Stock turnover days

Stock turnover days of the Group for the six months ended 30th June, 2014 was approximately 659 days, which lengthened by around 88 days as compared with 571 days for the corresponding period last year. Similar as interim period, the lengthening of the production lead time for our major customers also increased our stock turnover days. 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 38 days from 180 days during last year to 218 days for the period under review. Credit control on debt collection and new customers selection procedures are still being carried out 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 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 deem relevant. Taking into account the cash required for the Group's operation in the second half of 2014, the Board of Directors of the Company does not recommend the payment of interim dividend for the six months ended 30th June, 2014.

CONTINUING CONNECTED TRANSACTION

The related party transaction with Addchance Dyeing Factory Limited as disclosed in note 19 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.

2013 Tenancy Agreement

On 13th December, 2013, Addchance Dyeing Factory Limited and Addchance Limited entered into a tenancy agreement (the "2013 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 2013 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, 2013 to 18th November, 2016 (both days inclusive).

The monthly rent payable under the 2013 Tenancy Agreement shall be HK$470,000, exclusive of rates, management fees and air-conditioning charges. There was a rent free period from 19th November, 2013 to 31st December, 2013. During the term of the 2013 Tenancy Agreement, the parties may negotiate to review the rent for each of the years ending 18th November, 2015 and 18th November, 2016 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, 2015 and 18th November, 2016 shall not in any event be more than HK$510,000 and HK$560,000, respectively.

As Addchance Limited is an indirect wholly-owned subsidiary of the Company and Addchance Dyeing Factory Limited is a company owned as to 60% by Dr. Sung, the former Chairman, a 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 2013 Tenancy Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

The terms of the 2013 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 13th December, 2013.

The Group are using the Premises for office purpose.

Details of the 2013 Tenancy Agreement have been disclosed in the announcement of the Company dated 13th December, 2013. During the six months ended 30th June 2014, the total rental expenses paid by the Group was approximately HK$2.8 million.

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 2013 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 and (ii) has been entered into in accordance with the relevant agreement governing the transaction.

The other related party transaction with Dr. Sung as disclosed in note 19 to the consolidated financial statements constituted an exempt continuing connected transaction.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2014, 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	2,786,000	0.63%
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, 2014.

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

As at 30th June, 2014, 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

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)*	257,000,000	58.24%
	(ii) Beneficial owner	61,600,000	13.97%

Note:

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

Save as disclosed above, as at 30th June, 2014, 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, 2014.

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, 2014. 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, 2014.

CORPORATE GOVERNANCE CODE

During the six months ended 30th June, 2014, 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 management structure, as the Directors consider that this management structure provides the Group with strong and consistent leadership in the Company's decision making process and operational efficiency.

MODEL CODE FOR SECURITIES TRANSACTIONS

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, 2014.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's interim results for the six months ended 30th June, 2014. 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, 2014.