



# Addchance Holdings Limited 互益集團有限公司

(a company incorporated in the Cayman Islands with limited liability)  
(Stock Code: 3344)



# 2014

Annual Report

- Major cotton agricultural bases
- Major dyeing bases



Xinjiang  
Bole Addchance

Zhangjiagang  
Dyeing Mill  
Susong  
Spinning  
Mill

The Yangtze River

Xijiang River

Hong Kong Headquarters

Thailand

Cambodia

Winner Knitting Factory Limited  
River Rich Textile Limited

Cenxi  
Knitting  
Mill  
Wuzhou  
Knitting  
Mill  
Luoding  
Composite  
Mill

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# FINANCIAL HIGHLIGHTS

## Key Financial Results

	Year ended 31st December,					
	2014 HK\$000	2013 HK\$000	Changes +/-%	2012 HK\$000	2011 HK\$000	2010 HK\$000
Turnover	1,016,283	1,401,667	-27.5%	1,450,209	1,291,790	1,417,661
Gross profit	72,256	322,923	-77.6%	278,468	284,163	272,863
(Loss) profit for the year	(184,258)	59,455	n/a	30,561	90,253	71,431
(Loss) earnings per share (in HK cents)	(41.76)	13.47	n/a	7.28	20.38	16.69

## Financial Ratios

	Year ended 31st December,					
	2014	2013		2012	2011	2010
Profitability ratios:						
Gross margin (%)	7.1	23.0		19.2	22.0	19.2
Net margin (%)	n/a	4.2		2.1	7.0	5.0
Liquidity ratios:						
Current ratio (times)	1.03	1.13		1.15	1.1	1.25
Stock turnover (days) (Note 1)	398	298		238	283	172
Debtors turnover (days) (Note 2)	87	155		147	80	65
Creditors turnover (days) (Note 3)	25	28		35	22	24
Capital adequacy ratio						
Gearing ratio (%) (Note 4)	43.8	43.5		43.8	45.0	33.6

### Notes:

1. The number of stock turnover days is equal to inventory at the end of year divided by the cost of sales for the year and then multiplied by 365 days.
2. The number of debtors' turnover days is equal to trade and bills receivables at the end of year divided by the sales of the year and then multiplied by 365 days.
3. The number of creditors' turnover days is equal to trade and bills payable at the end of year divided by the cost of sales for the year and then multiplied by 365 days.
4. The gearing ratio is equal to total bank borrowings at the end of the year divided by total assets at the end of the year.

## EXECUTIVE DIRECTORS

Mr. SUNG Kim Wa (*Chairman*)  
Mr. SUNG Kim Ping  
Mr. WONG Chiu Hong  
Mr. TSANG Fai  
Mr. LO Ping

## NON-EXECUTIVE DIRECTOR

Mr. CHUI Chi Yun, Robert, M.H

## INDEPENDENT NON-EXECUTIVE DIRECTORS

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

## COMPANY SECRETARY

Ms. CHANG Kam Lai (appointed on 1st April, 2015)

## 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. CHANG Kam Lai (appointed on 1st April, 2015)

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL BANKERS

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

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited  
Shops 1712-16, 17/F  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

## AUDITOR

Deloitte Touche Tohmatsu

## LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

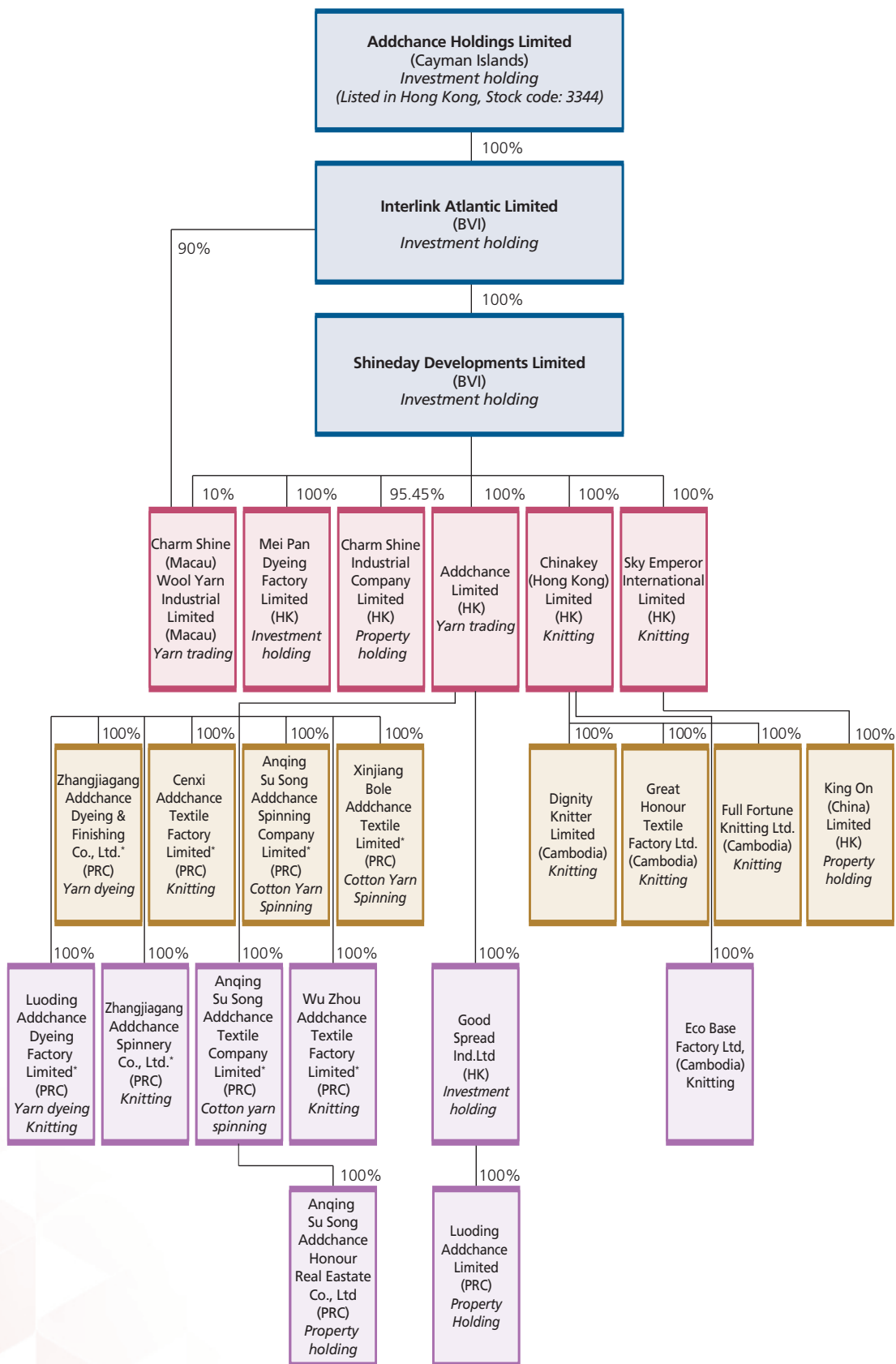
## WEBSITE

[www.addchance.com.hk](http://www.addchance.com.hk)  
[www.irasia.com/listco/hk/addchance/index.htm](http://www.irasia.com/listco/hk/addchance/index.htm)

## STOCK CODE

3344

# CORPORATE STRUCTURE AS AT 31ST DECEMBER, 2014



\* for identification purpose only





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As a successful example, our Cambodian plant became the Group's first eco-friendly green plant, making use of natural resources, ambient lighting board illumination that is resistant to strong ultraviolet light and insulation materials.

During the year of 2014, the economy of the United States had signs of recovery from its long slowdown, but European countries were not strong enough to carry it on fully due to their economic gap, and the market economy is still in a downturn and uncertainty. Moreover, China was badly affected by the policy of cotton reserve in 2012 and 2013 which was cancelled in 2014, and suffered from overcapacity in real estate across the country, which resulted in poor selling power, inflation, and unstable RMB exchange rate, which put the textile industry under a very tough period. The textile industry still needs time to further recover together with the economy.

## CHAIRMAN'S STATEMENT

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2014 is a rather tough year for the Group. Affected by the Luoding's relocation plan of dyeing & finishing plant made in the previous year, the Group must acquire new land and factory building to put into construction, and relocate parts of its production facilities as scheduled. In addition, Luoding sweaters production base has completed the addition of computer loom equipment, and has relocated it to the urban plant for production purpose.

As China's economy has developed rapidly over the past years, such development recently slows down dramatically and the Group is prepared to continue to deepen the reform of the existing production bases in various regions, including streamlining the human resources in each production base, reduction of the production cost, re-allocation and integration of production base in various regions, closure of non-profitable enterprise. With a rosy prospect of the downstream overseas sweater business of the Group, the Group will relocate the remaining sweater equipment to Cambodia, make good use of local advantages in Cambodia, shorten the time of production and delivery, leverage the productive capacity, to respond to overseas customers' expectations.

The Group understands that a weak market, together with the re-allocation and integration of production bases in various regions and relocation of part of the production base in Luoding, certainly will cause its performance back down this year, and record loss, but the directors of the Company are confident that these relocation and deployment, will lay a solid foundation for 2015 upon its completion.

In addition, because of the difficult market condition for the textile industry and the need to diversification, the Company has been seeking business development or investment opportunities from time to time to enhance long-term growth potential.

Mr. SUNG Kim Wa  
*Chairman*

Hong Kong, 27th March, 2015





## BUSINESS REVIEW AND PROSPECTS

### Business Review

We are pleased to report the audited results of the Group for the year ended 31st December, 2014. The Group's consolidated revenue decreased by approximately 27.5% to HK\$1,016.3 million and recorded a loss of approximately HK\$184.3 million for the year of 2014.

With the cancellation of the PRC government's national cotton temporary reserve policy and the absence of a detailed and full scale direct subsidy policy, the cotton textile trading industry demonstrated a period of uncertainty and sluggish growth in the year of 2014. The yarn textile industry has been undergoing an overall downward trend in the market price and an overall decelerating 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 due to the pessimistic and cautious approach taken by those cotton and dyed yarns customers.



## MANAGEMENT DISCUSSION AND ANALYSIS

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On the other hand, market demands from European customers decreased as a whole as the downstream customers became more cautious in placing orders or otherwise delaying in placing the same, which adversely affected the sales volume and selling prices of the products of the Group. Although our production capacity increased with the expansion of our green factory in Cambodia throughout the year, the decrease in the sales volume cannot effectively leverage down the production costs and therefore the baseline for sweater segment for the year of 2014 was adversely affected.

Sweater business is still the most profitable business of the Group and we continue 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 in the first half of 2013. 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 waste disposals. We obtained the recognized environmental-related permits as planned. Full operation was commenced in the year of 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. Being the pioneer in terms of green textile manufacturing, we will use our best endeavour to optimize the overall production efficiency, to create a greener and more environmental-friendly industry in the future, and to increase the output per head by upgrading the automation of machineries and enhancing the overall production efficiency. We will also endeavour to optimize our value chain and operation efficiency.

On 29th June, 2012, the Group entered into an operation right transfer agreement (the “Transfer Agreement”) with third parties to transfer the operating right of our PRC subsidiary, Luoding Addchance Limited, the principal business of which is property development. The consideration of such transfer was approximately HK\$554.3 million payable by six instalments within 5 years commencing from July 2012. As of 31st December, 2014, we have received the first 2 instalments and part of the 3rd instalment of payment in the aggregate sum of approximately HK\$236.1 million. Such transfer will further strengthen the cash flow position and the net profit of the Group upon completion.

## PROSPECTS

The cotton price in the China 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. A clearer pricing trend on the domestic cotton is expected in the coming years with the upcoming introduction of the detailed regulations on subsidy policy for domestic cotton by the PRC government. Cotton yarn prices are expected to be more stable in the next season.

The market condition for textile industry remained difficult in the year of 2014. The profit of some enterprises slumped and the backlog of franchisees remained heavy, which was mainly due to the increase in the raw material prices, and the decrease in the purchasing capacity of the end market and the implementation of real estate control policies. The 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 which will also bring opportunities to the Group. Our manufacturing plants have been established in Cambodia for years and we can thus enjoy the cost benefits of the human resources in Cambodia and the import tariff concessions offered by EU and Japan. These factors strengthened our bargaining power to receive orders from EU and Japan. Therefore, further development in Cambodia will be our focus in the coming years. However, with the view of the current challenging market environment, the Group will continue to adopt a cautious approach to the financial resources management and will concentrate its efforts on consolidating existing resources in order to strengthen its established positions in China and Cambodia.

Looking ahead, the global economy will undoubtedly remain uncertain. However, with our focus on the development in Cambodia, we can not only hedge against the difficulties of the ever-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. The 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, textile industry is believed to undergo significant reorganization and transformation. With a 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 the variety of our products by reducing the amount of water and chemicals used in manufacturing cotton and thus improving the social and economic benefits for cotton farmers. Working with this international social care organization, the Group can not only diversify the variety of our products but also take the responsibility for community care. The production of those BCI products has already commenced in the year of 2013 from our spinning production arms. We expect that we can continue to strengthen our production technology on value-added yarns in the coming years.

## MANAGEMENT DISCUSSION AND ANALYSIS

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By combining our expertise in production and efficiency in production 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 were recognized by international accreditation organizations for our dedication and commitment to our customers. Further, by leveraging on our new cash flow stream from the Transfer Agreement, we believe that we are in a much better position to grasp the market opportunities, mitigate the impacts of the current volatility in the market and maintain our leading position in the global cotton textile industry.

In order to strengthen its cash resources and working capital position and to broaden its shareholders base, on 24th December, 2014, the Company entered into a placing agreement with the placing agent, KGI Asia Limited, pursuant to which the placing agent has agreed to place 88,000,000 shares of the Company held by Powerlink Industries Limited to not less than six independent investors at the price of HK\$1.05 per share. On the same date, the Company and Powerlink Industries Limited entered into a subscription agreement for the subscription of up to 88,000,000 new shares (the "Subscription Shares") at the subscription price of HK\$1.05 per share. After deduction of the placing commission and other related expenses, the net price per Subscription Share was approximately HK\$1.03. The closing price of the shares of the Company as quoted on the Stock Exchange on 24th December, 2014 was HK\$1.19.

On 29th December, 2014, the placing was completed and 88,000,000 shares, represented approximately 19.94% of the existing issued share capital of the Company, have been placed to not less than six independent investors. The gross proceeds from the placing was approximately HK\$92.4 million. The net proceeds from the placing, which amounted to approximately HK\$90.6 million, constituted a deposit (the "Deposit") payable by Powerlink Industries Limited to the Company for the subscription of the Subscription Shares.

On 7th January, 2015, the Company allotted and issued 88,000,000 ordinary shares of HK\$0.01 each of the Company at the price of HK\$1.05 per share, to Powerlink Industries Limited. The Deposit was applied as payment of the subscription price of the Subscription Shares and will be used for general working capital of the Group. The said 88,000,000 shares represented approximately 16.62% of the existing issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The Directors intend to use the net proceeds as general working capital of the Group and for any potential investment opportunities in the future.

As announced on 13th March, 2015, the Company has entered into an agreement to purchase the 13% equity interest in a company, which in turn holds 89.99% effective interest in a natural gas distribution operation in Shanxi Province, the PRC and the Group considers that this is a good opportunity to gain possible benefits arising from infrastructure project. The Company is still seeking new business development or investment opportunities.

## FINANCIAL REVIEW

### Turnover

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

The total revenue for the year ended 31st December, 2014 was approximately HK\$1,016.3 million. Comparing with that of last year, the revenue dropped by approximately 27.5% for the year under review, decreasing from approximately HK\$1,401.7 million to approximately HK\$1,016.3 million. Production and sales of knitted sweaters and dyed yarn remain as the principal operation of the Group.

#### TURNOVER by operation

(Amount HK\$'000)

	2014	2013	+/-	2012	2011	2010
Production and sale of dyed yarns	307,105	403,156	-23.8%	363,038	425,938	558,614
Production and sale of knitted sweaters	541,105	811,026	-33.3%	879,342	698,638	606,261
Production and sale of cotton yarn	114,470	131,486	-12.9%	154,076	116,002	184,381
Provision of dyeing and knitting services	39,908	43,113	-7.4%	33,396	28,994	36,167
Trading of cotton and yarns	13,695	12,886	6.3%	20,357	22,218	32,238
	<u>1,016,283</u>	<u>1,401,667</u>	<u>-27.5%</u>	<u>1,450,209</u>	<u>1,291,790</u>	<u>1,417,661</u>

#### TURNOVER by operation

(in % of total)

	2014	2013		2012	2011	2010
Production and sale of dyed yarns	30.2%	28.8%		25.0%	33.0%	39.4%
Production and sale of knitted sweaters	53.2%	57.9%		60.6%	54.1%	42.8%
Production and sale of cotton yarn	11.3%	9.4%		10.6%	9.0%	13.0%
Provision of dyeing and knitting services	3.9%	3.1%		2.3%	2.2%	2.5%
Trading of cotton and yarns	1.4%	0.8%		1.5%	1.7%	2.3%

The turnover of the sweater business decreased significantly by approximately 33.3%, from approximately HK\$811.0 million for the year ended 31st December, 2013 to approximately HK\$541.1 million for the year under review, representing approximately 53.2% of the total turnover of the Group.



## MANAGEMENT DISCUSSION AND ANALYSIS

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Same as the interim period, the decrease in turnover was due to the lengthening of the production lead time from our EU customers and the wait-and-see approach taken by those downstream customers. Some orders were deferred and the shipments were made after the year end and thus the sales will only be recognized after the year end. The average selling price of the knitted sweaters slightly increased by around 4.1% comparing to that of last year despite the stagnant market conditions while the sales volume was decreased by approximately 42.1%. Same as last year, the sales contribution of sweater business of the Group was mainly driven by the increased orders from EU and Japan while the domestic sales from the PRC decreased as expected with the ever-rising labour costs in the PRC. The Group strategically shifted the sales focus from the PRC customers to EU customers by utilizing the competitive advantages of the low labour cost in our Cambodia factories. Such competitive advantages allowed the Group to grasp greater market shares. Our sweater business is vertically benefited from our upstream spinning arms by utilizing the raw material at a controllable and stable costs which in turn improved our profit margins. Our sweater products are still mainly exported to the Europe and we continue to expand our customer base in order to reduce our reliance on certain major 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. Beside, textile products imported from Cambodia are subject to tax exemption for those European customers and also strengthen the bargaining power of the Group.

Sales generated from the production and sales of dyed yarn decreased substantially by approximately 23.8%, from approximately HK\$403.2 million to approximately HK\$307.1 million during the year under review, representing approximately 30.2% of the total turnover of the Group. Similar to those happened in the interim period, the average yarn selling price in the PRC market continuously dropped during the year under review due to the pessimistic and cautious approach taken 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 provide stable supply of those yarn products for the production of dyed yarns and we continue 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.

The production and sales of cotton yarns is another core business segment of the Group and it represents approximately 11.3% of the turnover of the Group. Revenue generated from the sales of cotton yarns decreased by approximately 12.9%, from approximately HK\$131.5 million to approximately HK\$114.5 million. The sales volume of cotton yarns decreased by approximately 12.2% whereas the average selling price recorded a slight decrease. With the general weak cotton yarn prices in the industry and the change in the procurement strategy and inventory control strategy, less cotton yarns sales were made for the year under review in order to avoid the accumulation of the yarns products. As a result, the external utilization rate of the cotton yarn remained at around 59.6%.

In line with the overall weak dyed yarn business, revenue generated from the provision of dyeing services decreased by approximately 7.4% from approximately HK\$43.1 million to approximately HK\$39.9 million for the year under review. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang provinces. Sales proceeds from the PRC, Hong Kong and Macau accounted for over 95% of the total sales proceeds of the Group from dyed yarn. The remainder of the sales proceeds was generated from the export to overseas countries including Thailand, Taiwan and Indonesia.

## Cost of Sales

With the decrease in sales of approximately 27.5%, the cost of sales decreased in a less extent by approximately 12.5% for the year under review. Though the production capacity was enlarged as scheduled, the drop in sales volume affected our production efficiency and therefore the fixed costs per unit were increased during the year under review. Despite (i) the expansion of the production capacity in Cambodia and the resulted decrease in labour costs, (ii) the change in product mix, (iii) the strengthening of our yarns procurement strategies and (iv) the improvement in the wastage percentage during the production cycles, the raw materials consumed per unit of products adversely increased. Direct labour costs and other factory overheads kept increasing but at a controllable level.

## Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$72.3 million for the year under review, with the gross profit margin at approximately 7.1%. The overall gross profit margin decreased significantly comparing with the gross profit ratio for the year ended 31st December 2013. Similar to the situation in the interim period, with the continuous decrease in the sales delivered in the year of 2014, those variables and fixed production costs have not been able to leverage down as the sales volumes are not optimized in the production cycles. The downside expectations for cotton prices and the wait-and-see atmosphere in the downstream textile business further worsened the revenue and borderline of the core business of the Group. However, if the sales orders can recover next year, the Group will be 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 a portion of the cost to the end-customers by increasing the average selling price of knitted sweaters and focusing on those high-valued products during the year under review. The Group will continuously try to manage the gross profit margin by improving the operating efficiency as well as the factory utilization rate.

## Net profit margin

A net loss of approximately HK\$184.3 million was incurred from the core business of the Group. Due to the overall weakness of the cotton yarn industry, our dyeing and spinning segments suffered a temporary loss for the whole year of 2014, and our sweater business still remained as our most profitable business segment. Cotton yarn prices are expected to be more stable in the next year and taking into account of those delayed orders from our sweater business, we expect the overall net profit margin will be improved in the next year. The Group will use its best endeavour to overcome the challenges by sharpening its competitive edge.

## Other revenue

Other revenue of approximately HK\$37.2 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 included mainly transportation costs, accessories and packing expenses. For the year under review, the selling and distribution costs of the Group amounted to approximately HK\$84.2 million, representing approximately 8.3% of the turnover of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

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## Administrative expenses

Administrative expenses of approximately HK\$144.5 million mainly consisted of staff costs, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 14.2% of the turnover of the Group.

## Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which remained at approximately HK\$44.8 million, representing approximately 4.4% of the turnover of the Group. Such costs remained at a stable level compared with the last year.

## Borrowings

As at 31st December, 2014, the Group had outstanding bank borrowings of approximately HK\$1,139.3 million, which were classified as falling due within one year. Such amount slightly decreased by approximately HK\$32.2 million or 2.7% when comparing with the balance as at 31st December, 2013. Amongst the total bank borrowings, approximately HK\$491.2 million was in term loan nature and approximately HK\$648.1 million was in trade nature. The amount of trade loan remained at a similar level as the last year end. Such loan would be released upon the delivery of those goods sold. The increase in term loan was mainly due to the acquisitions of the 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, increased slightly to 1.06 for the year under review.

The transfer of the operating right of Luoding Addchance Limited will strengthen the cash inflow position of approximately HK\$554.3 million within 5 years commencing from July 2012. The Group will also focus on reducing the net gearing ratio continuously to a more sustainable level in the coming years by improving the profitability, procuring the disposal of non-core properties as well as implementation of tighter control over costs, working capital and capital expenditure.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2014, the cash and cash equivalents of the Group increased from approximately HK\$64.9 million last year to approximately HK\$126.4 million. Total assets was approximately HK\$2,641.7 million as at this year end.

More net cash was generated from the operating activities for the year under review with the net effect of the worsening of the operating profit and the decrease in trade receivables for the year. Besides, less cash was used in investing activities and no material acquisition plan was made for the year under review. A deposits of HK\$90.2 million was received during the year of 2014 for the share subscription which improved the overall cash and cash equivalent position.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group met its funding requirements mainly by cash flows generated from its usual course of operations, as well as long-term and short-term borrowings. The Group will focus on reducing the net gearing ratio by improving the profitability, procuring the disposal of non-core assets as well as implementing tighter control over costs, working capital and capital expenditure. Since the last year end, the Group has transferred the operating right of one of its PRC subsidiaries at a consideration of approximately HK\$554.3 million in order to dispose of those non-core businesses. 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 respectively. Part of the effect of the appreciation of Renminbi against 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 US dollar and Renminbi remained a concern of the Group. To mitigate foreign currency risks, the Group will enter into appropriate hedging arrangements from time to time.

## Stock turnover days

The stock turnover days of the Group for the year ended 31st December, 2014 were approximately 398 days, which lengthened by around 100 days as compared with that of 298 days for the corresponding last year end. Similar to the 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 secured level in the coming years.

## Debtors' turnover days

The debtors' turnover days were improved significantly by 68 days from 155 days last year end to 87 days for the year ended 31st December 2014. Credit control on debt collection and new customers selection procedures were implementing in a stringent manner. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the respective creditability of the individual customers.

## Dividend Policy

The declaration of dividends is subject to the absolute discretion of the directors and depends on various factors such as the financial results of the Group, shareholders' interests, the general business conditions and strategies, the capital requirements of the Group, the contractual restrictions on the payment of dividends by the Company to its shareholders or by the subsidiaries of the subsidiaries to the Company, taxation considerations, possible effects on the creditworthiness of the Group, statutory and regulatory restrictions and any other factors as the directors may deem relevant. Taking into account the cash flow required for the operation of the Group in 2015, the Board does not recommend the payment of final dividend for the year ended 31st December, 2014.

## CONTINGENT LIABILITIES

As at 31st December, 2014, the Group had no material contingent liabilities.

# CORPORATE GOVERNANCE REPORT

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

None of the directors of the Company (the “Directors”) is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions as set out in the Corporate Governance Code (the “Corporate Governance Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the year ended 31st December, 2014 (the “Relevant Period”), save for Code provision A.2.1 which requires that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sung Kim Wa is the Chairman of the Board and there is no chief executive officer appointed by the Company and the day-to-day management of the Group is led by Mr. Sung Kim Wa. The Company does not have any plan to change this management structure as the Directors consider that this management structure provides the Group with strong and consistent leadership in both the Company’s decision making process and operational process.

The Company has adopted some of the recommended best practices as set out in the Corporate Governance Code.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with each of the Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code during the Relevant Period.

## BOARD OF DIRECTORS

As at the date of this report, the board of directors of the Company (the “Board”) was chaired by Mr. Sung Kim Wa. There are (i) five executive Directors, namely Mr. Sung Kim Wa, Mr. Sung Kim Ping, Mr. Wong Chiu Hong, Mr. Tsang Fai and Mr. Lo Ping, (ii) one non-executive Director, namely Mr. Chui Chi Yun, Robert and (iii) three independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Zhuang Zhongxi and Ms. Huang Yunjie. The Directors’ biographical information is set out on pages 24 to 26 of this report.



During the Relevant Period:

- Mr. Ip Siu Lam has resigned as an executive director of the Company on 18th December, 2014;
- Mr. Lo Ping has been appointed as an executive director of the Company on 22nd December, 2014; and
- Mr. Chui Chi Yun, Robert M.H. has been appointed as a non-executive director of the Company on 22nd December, 2014.

During the Relevant Period, 5 Board meetings and 2 general meetings were held. The respective attendance of each member of the Board was as follows:-

	Board meetings	General meetings
Mr. Sung Kim Wa	2/5	1/2
Mr. Sung Kim Ping	2/5	1/2
Mr. Wong Chiu Hong	5/5	2/2
Mr. Ip Siu Lam (resigned on 18th December, 2014)	3/5	0/2
Ms. Sung Kit Ching	2/5	0/2
Mr. Tsang Fai	5/5	2/2
Mr. Lo Ping (appointed on 22nd December, 2014)	3/5	1/2
Mr. Chui Chi Yun, Robert (appointed on 22nd December, 2014)	3/5	1/2
Mr. Chan Tsz Fu, Jacky	5/5	1/2
Mr. Zhuang Zhongxi	5/5	1/2
Ms. Huang Yunjie	4/5	1/2

The Board assumes responsibility for the leadership and control of the Company and its members are collectively responsible for promoting the business of the Company. The Board makes decisions on important matters, including but not limited to the approval of the overall business strategies and policies, business development, risk management, annual budgets, financial results, investment proposals, major acquisition, disposals and capital transactions, internal control, material funding decisions and major commitments relating to the Group's operations. The Board has established three committees, namely the audit committee, the remuneration committee and the nomination committee. The management of the Group is responsible for the day-to-day operations of the Group, which implements the business strategies and plans formulated and approved by the Board. Decisions on the Group's daily operations are delegated to the management of the Group.

## CORPORATE GOVERNANCE REPORT

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Each of the independent non-executive Directors has made an annual confirmation to the Company concerning his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors meet the guidelines for assessing independence as set out in Rule 3.13 of the Listing Rules and are considered to be independent. Mr. Chan Tsz Fu, Jacky, who is a practicing certified public accountant, is the independent non-executive Director with accounting or related financial management expertise as required under Rule 3.10(2) of the Listing Rules. Each of the non-executive Directors (including the independent non-executive Directors) is appointed for a specific term. The appointment of:

- Mr. Chan Tsz Fu, Jacky is for a term of one (1) year commencing from 1st September, 2014;
- Mr. Zhuang Zhongxi is for a term of one (1) year commencing from 1st August, 2014; and
- Ms. Huang Yunjie is for a term of one (1) year commencing from 31st May, 2014,

subject to retirement by rotation at the annual general meeting of the Company in accordance with the Articles of Association of the Company.

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

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

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

The Chairman assumes the leadership of the Board to ensure that the Board works efficiently and discharges its responsibilities and encourages all Directors to make full and active contribution to the Board's affairs for the best interests of the Company. The Chairman has designated the Company Secretary of the Company for compiling the agenda for each Board meeting and is primarily responsible for approving the agenda after having taken into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda.

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the Relevant Period.

## Remuneration Committee

The Company has established its remuneration committee (the “Remuneration Committee”) in August 2005. As at the date of this report, the members of the Remuneration Committee comprise all the independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Zhuang Zhongxi and Ms. Huang Yunjie, with Mr. Chan Tsz Fu, Jacky as the Chairman of the Remuneration Committee.

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

## Nomination Committee

The Company has established its nomination committee (the “Nomination Committee”) in August 2005. As at the date of this report, the members of the Nomination Committee comprise all the independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Zhuang Zhongxi and Ms. Huang Yunjie, with Mr. Chan Tsz Fu, Jacky as the Chairman of the Nomination Committee.

The principal responsibilities of the Nomination Committee are to determine the policy for the nomination of Directors, review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed change. The terms of reference of the Nomination Committee have been posted on the website of the Company and are available upon request. The Company has also adopted a board diversity policy. Board diversity comprises various aspects, including but not limited to gender, age, cultural and educational background, experience, professional qualifications, expertise, skills and the business plans of the Group at the material time. The Board considers that its existing composition satisfies the requirements of diversity under the board diversity policy of the Company. No meeting has been held by the Nomination Committee during the Relevant Period. The members of the Nomination Committee will meet as and when required.

# CORPORATE GOVERNANCE REPORT

## Audit Committee

The Company has established its audit committee (the “Audit Committee”) in August 2005. The Audit Committee comprises three members, who are all independent non-executive Directors and one of whom is an independent non-executive director with the appropriate professional qualifications, or accounting or related financial management expertise. As at the date of this report, the members of the Audit Committee comprise all the independent non-executive Directors, namely Mr. Chan Tsz Fu, Jacky, Mr. Zhuang Zhongxi and Ms. Huang Yunjie, with Mr. Chan Tsz Fu, Jacky as the Chairman of the Audit Committee.

The principal responsibilities of the Audit Committee are to review the relationship with the Auditors of the Company, review the financial information of the Group and oversee the Group’s financial reporting system and internal control procedures. The terms of reference of the Audit Committee have been posted on the website of the Company and are available upon request. During the Relevant Period, 2 Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:–

Mr. Chan Tsz Fu, Jacky	2/2
Mr. Zhuang Zhongxi	2/2
Ms. Huang Yunjie	2/2

During the year ended 31st December, 2014, the Audit Committee reviewed the Group’s interim and annual accounts. The Audit Committee had performed the following works:

- (a) reviewed the financial reports for the six months ended 30th June, 2014 and for the year ended 31st December, 2014;
- (b) reviewed the accounting principles and practices adopted by the Group and ensured the compliance with the relevant accounting standards, the Listing Rules and other statutory requirements;
- (c) reviewed and recommended to the Board the audit scope and auditor’s remuneration for the year ended 31st December, 2014.

## Corporate Governance Function

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

## Continuous Professional Development

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

	Reading materials	Attending training programs	Attending briefings on the latest development on the Listing Rules
Mr. Sung Kim Wa	✓	✓	✓
Mr. Sung Kim Ping	✓	✓	✓
Mr. Wong Chiu Hong	✓	✓	✓
Mr. Ip Siu Lam (resigned on 18th December, 2014)	✓	✓	✓
Ms. Sung Kit Ching	✓	✓	✓
Mr. Tsang Fai	✓	✓	✓
Mr. Lo Ping (appointed on 22nd December, 2014)	✓	✓	✓
Mr. Chan Tsz Fu, Jacky	✓	✓	✓
Mr. Chui Chi Yun, Robert (appointed on 22nd December, 2014)	✓	✓	✓
Mr. Zhuang Zhongxi	✓	✓	✓
Ms. Huang Yunjie	✓	✓	✓

## COMPANY SECRETARY

During the Relevant Period, the Company Secretary was Ms. Fung Ka Lai. The biographical details of the Company Secretary are set out in the section headed “Directors and Senior Management” of this annual report. The Company Secretary took not less than 15 hours of relevant professional training in the year ended 31st December, 2014 as required by the Listing Rules.

## INTERNAL CONTROL

The Board was responsible for overseeing the internal control of the Group. During the Relevant Period, the Directors had conducted at least semi-annually a review of the effectiveness of the system of internal control in respect of the financial, operational, compliance controls and risk management function of the Group.

## AUDITOR’S REMUNERATION

For the year ended 31st December, 2014, the auditors of the Company received approximately HK\$2,300,000 and HK\$156,000 for audit service and non-audit service (such as taxation advisory services) respectively.



# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group.

The statement by the auditors of the Company about their reporting responsibilities are set out on page 36 to 37 of this report.

## SHAREHOLDERS' RIGHTS

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

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

### Enquiries to the Board

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

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

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

- the Company's annual general meeting;
- interim and annual results announcements published on the websites of the Company and the Stock Exchange;

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

The Company maintains a website at [www.addchance.com.hk](http://www.addchance.com.hk) and [www.irasia.com/listco/hk/addchance/index.htm](http://www.irasia.com/listco/hk/addchance/index.htm) where the Company's announcements, circulars, notices, financial reports, business developments, press releases and other information are posted.

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

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

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

# DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### Executive Directors

Mr. SUNG Kim Wa (宋劍華先生), aged 48, is the Chairman of the Group. Mr. Sung has over 15 years of experience in the textile industry. Mr. Sung obtained his Bachelor degree in Computer Science from the University of Southern California in 1990. He is (i) the son of Dr. Sung Chung Kwun (“Dr. Sung”), the founder, the former Chairman, a former executive Director and the controlling shareholder of the Company, (ii) the elder brother of Mr. Sung Kim Ping, an executive Director of the Company and (iii) the younger brother of Ms. Sung Kit Ching, an executive director of the Company. Mr. Sung has been appointed as an executive Director and the Chairman of the Company with effect from 15th September, 2011 and 30th September, 2011 respectively. Mr. Sung has been the executive vice-president of the Hong Kong Fuzhou Association (香港福州十邑同鄉會常務副理事長).

Mr. SUNG Kim Ping (宋劍平先生), aged 45, is the Vice-Chairman of the Group. He is the son of Dr. Sung and the young brother of Mr. Sung Kim Wa and Ms. Sung Kit Ching. Mr. Sung is responsible for all the operations of the Group’s sweater knitting section, including the supervision of the production, strategic development and sales and marketing. Mr. Sung has over 20 years of experience in textile industry and he joined the Group in from 1991 to 2004 and re-joined the Group in 2005. Mr. Sung has been a committee member of the Eleventh Chinese People’s Political Consultative Conference of Fuzhou City, Fujian Province (中國人民政治協商會議福州市第十一屆委員會會員).

Mr. WONG Chiu Hong (王昭康先生), aged 63, is the Managing Director of the Group. Mr. Wong is responsible for the supervision of the operations, general administration, strategic development and marketing of the Group. Mr. Wong has over 30 years of experience in the textile dyeing industry with extensive experience in administrative management and dyeing techniques. Mr. Wong joined the Group as a general manager in May 1982, and was appointed a Director in December 1990. Mr. Wong has been a committee member of the Forth Chinese People’s Political Consultative Conference of Yunfu City, Guangdong Province (中國人民政治協商會議雲浮市第四屆委員會委員) and the Eighth Chinese People’s Political Consultative Conference of Luoding City, Guangdong Province (中國人民政治協商會議羅定市第八屆委員會委員), the Vice President of the Third Yunfu Overseas Friendship Association (雲浮海外聯誼會第三屆副會長). He was also awarded the title of “Excellent General Manager of Foreign Invested Enterprise (外商投資企業優秀總經理)” by the People’s Government of Zhangjiagang City, Jiangsu Province in 2002 and 2003 consecutively.

Mr. TSANG Fai (曾暉先生), aged 42, has been elected as an Executive Director of the Company on 31st May, 2013. Mr. Tsang is responsible for the operations and administration of the Group’s sweater knitting section. Mr. Tsang obtained his Bachelor degree in Mathematical Science and Master degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively. He joined the Group in January 1999 as an Assistant to Sales Manager of Addchance and was appointed as the director of Chinakey (HK) Limited (“Chinakey”) and the Assistant General Manager of the Group’s sweater knitting section in June 2010 and January 2004 respectively.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. LO Ping (盧平先生), aged 63, was appointed as an executive Director of the Company on 22nd December, 2014. Mr. Lo has been a senior consultant for leading gas companies in the development of China market for nearly 20 years. He is also the senior advisor to several Hong Kong accounting firms in relation to China business. He was a senior reporter of Ta Kung Pao and the New Evening Post (新晚報) and the General Manager of Business of Hong Kong Commercial Daily. Mr. Lo obtained a diploma from Royal School of Music and Guangzhou Institute of Physical Education.

### Non-executive Director

Mr. CHUI Chi Yun Robert (崔志仁先生) M.H., aged 58, was appointed as a non-executive Director of the Company on 22nd December, 2014. Mr. Chui is a practising Certified Public Accountant in Hong Kong and has worked in the accounting field for 35 years. He has obtained a Bachelor's degree in Commerce (Major in Accounting) from Concordia University and is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Mr. Chui is now an independent non-executive director of each of Tse Sui Luen Jewellery (International) Limited (Stock Code: 417), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), Wing Lee Property Investments Limited (Stock Code: 864) and was an independent non-executive director of 21 Holdings Limited (Stock Code: 1003), all of which are listed on The Stock Exchange of Hong Kong Limited. He is currently the Commissioner of the Hong Kong Road Safety Patrol and a member of the Road Safety Campaign Committee of the Road Safety Council. He is also a director of a number of private companies and associations.

### Independent non-executive Directors

Mr. CHAN Tsz Fu, Jacky (陳子虎先生), aged 40, is the director of Jacky Chan CPA Ltd., Mr. Chan has practiced since 2001 and has over 15 years of experience in auditing. Mr. Chan is a fellow member of the Association of Chartered Certified Accountants, a fellow practising member of Hong Kong Institute of Certified Public Accountants, a member of the Taxation Institute of Hong Kong and a practising certified public accountant in Hong Kong. He was appointed as the independent non-executive Director on 6th June, 2005.

Mr. ZHUANG Zhongxi (莊仲希先生), aged 68, has extensive practical judicial experiences and is familiar in legal matters relating to investment, trading, securities and real estate. Mr. Zhuang is now a partner of 中國法律師事務所 (China Law Office), a standing committee member of the commercial mediation committee and the legal profession committee of Hong Kong Chinese Enterprises Association (香港中國企業協會), the chief legal officer (法律總監) of China Law Magazine Limited (中國法律雜誌社), the senior officer of the Delivery Office (審核轉遞辦公室) of China Legal Service (H.K.) Limited, the social affairs members (社務委員) and the chief legal officer (法律總監) of China Review News Agency (中國評論通訊社) and a commentator of 《時事辯論會》 (Debate on Current Issues) of Phoenix Infonews (鳳凰資訊臺). Mr. Zhuang was an adjudication member (審判員) and head of court room (庭長) in the Higher People's Court of Fujian Province, the vice-chairman of Fujian Province Lawyers Association (福建省律師協會), the general manager of China Legal Service (H.K.) Ltd., the main editor of the magazine titled China Law (中國法律), the deputy officer of policy research office of Red Cross Society of China (中國紅十字總會) and an officer of 福建對外經濟律師事務所 (Fujian Foreign Economic Law Firm).

Ms. HUANG Yunjie (黃韻婕小姐), aged 30, has been engaging in her own marketing business since 2010. She graduated from the University of Melbourne with a Bachelor of Commerce degree.

# DIRECTORS AND SENIOR MANAGEMENT

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## SENIOR MANAGEMENT

Mr. LIN Chun Ming (連振明先生), aged 62, is the director of Chinakey and the Senior Manager of the sales department of the Group. Mr. Lin is responsible for the sales and marketing of the Group's yarn dyeing and sweater knitting sections. Mr. Lin obtained a Diploma in Business Management from the Hong Kong Baptist University in 1977. Mr. Lin has over 30 years of sales and marketing experience in the textile industry. Mr. Lin first joined the Group as a sales representative of Addchance in April 1985 but vacated in April 1990 and founded his own textile business, Lynn's Trading Company. He re-joined the Group in May 1996.

Ms. CHANG Kam Lai (張錦麗女士), aged 39, is the Company Secretary of the Company from 1st April, 2015 onwards. Ms. Chang is a member of both the Hong Kong Institute of Certificate Public Accountants and the Association of Chartered Certified Accountants in the United Kingdom. Ms. Chang has extensive experience in auditing, accounting and company secretarial fields.

Ms. FUNG Ka Lai (馮嘉勵女士), aged 39, is the Financial Controller and Qualified Accountant of the Group. Ms. Fung had over 15 years of experience in the field of auditing, accounting and corporate finance. Prior to joining the Group in January 2005, she worked in Deloitte Touche Tohmatsu for over 5 years and later joined St. Teresa's Hospital in 2003. Ms. Fung is responsible for financial management and formulating business strategies for corporate restructuring of the Group. She has obtained a Bachelor degree in Accountancy from the City University of Hong Kong with first class honours. Ms. Fung is a fellow member of the Association of Chartered Certified Accountants, an associate of the Hong Kong Institute of Certified Public Accountants and a practising certified public accountant in Hong Kong. Ms. Fung was also the company secretary of the Company during the year ended 31st December, 2014 and has resigned from the said position on 1st April, 2015.

Mr. YEUNG Choi Yee (楊賽儀先生), aged 40, is the Quality Assurance Manager of the Group. Mr. Yeung is responsible for the supervision of the Group's Information Technology department, and the development of the Group's ISO9001 management system, quality system and technological research in the Group's yarn-dyeing section. Mr. Yeung obtained his Bachelor degree in Mathematical Science and Master degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively. He joined the Group in August 1998 as an Assistant to Managing Director and was appointed the Quality Assurance Manager of the Group in November 2003.

The directors present the 2014 annual report and the audited consolidated financial statements of the Company for the year ended 31st December, 2014.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 41 to the consolidated financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 38.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2014.

### PROPERTY, PLANT AND EQUIPMENT

Details of movements during the year in the property, plant and equipment of the Group are set out in note 18 to the consolidated financial statements.

### SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 33 to the consolidated financial statements.

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

During the year ended 31st December, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31st December, 2014 amounted to approximately HK\$360,829,000 (2013: HK\$369,656,000).



# DIRECTORS' REPORT

## DIRECTORS

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

### Executive directors:

Mr. Sung Kim Wa (*Chairman*)  
Mr. Sung Kim Ping  
Mr. Wong Chiu Hong  
Ms. Sung Kit Ching (resigned on 17th March, 2015)  
Mr. Ip Siu Lam (resigned on 18th December, 2014)  
Mr. Tsang Fai  
Mr. Lo Ping (appointed on 22nd December, 2014)

### Non-executive director:

Mr. Chui Chi Yun, Robert (appointed on 22nd December, 2014)

### Independent non-executive directors:

Mr. Chan Tsz Fu, Jacky  
Mr. Zhuang Zhongxi  
Ms. Huang Yunjie

In December 2014, Mr. Ip Siu Lam resigned as an executive director of the Company and Mr. Lo Ping and Mr. Chui Chi Yun, Robert were appointed as an executive director and a non-executive director of the Company, respectively.

After such change of Directors, the number of independent non-executive Directors ("INED") falls below one-third of the Board as required under Rule 3.10A of the Listing Rules. On 17th March, 2015, Ms. Sung Kit Ching resigned as an executive director of the Company and the Company was in compliance with the requirement under Rule 3.10A of the Listing Rules thereafter.

In accordance with Article 86(3) of the Articles of Association of the Company, Mr. Lo Ping and Mr. Chui Chi Yun, Robert shall be required to retire at the forthcoming annual general meeting ("AGM") and they will be eligible to offer, and have offered themselves, for re-election.

In accordance with Article 87(1) of the Articles of Association of the Company, Mr. Sung Kim Wa, Mr. Wong Chiu Hong and Mr. Tsang Fai shall retire from office by rotation and, being eligible, have offered themselves for re-election at the forthcoming AGM.

In accordance with code provision A.4.3 of the Corporate Governance Code under Appendix 14 of the Listing Rules, if an independent non-executive director has served more than 9 years, his appointment should be subject to a separate resolution to be approved by the shareholders. Mr. Chan Tsz Fu, Jacky was appointed as an independent non-executive director of the Company in 2005 and has served more than 9 years. The Board, taking into account the fact that the Group has no financial, business, family nor other material relationship with Mr. Chan Tsz Fu, Jacky other than his directorship in the Company, considers that he is still independent and should be re-elected. A separate resolution will be proposed to re-elect Mr. Chan Tsz Fu, Jacky as independent non-executive director of the Company.

## DIRECTORS' SERVICE CONTRACTS

Mr. Wong Chiu Hong and Mr. Ip Siu Lam have entered into a service contract with the Company for a term of three years commencing from 1st September, 2005, and will continue thereafter until terminated by either party thereto giving to the other not less than three months' prior notice in writing. Mr. Ip Siu Lam has resigned as executive Director of the Company on 18th December, 2014.

Each of Mr. Tsang Fai, Mr. Sung Kim Ping, Ms. Sung Kit Ching and Mr. Sung Kim Wa has entered into a letter of appointment with the Company for a term of three years from 31st May, 2013, 17th April, 2014, 13th June, 2014 and 15th September, 2014 respectively until terminated by either party thereto giving to the other not less than three months' prior notice in writing. Mr. Sung Kit Ching has subsequently resigned as executive director of the Company on 17th March, 2015. Each of Mr. Lo Ping and Mr. Chui Chi Yun, Robert has not yet entered into any service contract with the Company.

Each of the independent non-executive director of the Company has entered into a letter of appointment with the Company and is appointed for a period of one year commencing from 1st September, 2014 subject to retirement by rotation under the Company's Articles of Association.

Other than as disclosed above, none of the directors of the Company has a contract of service with the Company or any of its subsidiaries not determinable by the employing company within one year without payment of compensation (except for statutory compensation).

## DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st December, 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 of Hong Kong Limited (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	2,468,000	0.56%
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 31st December, 2014.

# DIRECTORS' REPORT

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## SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") which enables the Company to grant options to eligible persons as incentive or rewards for their contributions to the Group. Pursuant to the Scheme, the Company may grant options to (a) any full time employee or director of any member of the Group; (b) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the option is offered to such part time employee; or (c) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 40,000,000 Shares, representing 10 per cent of the Shares in issue as at the date of passing the resolutions approving the Scheme. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12 month period must not exceed 1 per cent. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

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

No options were granted, exercised, cancelled or lapsed during the year nor outstanding at the end of the year.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

## CONTINUING CONNECTED TRANSACTION

The related party transaction with Addchance Dyeing Factory Limited as disclosed in note 39 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 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 Chung Kwun ("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 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.

## DIRECTORS' REPORT

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The Group will use 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 year ended 31st December, 2014, the Group has paid an aggregate amount of HK\$5,640,000 as rental expense under the 2013 Tenancy Agreement.

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; and (iii) has not exceeded the cap as disclosed in the relevant announcement of the Company dated 13th December, 2013.

The other related party transaction with Dr. Sung as disclosed in note 39 to the consolidated financial statements constituted an exempt continuing connected transaction.

### CONNECTED TRANSACTION

The related party transaction with Dr. Sung Chung Kwun relating to sales of investment property and prepaid lease payments as disclosed in note 39 to the consolidated financial statements constituted a non-exempt 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.

On 23rd December, 2014, Addchance Limited, an indirect wholly-owned subsidiary of the Company, has entered into a sale and purchase agreement in respect of the property located at Unit A, 3rd Floor and Flat Roof, Wah Lung Industrial Building, Nos. 49-53 Wang Lung Street, Tsuen Wan, New Territories, Hong Kong with Dr. Sung Chung Kwun, the controlling shareholder, the founder, the former Chairman and a former executive director of the Company, pursuant to which Addchance Limited has agreed to dispose of, and Dr. Sung Chung Kwun has agreed to acquire, the said property at the consideration of HK\$10,790,000. The said property does not have material contribution to the core business of the Group and therefore the Company has decided to dispose of the same. Such disposal can also increase the cashflow of the Group. Completion has taken place on the same day.

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

As at 31st December, 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

#### *Interests of Substantial shareholders*

Name	Capacity	Number of shares	Percentage of shareholding
Powerlink Industries Limited ("Powerlink")	Beneficial owner	169,000,000	38.30%
Dr. Sung Chung Kwun	(i) Interest in controlled corporation	169,000,000	38.30%
	(ii) Beneficial owner	19,150,000	4.34%
Poon Sum	Beneficial owner	43,500,000	9.86%

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

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors of the Company, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors to be independent.

Mr. Chan Tsz Fu, Jacky was appointed as an independent non-executive director of the Company in 2005 and has served more than 9 years. The Board, taking into account the fact that the Group has no financial, business, family nor other material relationship with Mr. Chan Tsz Fu, Jacky other than his directorship in the Company, considers that he is still independent.



## DIRECTORS' REPORT

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### NON-COMPETITION DEED

In accordance with the terms of a deed of non-competition undertakings in favour of the Company dated 20th September, 2005 (the "Non-competition Deed"), each of Dr. Sung, Mr. Wong Chiu Hong and Mr. Ip Siu Lam has provided with the Company an annual confirmation in respect of his/her compliance with the terms of the Non-competition Deed. Under the terms of the Non-competition Deed, each of the aforesaid parties has undertaken to the Company to, among others, procure that he/she or any of his/her associates will not directly or indirectly be interested in any business which may compete with or similar to the business of the Group from time to time.

### EMOLUMENT POLICY

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

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

The Company has adopted the Scheme as an incentive to the directors and eligible employees, details of the Scheme are set out in the paragraph headed "Share Option Scheme" above.

### EMPLOYEES

As at 31st December, 2014, the Group employed a total of approximately 12,000 employees.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association and the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.



### MAJOR CUSTOMERS AND SUPPLIERS

During the year, the aggregate sales attributable to the Group's five largest customers comprised approximately 38.2% of the Group's total sales and the sales attributable to the Group's largest customer were approximately 16.7% of the Group's total sales.

During the year, the aggregate purchases attributable to the Group's five largest suppliers comprised approximately 35.6% of the Group's total purchases and the purchases attributable to the Group's largest supplier were approximately 9.3% of the Group's total purchases.

Save as disclosed in note 39 to the consolidated financial statements, at no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest customers and suppliers.

### SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2014.

### AUDITORS

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

On behalf of the Board

MR. SUNG KIM WA

*CHAIRMAN*

Hong Kong, 27th March, 2015



# Deloitte.

## 德勤

TO THE MEMBERS OF ADDCHANCE HOLDINGS LIMITED  
*(incorporated in the Cayman Islands with limited liability)*

We have audited the consolidated financial statements of Addchance Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 38 to 99, which comprise the consolidated statement of financial position as at 31st December, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

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## Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Group as at 31st December, 2014, and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
Hong Kong  
27th March, 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
Revenue	7	1,016,283	1,401,667
Cost of sales		<u>(944,027)</u>	<u>(1,078,744)</u>
Gross profit		72,256	322,923
Other income		37,173	20,400
Other gains and losses	9	(16,651)	(750)
Selling and distribution costs		(84,182)	(97,187)
Administrative expenses		(144,545)	(141,069)
Finance costs	10	<u>(44,782)</u>	<u>(42,989)</u>
(Loss) profit before tax		(180,731)	61,328
Income tax expense	11	<u>(3,527)</u>	<u>(1,873)</u>
(Loss) profit for the year	12	<u>(184,258)</u>	<u>59,455</u>
Other comprehensive income that may be subsequently reclassified to profit or loss for the year			
Exchange differences arising on translation of foreign operations		<u>31,918</u>	<u>3,119</u>
Total comprehensive (expense) income for the year		<u>(152,340)</u>	<u>62,574</u>
(Loss) earnings per share, in HK cents	16		
Basic		<u>(41.76)</u>	<u>13.47</u>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Investment properties	17	329	1,780
Property, plant and equipment	18	802,644	823,026
Prepaid lease payments	19	68,412	46,535
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment	20	15,186	24,723
Club debenture	21	1,070	1,070
Other assets	22	16,095	15,899
Deferred tax assets	23	–	36
		<u>903,736</u>	<u>913,069</u>
<b>CURRENT ASSETS</b>			
Prepaid lease payments	19	1,608	2,509
Inventories	24	1,030,633	880,723
Trade receivables, bills receivable and other receivables, deposits and prepayments	25	359,277	654,138
Amounts due from related companies	26	4,002	3,543
Tax recoverable		913	218
Pledged bank deposits	27	67,487	46,296
Bank balances and cash	27	145,676	82,513
		<u>1,609,596</u>	<u>1,669,940</u>
Assets classified as held for sale	29	<u>128,360</u>	<u>108,963</u>
		<u>1,737,956</u>	<u>1,778,903</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	28	258,405	175,682
Bills payable	30	19,026	13,072
Deposit received from transfer of the operation rights of a subsidiary	29	236,056	184,774
Derivative financial instruments	31	20,042	19,845
Tax liabilities		5,393	3,007
Bank borrowings – due within one year	32	1,119,947	1,153,911
Bank overdrafts	32	19,310	17,564
		<u>1,678,179</u>	<u>1,567,855</u>
<b>NET CURRENT ASSETS</b>		<u>59,777</u>	<u>211,048</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>963,513</u>	<u>1,124,117</u>



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2014

	NOTES	2014 HK\$'000	2013 HK\$'000
CAPITAL AND RESERVES			
Share capital	33	4,413	4,413
Reserves		<u>943,404</u>	<u>1,104,567</u>
		<u>947,817</u>	<u>1,108,980</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities	23	<u>15,696</u>	<u>15,137</u>
		<u>963,513</u>	<u>1,124,117</u>

The consolidated financial statements on pages 38 to 99 were approved and authorised for issue by the board of directors on 27th March, 2015 and are signed on its behalf by:

Mr. SUNG KIM PING  
DIRECTOR

Mr. WONG CHIU HONG  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Contributed surplus	Special reserves	Statutory reserves	Translation reserve	Retained profits			
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January, 2013	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	-	-	-	-	-	3,119	-	3,119	-	3,119
Profit for the year	-	-	-	-	-	-	59,455	59,455	-	59,455
Total comprehensive income for the year	-	-	-	-	-	3,119	59,455	62,574	-	62,574
Transfer to statutory reserves	-	-	-	-	1,313	-	(1,313)	-	-	-
Dividend recognised as distribution (note 15)	-	-	(30,887)	-	-	-	-	(30,887)	-	(30,887)
Deregistration of a subsidiary	-	-	-	-	-	-	-	-	(43)	(43)
At 31st December, 2013	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	-	-	-	-	-	31,918	-	31,918	-	31,918
Loss for the year	-	-	-	-	-	-	(184,258)	(184,258)	-	(184,258)
Total comprehensive expense for the year	-	-	-	-	-	31,918	(184,258)	(152,340)	-	(152,340)
Transfer to statutory reserves	-	-	-	-	446	-	(446)	-	-	-
Dividend recognised as distribution (note 15)	-	-	(8,823)	-	-	-	-	(8,823)	-	(8,823)
At 31st December, 2014	4,413	134,054	69,447	24,673	14,273	213,066	487,891	947,817	-	947,817

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2014

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*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.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	NOTE	2014 HK\$'000	2013 HK\$'000
<b>OPERATING ACTIVITIES</b>			
(Loss) profit before tax		(180,731)	61,328
Adjustments for:			
Finance costs		44,782	42,989
Interest income		(2,957)	(680)
Depreciation of property, plant and equipment		84,542	92,044
Depreciation of investment properties		52	52
Amortisation of prepaid lease payments		1,605	2,996
Amortisation of other assets		158	–
Gain on disposal of property, plant and equipment and prepaid lease payments		(3,276)	(1,883)
Gain on disposal of investment properties and prepaid lease payments		(15,864)	–
Written off on inventories		29,618	–
Impairment losses recognised on property, plant and equipment		10,193	–
Impairment losses recognised on trade receivables		5,481	–
Written off on trade receivables		6,152	221
Written off on other receivables		100	594
Change in fair value of derivative financial instruments		197	(354)
Interest income on other assets		(354)	–
Gain on deregistration of a subsidiary		–	(43)
		<u>(20,302)</u>	<u>197,264</u>
Operating cash flows before movements in working capital		(20,302)	197,264
Increase in inventories		(169,947)	(118,697)
Decrease (increase) in trade receivables, bills receivable and other receivables, deposits and prepayments		288,635	(40,170)
Increase in amounts due from related companies		(459)	(1,265)
Placement of pledged bank deposits		(32,231)	(46,296)
Withdrawal of pledged bank deposits		12,821	–
(Decrease) increase in trade and other payables		(23,782)	36,201
Increase (decrease) in bills payable		5,954	(40,632)
		<u>60,689</u>	<u>(13,595)</u>
Cash generated from (used in) operations		60,689	(13,595)
Income tax paid		(1,241)	(581)
		<u>59,448</u>	<u>(14,176)</u>
<b>NET CASH FROM (USED IN) OPERATING ACTIVITIES</b>			
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(97,853)	(126,936)
Acquisition of prepaid lease payments		(12,602)	(3,462)
Deposit received from transfer of the operation rights of a subsidiary	29	51,282	92,387
Deposits received from disposal of property, plant and equipment and prepaid lease payments		11,538	–
Interest received		2,957	680
Proceeds on disposal of property, plant and equipment and prepaid lease payments		23,805	5,756
Proceeds on disposal of investment properties and prepaid lease payments		17,307	–
		<u>(3,566)</u>	<u>(31,575)</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>			

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2014

	2014 HK\$'000	2013 HK\$'000
FINANCING ACTIVITIES		
New bank borrowings raised	2,171,005	2,387,868
Repayments of bank borrowings	(2,205,849)	(2,312,659)
Deposit received from share subscription	90,221	–
Interest paid	(44,782)	(42,989)
Dividend paid	(8,823)	(30,887)
	<u>1,772</u>	<u>1,333</u>
NET CASH FROM FINANCING ACTIVITIES		
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	57,654	(44,418)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	3,763	2,275
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	<u>64,949</u>	<u>107,092</u>
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	<u>126,366</u>	<u>64,949</u>
Cash and cash equivalents represented by:		
Bank balances and cash	145,676	82,513
Bank overdrafts	(19,310)	(17,564)
	<u>126,366</u>	<u>64,949</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9th June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its holding company is Powerlink Industries Limited, a company incorporated in the British Virgin Islands, which is also its ultimate holding company. The beneficial owner of Powerlink Industries Limited is Dr. Sung Chung Kwun, a former executive director and former Chairman of the Company.

The Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 41.

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

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

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board.

Amendments to 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
IFRIC – Int 21	Levies

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

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

IFRS 9	Financial Instruments <sup>1</sup>
IFRS 14	Regulatory Deferral Accounts <sup>2</sup>
IFRS 15	Revenue from Contracts with Customers <sup>3</sup>
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations <sup>5</sup>
Amendments to IAS 1	Disclosure Initiative <sup>5</sup>
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>5</sup>
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants <sup>5</sup>
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions <sup>4</sup>
Amendments to IAS 27	Equity Method in Separate Financial Statements <sup>5</sup>
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>5</sup>
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception <sup>5</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle <sup>6</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle <sup>4</sup>
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle <sup>5</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

<sup>2</sup> Effective for first annual IFRS financial statements beginning on or after 1st January, 2016, with earlier application permitted.

<sup>3</sup> Effective for annual periods beginning on or after 1st January, 2017, with earlier application permitted.

<sup>4</sup> Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

<sup>5</sup> Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

<sup>6</sup> Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions. Earlier application is permitted.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

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

### IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a “fair value through other comprehensive income” (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities’ credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an “economic relationship”. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future will have no significant impact on amounts reported in respect of the Group’s financial assets and financial liabilities as at 31st December, 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance (Cap.32).

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Basis of consolidation – continued

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

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

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

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31st December, 2014*

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Investment properties

Investment properties are properties held to earn rentals and for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### *The Group as lessee*

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

#### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Foreign currencies

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

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

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss/profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### *Deferred tax*

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### *Current and deferred tax for the year*

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Intangible assets – club debenture

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use on disposal. Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial asset or financial liability at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

#### *Financial assets*

The Group's financial assets are classified into loans and receivables.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, bills receivable and other receivables, amounts due from related companies, pledged bank deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments – continued

#### *Financial assets – continued*

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30-120 days and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

#### *Classification as debt or equity*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Financial instruments – continued

#### *Financial liabilities and equity instruments – continued*

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

##### *Financial liabilities*

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

##### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an internal part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

##### *Derivative financial instruments*

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The gain or loss arising on remeasurement is recognised in profit or loss in the period in which they arise.

##### *Derecognition*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES – continued

### Impairment loss on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

## 4. KEY SOURCES OF ESTIMATION AND JUDGEMENT

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 4. KEY SOURCES OF ESTIMATION AND JUDGEMENT – continued

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### Estimated useful lives and impairment of property, plant and equipment

Management estimates the useful lives of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. If the actual useful lives of property, plant and equipment is less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. When there is indication that an item of the property, plant and equipment has suffered an impairment loss, management of the Group takes into consideration the estimation of its recoverable amount. The recoverable amounts calculation requires the Group to estimate higher of fair value less costs to sell and value in use expected to arise from the property, plant and equipment. In determining the value in use, a discount rate is estimated in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2014, the carrying amount of property, plant and equipment of the Group amounted to HK\$802,644,000 (2013:HK\$823,026,000).

### Deposit received from transfer of the operation rights of a subsidiary

As disclosed in note 29, the Group entered into an operation right transfer agreement with a third party during the year ended 31st December, 2012 to transfer the operating rights of a subsidiary, Luoding Addchance Limited. The total consideration of this transfer is approximately HK\$554,321,000 and will be payable by six installments within 5 years from 31st December, 2012. The pre-requisite conditions precedent set out in the agreement have not been met as at 31st December, 2014. The Group anticipates that the occurrence of the transfer is highly probable in 2015 when the conditions precedent set out in the operation right agreement are expected to be fulfilled. The payment of HK\$236,056,000 received as at 31st December, 2014 has been classified as current liabilities.

### Estimated impairment of trade receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31st December, 2014, the carrying amount of trade receivables is HK\$178,711,000, net of allowance for doubtful debts of HK\$9,438,000 (2013: HK\$522,108,000, net of allowance for doubtful debts of HK\$9,438,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank borrowings disclosed in note 32, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debt or redemption of existing debts.

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2014 HK\$'000	2013 HK\$'000
<b>Financial assets</b>		
<i>Loans and receivables</i>		
Trade receivables, bills receivable and other receivables	289,910	619,524
Amounts due from related companies	4,002	3,543
Pledged bank deposits	67,487	46,296
Bank balances and cash	145,676	82,513
	<u>507,075</u>	<u>751,876</u>
<b>Financial liabilities</b>		
<i>Amortised cost</i>		
Trade and other payables	88,872	91,258
Bills payable	19,026	13,072
Bank borrowings	1,119,947	1,153,911
Bank overdrafts	19,310	17,564
	<u>1,247,155</u>	<u>1,275,805</u>
Derivative financial instruments	<u>20,042</u>	<u>19,845</u>

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivable and other receivables, amounts due from related companies, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, bank borrowings, bank overdrafts and derivative financial instruments. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 6. FINANCIAL INSTRUMENTS – continued

### (b) Financial risk management objectives and policies – continued

#### Market risk

##### (i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Also, certain trade receivables, bills receivable and other receivables, bank balances, trade payables, bills payable and bank borrowings of the Group are denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
United State dollars ("USD")	127,922	473,517	646,784	663,725
Renminbi ("RMB")	640	561	–	–
EURO ("EUR")	168	217	–	–

#### Sensitivity analysis

The Group is mainly exposed to the EUR and RMB.

The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2013: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that Hong Kong dollars is pegged to USD. A negative number below indicates an increase in post-tax loss or decrease in post-tax profit where Hong Kong dollars strengthen 5% against the relevant currencies. For a 5% (2013: 5%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the loss or profit, and the balances below would be opposite.

	EUR		RMB	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
(Loss) profit for the year	(7)	(9)	(27)	(23)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 6. FINANCIAL INSTRUMENTS – continued

### (b) Financial risk management objectives and policies – continued

#### *Market risk – continued*

##### *(i) Currency risk – continued*

Sensitivity analysis – continued

For foreign currency forward contracts of buying USD and selling RMB, if RMB strengthen 5% against USD, the post-tax loss for the year ended 31st December, 2014 would increase by HK\$1,044,000 (2013: HK\$3,854,000). For 5% weakening of RMB against USD, the post-tax loss for the year ended 31st December, 2014 would decrease by HK\$945,000 (2013: HK\$3,487,000). No sensitivity analysis was prepared in relation to foreign currency forward contracts of buying USD and selling Hong Kong dollars as the directors consider that the Group's exposure is insignificant on the ground that Hong Kong dollars is pegged to USD.

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

##### *(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and interest rate swap as set out in notes 32 and 31, respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, bills payable and bank borrowings as set out in notes 27, 30 and 32, respectively.

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable-rate bills payable and bank borrowings at the end of reporting period. The analysis is prepared assuming financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 6. FINANCIAL INSTRUMENTS – continued

### (b) Financial risk management objectives and policies – continued

#### *Market risk – continued*

##### *(ii) Interest rate risk – continued*

Sensitivity analysis – continued

If interest rates had been 50 basis points (2013: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2014 would increase/decrease by HK\$2,183,000 (post-tax profit for the year ended 31st December, 2013 would decrease/increase HK\$2,796,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bills payable and bank borrowings.

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

For interest rate swap, 50 basis point (2013: 50 basis point) increase or decrease is used. If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2014 would decrease/increase by HK\$4,489,000 (post-tax profit for the year ended 31st December, 2013 would increase/decrease by HK\$4,465,000).

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

#### *Credit risk*

As at 31st December, 2014, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 6. FINANCIAL INSTRUMENTS – continued

### (b) Financial risk management objectives and policies – continued

#### *Credit risk – continued*

At 31st December, 2014, the Group has a concentration of credit risk to its five largest customers which comprised HK\$49,847,000 (2013: HK\$272,852,000) of the Group's trade receivables. Management identified such concentration of credit risk by considering (i) the number of counterparties; (ii) similar characteristics of these customers such as garment and apparel retailing and wholesale industry and regions within Europe and China and (iii) the amount of risk exposure associated with the trade receivables. The Group normally grant a credit term of 30-120 days to these customers. By reviewing the regular subsequent settlement of these trade receivables, the directors are of opinion that the default risk of these trade receivables are manageable. Other than that, the Group does not have any other significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### *Liquidity risk*

The Group has net current assets of approximately HK\$59,777,000 as at 31st December, 2014 (2013: HK\$211,048,000). The Group has sufficient funds to finance its current working capital requirements taking into account the existing banking facilities and cashflows from operations.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensure substantial compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31st December, 2014, the Group has available unutilised short term bank loan facilities of approximately HK\$625 million (2013: HK\$1,135 million).

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 6. FINANCIAL INSTRUMENTS – continued

### (b) Financial risk management objectives and policies – continued

#### Liquidity risk – continued

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
2014							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	62,933	25,939	-	-	88,872	88,872
Bills payable	2.3	19,026	-	-	-	19,026	19,026
Bank overdrafts	5.6	19,310	-	-	-	19,310	19,310
Bank borrowings							
– variable rate	3.6	40,541	304,426	333,101	-	678,068	663,778
– fixed rate	6.4	-	45,590	437,620	-	483,210	456,169
		<u>141,810</u>	<u>375,955</u>	<u>770,721</u>	<u>-</u>	<u>1,288,486</u>	<u>1,247,155</u>
<b>Derivatives – net settlement</b>							
Foreign currency forward contracts	-	(33)	6	28	-	1	1
Interest rate swaps	2.5	-	-	20,333	-	20,333	20,041
		<u>(33)</u>	<u>6</u>	<u>20,361</u>	<u>-</u>	<u>20,334</u>	<u>20,042</u>

	Weighted average interest rate %	On demand or less than 1 month HK\$'000	1-3 months HK\$'000	3 months to 1 year HK\$'000	Over 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
2013							
<b>Non-derivative financial liabilities</b>							
Trade and other payables	-	55,301	35,957	-	-	91,258	91,258
Bills payable	2.5	13,072	-	-	-	13,072	13,072
Bank overdrafts	6.0	17,564	-	-	-	17,564	17,564
Bank borrowings							
– variable rate	3.3	254,472	259,889	262,476	-	776,837	766,326
– fixed rate	6.0	5,124	67,666	334,743	-	407,533	387,585
		<u>345,533</u>	<u>363,512</u>	<u>597,219</u>	<u>-</u>	<u>1,306,264</u>	<u>1,275,805</u>
<b>Derivatives – net settlement</b>							
Foreign currency forward contracts	-	(134)	163	735	1,018	1,782	1,782
Interest rate swaps	2.5	-	-	-	18,778	18,778	18,063
		<u>(134)</u>	<u>163</u>	<u>735</u>	<u>19,796</u>	<u>20,560</u>	<u>19,845</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 6. FINANCIAL INSTRUMENTS – continued

### (b) Financial risk management objectives and policies – continued

#### *Liquidity risk – continued*

Bank loans with a repayment on demand clause of HK\$25,625,000 (2013: HK\$90,406,000) are included in the “on demand or less than 1 month” time band in the above maturity analysis. Taking into account of the Group’s financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid one year after the reporting date in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to HK\$27,624,000 and HK\$97,326,000 for 2014 and 2013, respectively.

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

### (c) Fair value

#### *Fair value measurements recognised in the statement of financial position*

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

Financial liabilities	Fair value as at 31st December,		Fair value hierarchy	Valuation technique(s) and key input(s)
	2014 HK\$'000	2013 HK\$'000		
1) Foreign currency forward contracts classified as derivative financial instruments in the statement of financial position	1	1,782	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 statement of financial position	20,041	18,063	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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 6. FINANCIAL INSTRUMENTS – continued

### (c) Fair value – continued

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

Fair value hierarchy as at 31st December, 2014

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Financial liabilities</b>			
Derivative financial instruments			
Foreign currency forward contracts	–	1	–
Interest rate swap	–	20,041	–
	<u>–</u>	<u>20,041</u>	<u>–</u>
	<u>–</u>	<u>20,042</u>	<u>–</u>

There was no transfer between Level 1, 2 and 3 for both years.

The fair value of financial liabilities included in the Level 2 category above has been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rates that reflect the credit risk of counterparties, and forward exchange rates and forward interest rates that reflect the market risk.

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

## 7. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

An analysis of the Group's revenue for the year is as follows:

	2014 HK\$'000	2013 HK\$'000
Production and sale of cotton yarn	114,470	131,486
Production and sale of knitted sweaters	541,105	811,026
Production and sale of dyed yarns	307,105	403,156
Provision of dyeing services	39,908	43,113
Trading of cotton and yarns	13,695	12,886
	<u>1,016,283</u>	<u>1,401,667</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 8. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

Specifically, the Group's operating and reportable segments under IFRS 8 are as follows:

1. Production and sale of cotton yarn
2. Production and sale of knitted sweaters
3. Production and sale of dyed yarns
4. Provision of dyeing services
5. Trading of cotton and yarns

### Segment revenue and results

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

For the year ended 31st December, 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
<b>REVENUE</b>								
External sales	114,470	541,105	307,105	39,908	13,695	1,016,283	-	1,016,283
Inter – segment sales	77,443	-	410,159	10,248	228,182	726,032	(726,032)	-
Segment revenue	<u>191,913</u>	<u>541,105</u>	<u>717,264</u>	<u>50,156</u>	<u>241,877</u>	<u>1,742,315</u>	<u>(726,032)</u>	<u>1,016,283</u>
<b>SEGMENT (LOSS) PROFIT</b>	<u>(38,885)</u>	<u>3,875</u>	<u>(65,621)</u>	<u>(2,085)</u>	<u>(33,007)</u>	<u>(135,723)</u>	<u>-</u>	<u>(135,723)</u>
Interest income								2,957
Rental income								2,225
Unallocated expenses								(5,565)
Other gains and losses								157
Finance costs								(44,782)
Loss before tax								<u>(180,731)</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 8. SEGMENT INFORMATION – continued

### Segment revenue and results – continued

For the year ended 31st December, 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	131,486	811,026	403,156	43,113	12,886	1,401,667	-	1,401,667
Inter – segment sales	155,847	-	326,624	22,406	190,431	695,308	(695,308)	-
Segment revenue	287,333	811,026	729,780	65,519	203,317	2,096,975	(695,308)	1,401,667
SEGMENT (LOSS) PROFIT	(7,157)	93,075	31,913	2,608	(17,355)	103,084	-	103,084
Interest income								680
Rental income								1,770
Unallocated expenses								(1,571)
Other gains and losses								354
Finance costs								(42,989)
Profit before tax								61,328

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 8. SEGMENT INFORMATION – continued

### Segment assets and liabilities

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

As at 31st December, 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 HK\$'000
ASSETS						
Segment assets	<u>378,580</u>	<u>1,414,376</u>	<u>282,989</u>	<u>39,121</u>	<u>162,694</u>	<u>2,277,760</u>
Assets classified as held for sale						128,360
Unallocated corporate assets						<u>235,572</u>
CONSOLIDATED TOTAL ASSETS						<u>2,641,692</u>
LIABILITIES						
Segment liabilities	22,384	74,292	321,913	13,276	81,622	513,487
Unallocated corporate liabilities						<u>1,180,388</u>
CONSOLIDATED TOTAL LIABILITIES						<u>1,693,875</u>

As at 31st December, 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 HK\$'000
ASSETS						
Segment assets	<u>423,460</u>	<u>1,512,113</u>	<u>329,734</u>	<u>43,079</u>	<u>123,268</u>	<u>2,431,654</u>
Assets classified as held for sale						108,963
Unallocated corporate assets						<u>151,355</u>
CONSOLIDATED TOTAL ASSETS						<u>2,691,972</u>
LIABILITIES						
Segment liabilities	18,437	76,471	223,506	12,496	42,618	373,528
Unallocated corporate liabilities						<u>1,209,464</u>
CONSOLIDATED TOTAL LIABILITIES						<u>1,582,992</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 8. SEGMENT INFORMATION – continued

### Segment assets and liabilities – continued

For the purposes of monitoring segment performances and allocating resources among segments, all assets are allocated to operating segments other than investment properties, other assets, club debenture, amounts due from related companies, tax recoverable, deferred tax assets, assets classified as held for sale, pledged bank deposits and bank balances and cash on the basis of the revenue earned by individual reportable segments; and all liabilities are allocated to operating segments other than bank borrowings, bank overdrafts, tax liabilities, derivative financial instruments and deferred tax liabilities in proportion to segment assets. This is the measure reported to the chief operating decision makers, the executive directors, for the purpose of resource allocation and performance assessment.

### Other segment information

The following amounts were provided to the chief operating decision makers, the executive directors, for the purposes of performance assessment and resource allocation:

For the year ended 31st December, 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	Unallocated HK\$'000	Total HK\$'000
Addition to non-current assets	783	97,458	21,424	948	227	-	120,840
Depreciation of property, plant and equipment	22,522	50,366	9,752	1,742	160	-	84,542
Amortisation of prepaid lease payments	653	537	385	22	8	-	1,605
Gain on disposal of property, plant and equipment and prepaid lease payments	-	-	-	-	-	3,276	3,276

For the year ended 31st December, 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	Unallocated HK\$'000	Total HK\$'000
Addition to non-current assets	960	109,640	14,871	1,554	3,658	-	130,683
Depreciation of property, plant and equipment	28,729	48,769	13,128	1,154	264	-	92,044
Amortisation of prepaid lease payments	215	1,288	1,467	17	9	-	2,996
Gain on disposal of property, plant and equipment and prepaid lease payments	-	-	-	-	-	1,883	1,883

Note: Non-current assets excluded deferred tax assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 8. SEGMENT INFORMATION – continued

### Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2014 HK\$'000	2013 HK\$'000	2014 HK\$'000	2013 HK\$'000
PRC	377,909	458,919	523,154	568,178
Hong Kong	130,501	193,058	25,480	26,594
Other Asian countries	90,572	147,450	355,102	318,261
Australia	2,049	2,070	–	–
Europe	385,653	548,614	–	–
North America	29,599	51,556	–	–
	<u>1,016,283</u>	<u>1,401,667</u>	<u>903,736</u>	<u>913,033</u>

Included in revenue for customers located in Europe, amounts of HK\$222,171,000 (2013: HK\$301,114,000), HK\$40,573,000 (2013: HK\$37,315,000), HK\$36,099,000 (2013: HK\$53,674,000), HK\$15,250,000 (2013: HK\$15,616,000) and HK\$15,050,000 (2013: HK\$18,335,000) were arising from sales to customers based in United Kingdom, France, Germany, Belgium and Denmark, respectively.

### Information about major customers

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

	2014 HK\$'000	2013 HK\$'000
Customer A from segment of production and sale of knitted sweaters	169,953	238,627
Customer B from segment of production and sale of knitted sweaters	–*	145,181

\* The corresponding amount is less than 10% of the total sales for the year ended 31st December, 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 9. OTHER GAINS AND LOSSES

	2014 HK\$'000	2013 HK\$'000
Gain on deregistration of a subsidiary	–	43
Interest income on other assets	354	–
Change in fair value of derivative financial instruments	(197)	354
Net exchange losses	(6,615)	(1,147)
Impairment losses recognised in respect of property, plant and equipment	(10,193)	–
	<u>(16,651)</u>	<u>–</u>
	<u>(16,651)</u>	<u>(750)</u>

## 10. FINANCE COSTS

	2014 HK\$'000	2013 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	<u>44,782</u>	<u>42,989</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 11. INCOME TAX EXPENSE

	2014 HK\$'000	2013 HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	971	618
– Underprovision in prior years	102	555
PRC Enterprise Income Tax		
– Current year	1,950	1,261
– Overprovisions in prior years	(91)	–
	<u>2,932</u>	<u>2,434</u>
Deferred taxation ( <i>note 23</i> )		
– Current year	<u>595</u>	<u>(561)</u>
	<u>3,527</u>	<u>1,873</u>

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

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

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). The first profit-making years of these PRC subsidiaries range from of 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries have expired by 2013.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 11. INCOME TAX EXPENSE – continued

The tax charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2014 HK\$'000	2013 HK\$'000
(Loss) profit before tax	<u>(180,731)</u>	<u>61,328</u>
Taxation at the domestic income tax rate of 16.5% ( <i>note</i> )	(29,821)	10,119
Effect of tax exemptions and reduction granted to Cambodian subsidiaries (2013: PRC and Cambodian subsidiaries)	4,989	(30,047)
Tax effect of income not taxable for tax purpose	(3,517)	(3,004)
Tax effect of expenses not deductible for tax purpose	13,709	1,275
Underprovision in prior years	11	555
Tax effect of tax losses not recognised	17,647	22,730
Utilisation of tax losses previously not recognised	(154)	(184)
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	<u>663</u>	<u>429</u>
Income tax expense for the year	<u>3,527</u>	<u>1,873</u>

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 12. (LOSS) PROFIT FOR THE YEAR

	2014 HK\$'000	2013 HK\$'000
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' remuneration ( <i>note 13</i> )	8,056	9,606
Other staff costs	280,901	349,724
Retirement benefits scheme contributions, excluding directors	<u>10,182</u>	<u>10,611</u>
Total staff costs	<u>299,139</u>	<u>369,941</u>
Amortisation of prepaid lease payments	1,605	2,996
Auditor's remuneration	2,300	2,200
Cost of inventories recognised as an expense	914,409	1,078,744
Depreciation of property, plant and equipment	84,542	92,044
Depreciation of investment properties	52	52
Impairment losses recognised on property, plant and equipment	10,193	–
Impairment losses recognised on trade receivables	5,481	–
Written off on trade receivables	6,152	221
Written off on other receivables	100	594
Written off on inventories	29,618	–
Gain on disposal of property, plant and equipment and prepaid lease payments	(3,276)	(1,883)
Gain on disposal of investment properties and prepaid lease payments	(15,864)	–
Interest income (as included in other income)	2,957	680
Gross rental income from investment properties (as included in other income)	2,225	1,770
Less: direct operating expenses from investment properties that generated rental income during the year	<u>(256)</u>	<u>(189)</u>
	<u>1,969</u>	<u>1,581</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 13. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the 11 (2013: 12) directors were as follows:

For the year ended 31st December, 2014

	Mr. Wong Chiu Hong	Mr. Ip Siu Lam	Ms. Sung Kit Ching	Mr. Sung Kim Ping	Mr. Sung Kim Wa	Mr. Tsang Fai	Mr. Lo Ping	Mr. Chiu Chi Yun,	Mr. Chan Tsz Fu,	Ms. Huang Yunjie	Mr. Zhuang Zhongxi	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors												
- fees	-	-	-	-	-	-	32	16	156	156	156	516
- salaries and other benefits	1,320	540	1,320	1,320	1,320	720	-	-	-	-	-	6,540
- bonus	180	60	180	180	180	96	-	-	4	2	2	884
- retirement benefit scheme contributions	17	17	17	17	17	17	-	-	7	7	-	116
	<u>1,517</u>	<u>617</u>	<u>1,517</u>	<u>1,517</u>	<u>1,517</u>	<u>833</u>	<u>32</u>	<u>16</u>	<u>167</u>	<u>165</u>	<u>158</u>	<u>8,056</u>

For the year ended 31st December, 2013

	Dr. Sung Chung Kwun	Mr. Wong Chiu Hong	Mr. Ip Siu Lam	Ms. Sung Kit Ching	Mr. Sung Kim Ping	Mr. Sung Kim Wa	Mr. Tsang Fai	Mr. Ng Man Kin	Mr. Chan Tsz Fu,	Professor Cai Xiu Ling	Ms. Huang Yunjie	Mr. Zhuang Zhongxi	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Directors													
- fees	-	-	-	-	-	-	-	68	156	68	91	65	448
- salaries and other benefits	1,800	1,320	540	1,320	1,320	1,320	420	-	-	-	-	-	8,040
- bonus	200	180	60	195	180	180	7	4	4	4	-	-	1,014
- retirement benefit scheme contributions	-	15	15	15	15	15	9	4	8	4	4	-	104
	<u>2,000</u>	<u>1,515</u>	<u>615</u>	<u>1,530</u>	<u>1,515</u>	<u>1,515</u>	<u>436</u>	<u>76</u>	<u>168</u>	<u>76</u>	<u>95</u>	<u>65</u>	<u>9,606</u>

### Notes:

- Dr. Sung Chung Kwun retired as a director on 31st May, 2013. Mr. Ng Man Kin and Professor Cai Xiu Ling resigned as directors on 31st May, 2013.
- Ms. Huang Yunjie and Mr. Tsang Fai were appointed as directors on 31st May, 2013.
- Mr. Zhuang Zhongxi was appointed as a director on 1st August, 2013.
- Mr. Ip Siu Lam retired as a director on 18th December, 2014.
- Mr. Lo Ping and Mr. Chiu Chi Yun, Robert were appointed as directors on 22nd December, 2014.
- Ms. Sung Kit Ching resigned as a director on 17th March, 2015.
- No chief-executive officer is appointed by the Company and the day-to-day management of the Group is led by Mr. Sung Kim Wa, the Chairman of the Board.

No directors waived any emoluments for both years.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 14. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, four (2013: all) are directors of the Company whose emoluments are included in the disclosure in note 13 above. The emoluments of the remaining individual for the year ended 31st December, 2014 were as follows:

	2014 HK\$'000
Employees	
– salaries and other benefits	1,800
– bonus	200
	<u>2,000</u>

The emoluments were within the following band:

	2014 No. of employees
Nil to HK\$1,000,000	–
HK\$1,000,001 to HK\$1,500,000	–
HK\$1,500,001 to HK\$2,000,000	1
	<u>1</u>

During the year ended 31st December, 2014 and 31st December, 2013, no emoluments were paid by the Group to the five highest paid individuals or directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

## 15. DIVIDENDS

	2014 HK\$'000	2013 HK\$'000
Dividend recognised as distribution during the year		
– 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
– 2013 Interim dividend of HK2.0 cents per share	–	8,824
	<u>8,823</u>	<u>30,887</u>

During the year ended 31st December, 2014, a final dividend of HK2.0 cents in respect of the year ended 31st December, 2013 (2013: final dividend of HK2.0 cents in respect of the year ended 31st December, 2012) was declared and paid to the owners of the Company. During the year ended 31st December, 2013, an interim dividend of HK2.0 cents per share in respect of the six months ended 30th June, 2013 and a special dividend of HK3.0 cents per share in respect of the year ended 31st December, 2012 were declared and paid to the owners of the Company.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2014.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 16. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share for the year is based on the loss for the year attributable to the owners of the Company of HK\$184,258,000 (profit for the year ended 31st December, 2013: HK\$59,455,000) and on the number of shares in issue during the year of 441,250,000 (2013: 441,250,000).

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

## 17. INVESTMENT PROPERTIES

	HK\$'000
<b>COST</b>	
At 1st January, 2013 and 31st December, 2013	2,706
Disposals	<u>(2,183)</u>
At 31st December, 2014	<u>523</u>
<b>ACCUMULATED DEPRECIATION</b>	
At 1st January, 2013	874
Provided for the year	<u>52</u>
At 31st December, 2013	926
Provided for the year	52
Eliminated on disposals	<u>(784)</u>
At 31st December, 2014	<u>194</u>
<b>CARRYING VALUES</b>	
At 31st December, 2014	<u>329</u>
At 31st December, 2013	<u>1,780</u>

The fair value of the Group's investment properties at 31st December, 2014 was HK\$6,470,000 (2013: HK\$22,590,000). The fair value has been arrived at based on a valuation carried out by Vigers Appraisal & Consulting Limited, independent valuers not connected with the Group. The valuation was determined based on the basis of capitalization of net rental income derived from the existing tenancy and made allowance for reversionary income potential of the properties.

The above investment properties are depreciated on a straight-line basis at a rate of 1.8% to 2% per annum, which is based on the relevant lease term.

All investment properties are situated on land at the following locations:

	2014 HK\$'000	2013 HK\$'000
Hong Kong – medium-term lease	–	1,441
Outside Hong Kong – long-term lease	<u>329</u>	<u>339</u>
	<u>329</u>	<u>1,780</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 18. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Plant and machinery HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Leasehold improvements HK\$'000	Construction in progress HK\$'000	Total HK\$'000
<b>COST</b>							
At 1st January, 2013	443,747	995,694	30,087	24,573	3,302	30,595	1,527,998
Exchange adjustments	138	2,401	1	-	-	-	2,540
Additions	5,539	88,626	1,549	679	3,303	27,240	126,936
Transfer	23,968	3,222	-	-	-	(27,190)	-
Disposals	(305)	(67,910)	(2,608)	(1,552)	-	-	(72,375)
Transfer to assets classified as held for sale	(36,315)	-	-	-	-	-	(36,315)
At 31st December, 2013	436,772	1,022,033	29,029	23,700	6,605	30,645	1,548,784
Exchange adjustments	13,119	32,247	588	792	254	891	47,891
Additions	644	4,139	55	1,120	-	91,895	97,853
Transfer	52,120	666	-	-	-	(52,786)	-
Disposals	(26,974)	(124,200)	-	(1,340)	-	-	(152,514)
Transfer to assets classified as held for sale	(17,732)	-	-	-	-	(4,120)	(21,852)
At 31st December, 2014	457,949	934,885	29,672	24,272	6,859	66,525	1,520,162
<b>DEPRECIATION</b>							
At 1st January, 2013	97,863	560,703	23,597	22,381	33	-	704,577
Exchange adjustments	33	898	-	-	-	-	931
Provided for the year	17,367	72,111	1,884	649	33	-	92,044
Eliminated on disposals	(123)	(64,733)	(2,608)	(1,423)	-	-	(68,887)
Transfer to assets classified as held for sale	(2,907)	-	-	-	-	-	(2,907)
At 31st December, 2013	112,233	568,979	22,873	21,607	66	-	725,758
Exchange adjustments	10,719	21,694	441	721	3	-	33,578
Provided for the year	16,621	64,622	1,626	1,261	412	-	84,542
Eliminated on disposals	(25,609)	(104,651)	-	(1,340)	-	-	(131,600)
Transfer to assets classified as held for sale	(4,953)	-	-	-	-	-	(4,953)
Impairment losses recognised in profit or loss	-	-	-	-	-	10,193	10,193
At 31st December, 2014	109,011	550,644	24,940	22,249	481	10,193	717,518
<b>CARRYING VALUES</b>							
At 31st December, 2014	348,938	384,241	4,732	2,023	6,378	56,332	802,644
At 31st December, 2013	324,539	453,054	6,156	2,093	6,539	30,645	823,026

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 20 to 25 years
Plant and machinery	10% – 20%
Furniture and fixtures	4% – 30%
Motor vehicles	30%
Leasehold improvements	12%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 18. PROPERTY, PLANT AND EQUIPMENT – continued

During the year, the directors conducted a review of the Group's construction in progress and determined that a number of those assets were impaired, due to absence of future development plan in Xinjiang, the PRC. Accordingly, impairment losses of HK\$10,193,000 have been recognised in respect of construction in progress, which was planned to be used in the production or sale of cotton yarn segment. The recoverable amounts of the relevant assets have been determined as zero. The impairment losses have been included in profit or loss in the other gains and losses line item.

The carrying value of the Group's buildings comprises:

	2014 HK\$'000	2013 HK\$'000
Properties in the PRC erected on land with medium-term leases	193,789	215,340
Properties erected on land with medium-term leases in Cambodia	155,149	109,199
	<u>348,938</u>	<u>324,539</u>

## 19. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise:

	2014 HK\$'000	2013 HK\$'000
Leasehold land in Hong Kong:		
Medium-term leases	1,176	1,255
Leasehold land outside Hong Kong:		
Medium-term leases	68,844	47,789
	<u>70,020</u>	<u>49,044</u>
Analysed for reporting purposes as:		
Current asset	1,608	2,509
Non-current asset	68,412	46,535
	<u>70,020</u>	<u>49,044</u>

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

The amount represents the deposits paid for the acquisition of prepaid lease payments and property, plant and equipment for the Group's expansion of business.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 21. CLUB DEBENTURE

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

## 22. 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 USD7,800,000 (equivalent to HK\$60,840,000). The Subsidiaries are required to pay an upfront payment of USD2,038,000 (equivalent to HK\$15,899,000). The Subsidiaries may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the accumulation of premium paid plus accumulated guaranteed interest earned and minus certain charges and surrender amounts in accordance with terms of the policies (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteen policy year, a pre-determined specified surrender charge would be imposed on the Subsidiaries.

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

## 23. DEFERRED TAX ASSETS/LIABILITIES

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

	2014 HK\$'000	2013 HK\$'000
Deferred tax liabilities	15,696	15,137
Deferred tax assets	—	(36)
	<u>15,696</u>	<u>15,101</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 23. DEFERRED TAX ASSETS/LIABILITIES – continued

The following are the major deferred tax (assets) liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Unrealised loss on inventories HK\$'000	Withholding tax on undistributed profits of PRC subsidiaries HK\$'000	Total HK\$'000
At 1st January, 2013	10,388	(159)	3,086	2,347	15,662
Credit to profit or loss	(291)	123	(1,122)	729	(561)
At 31st December, 2013	10,097	(36)	1,964	3,076	15,101
Credit to profit or loss	8	36	294	257	595
At 31st December, 2014	10,105	–	2,258	3,333	15,696

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$11,224,000 as at 31st December, 2013 (2014: nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the Law on Taxation of Cambodia, withholding tax is imposed on dividends declared in respect of profits earned by Cambodian subsidiaries from 1st June, 1998 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Cambodian subsidiaries amounting to HK\$529,324,000 as at 31st December, 2014 (2013: HK\$559,560,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

	2014 HK\$'000	2013 HK\$'000
Unused tax losses		
– Recognised as deferred tax asset	–	215
– Unrecognised tax losses ( <i>note</i> )	444,137	409,135
	444,137	409,350

Included in unrecognised tax losses are losses of HK\$212,526,000 (2013: HK\$208,056,000) that will expire between 2014 to 2019 (2013: 2013 to 2018). Other losses may be carried forward indefinitely.

*Note:* Deferred tax asset has not been recognised in respect of certain unused tax losses due to the unpredictability of future profit streams.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 24. INVENTORIES

	2014 HK\$'000	2013 HK\$'000
Raw materials	159,119	187,340
Work in progress	660,939	501,958
Finished goods	210,575	191,425
	<u>1,030,633</u>	<u>880,723</u>

## 25. TRADE RECEIVABLES, BILLS RECEIVABLE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

At 31st December, 2014, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK\$178,711,000 and bills receivable of HK\$63,469,000 (2013: HK\$522,108,000 and HK\$71,507,000, respectively) and their aged analysis, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, is as follows:

	2014 HK\$'000	2013 HK\$'000
Aged:		
0 – 30 days	104,704	327,869
31 – 60 days	43,395	85,415
61 – 90 days	36,751	81,863
91 – 120 days	16,797	20,051
Over 120 days	49,971	87,855
	<u>251,618</u>	<u>603,053</u>
Less: Allowance for doubtful debts	(9,438)	(9,438)
	<u>242,180</u>	<u>593,615</u>
Prepaid expenses	49,459	13,876
VAT receivables	18,302	16,876
Deposits	1,558	2,166
Others	47,778	27,605
	<u>359,277</u>	<u>654,138</u>

Before accepting any new customer, the Group will assess and understand the potential customer's credit quality and defines its credit limits. Credit limits attributed to each customer are reviewed regularly.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

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

### Ageing of trade receivables which are past due but not impaired

	2014 HK\$'000	2013 HK\$'000
Over 120 days	49,971	87,855
Less: allowance for doubtful debts on trade receivables	(9,438)	(9,438)
	<u>40,533</u>	<u>78,417</u>

The Group has not provided for impairment loss on trade receivables of HK\$40,533,000 (2013: HK\$78,417,000) which are past due but not impaired as these receivables relate to debtors who have made historical regular repayment. The Group does not hold collateral over these trade receivables.

### Movement in the allowance for doubtful debts

	2014 HK\$'000	2013 HK\$'000
At 1st January	9,438	9,438
Impairment losses recognised on trade receivables	5,481	–
Amounts written off during the year as uncollectible	(5,481)	–
	<u>9,438</u>	<u>9,438</u>

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

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of HK\$5,481,000 (31 December 2013: nil) which have been severely delinquent in payments. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected proceeds. The Group does not hold any collateral over these balances.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

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

The amount of the Group's trade receivables, bills receivable and other receivables denominated in currency other than the functional currency of the relevant group entities are set out below:

	USD HK\$'000
At 31st December, 2014	
Trade receivables, bills receivable and other receivables	<u>119,059</u>
At 31st December, 2013	
Trade receivables, bills receivable and other receivables	<u>426,652</u>

*Note:* Included in trade receivables, bills receivable and other receivables, deposits and prepayments is bills receivable of HK\$54,985,000 (2013: HK\$65,906,000) representing bills discounted with full recourse with maturity period of 0 – 90 days. The Group has recognised the cash received on such discounted bills receivable of HK\$54,985,000 (2013: HK\$65,906,000) as secured bank borrowings.

## 25a. TRANSFERS OF FINANCIAL ASSETS

The following were the Group's financial assets as at 31st December, 2014 that were transferred to banks by discounting the bills receivable on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (*see note 32*). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2014 HK\$'000	2013 HK\$'000
Bills receivable discounted to banks with full recourse		
Carrying amount of transferred assets	54,985	65,906
Carrying amount of associated liabilities	<u>(54,985)</u>	<u>(65,906)</u>
Net position	<u>–</u>	<u>–</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 26. AMOUNTS DUE FROM RELATED COMPANIES

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

		2014	2013	Maximum amount outstanding during the year
	Notes	HK\$'000	HK\$'000	HK\$'000
Addchance Dyeing Factory Limited	(i)	3,911	3,370	3,911
Anford Trading Limited	(ii)	52	49	52
Trenex (Hong Kong) Limited	(iii)	20	20	20
Soundyet Enterprises Limited	(iii)	19	17	19
Wai Yee Knitting Factory Limited	(iv)	–	87	87
		<u>4,002</u>	<u>3,543</u>	

The amounts due from related companies are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, the amount is expected to be settled within one year from 31st December, 2014.

Notes:

- (i) Dr. Sung Chung Kwun and Sung Kim Ping, being former director and director of the Company, have controlling interests in this company. Sung Kim Ping is the son of Dr. Sung Chung Kwun.
- (ii) Dr. Sung Chung Kwun and Wong Chiu Hong, being former director and director of the Company, have controlling interests in the company.
- (iii) Dr. Sung Chung Kwun, Wong Chiu Hong, Sung Kim Ping and Sung Kim Wa, being former director and directors of the Company, have controlling interests in this company.
- (iv) Sung Kit Ching, being director of the Company, and Wong Chun Fong, daughter and daughter-in-law of the former director, Dr. Sung Chung Kwun, have controlling interests in this company.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 27. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

### Bank balances

Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The amount carries interest at variable interest rates ranged from 0.01% to 0.42% per annum (2013: 0.01% to 0.40% per annum).

Pledged bank deposits are pledged to secure the bank borrowings granted to the Group. Included in pledged bank deposits is the amount of HK\$35,256,000 (2013: HK\$46,296,000) carries interest at fixed interest rate of 2% per annum (2013: 2% per annum).

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

	USD HK\$'000	RMB HK\$'000	EUR HK\$'000	Total HK\$'000
At 31st December, 2014				
Bank balances and cash	8,863	640	168	9,671
At 31st December, 2013				
Bank balances and cash	46,865	561	217	47,643

## 28. TRADE AND OTHER PAYABLES

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

	2014 HK\$'000	2013 HK\$'000
Aged:		
0 – 60 days	25,939	35,957
61 – 90 days	5,601	13,195
Over 90 days	34,356	21,204
	65,896	70,356
Receipt in advance from customers	7,933	9,249
Accrued expenses	54,680	74,387
VAT tax payables	7,417	788
Deposits received from disposal of property, plant and equipment and prepaid lease payments	11,538	–
Deposit received from share subscription	90,221	–
Other payables	20,720	20,902
Trade and other payables shown under current liabilities	258,405	175,682

The average credit period on purchases of goods is 60 days to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 28. TRADE AND OTHER PAYABLES – continued

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

	USD HK\$'000
At 31st December, 2014	
Trade and other payables	7,320
At 31st December, 2013	
Trade and other payables	7,493

## 29. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHTS OF A SUBSIDIARY

- (i) As disclosed in the announcement made by the Company dated 25th September, 2012 (the "Announcement"), the Group entered into an operation rights 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 by six installments within 5 years from 31st December 2012, with the first two installments of HK\$184,774,000 in total being received as at 31st December, 2013 (2013: 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 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, amount equal to the third and the fourth installments 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 would 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 (the "Conditions") was considered not be fulfilled on 30th January, 2014.

During the year ended 31st December, 2014, HK\$51,282,000 of the above bank loans was repaid while the remaining bank loans were extended to December 2015. 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 when it has transferred fund to the Company to repay the remaining HK\$41,105,000 of the third instalment of HK\$92,387,000 included in the bank loans in December 2015.

The directors of the Company expect that the disposal will take place within twelve months from the end of the current reporting period. Accordingly, the assets of Good Spread and Luoding Addchance Limited have been classified as assets held for sale as at 31st December, 2014 and are separately presented in the consolidated statement of financial position. The consideration (i.e. deposit received from transfer of the operation rights of a subsidiary) of HK\$236,056,000 (2013: HK\$184,774,000) in total received as at 31st December, 2014 has been classified as current liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 29. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHTS OF A SUBSIDIARY – continued

- (ii) During the year ended 31st December, 2014, the Group entered into a sale agreement to dispose of property, plant and equipment and prepaid lease payment held by a subsidiary, Wu Zhou Addchance Textile Factory Limited, with carrying amounts of HK\$16,899,000 and HK\$2,498,000, respectively. The assets, which are expected to be sold within twelve months, have been classified as assets held for sale. The net proceeds of disposal are expected to exceed the net carrying amount of the assets, no impairment loss has been recognised.

Assets classified as held for sale as at the end of the reporting period is as follows:

	2014 HK\$'000	2013 HK\$'000
Prepaid lease payments	78,053	75,555
Property, plant and equipment	50,307	33,408
	<u>128,360</u>	<u>108,963</u>

## 30. BILLS PAYABLE

The amounts carry interest at rates based on HIBOR ranging from 2.00% to 2.50% per annum (2013: 2.25% to 2.75% per annum) and are repayable on demand or within four months.

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

## 31. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2014 HK\$'000	2013 HK\$'000
Derivatives not under hedge accounting:		
Foreign currency forward contracts	1	1,782
Interest rate swaps	20,041	18,063
	<u>20,042</u>	<u>19,845</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 31. DERIVATIVE FINANCIAL INSTRUMENTS – continued

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

Major terms of foreign currency forward contracts are as follows:

31st December, 2014

Notional amount	Maturity	Forward exchange rates
Buy USD in aggregate notional amount of USD2,000,000	Ranging from 2nd January, 2015 to 29th December, 2015	HK\$/USD ranging from 7.74 to 7.78
Buy USD in aggregate notional amount of USD3,000,000	Ranging from 3rd February, 2016 to 28th October, 2016	RMB/USD ranging from 6.10 to 6.35

31st December, 2013

Notional amount	Maturity	Forward exchange rates
Buy USD in aggregate notional amount of USD3,000,000	Ranging from 2nd January, 2014 to 6th January, 2015	HK\$/USD ranging from 7.73 to 7.8
Buy USD in aggregate notional amount of USD11,600,000	Ranging from 7th January, 2014 to 23th September, 2015	RMB/USD ranging from 6.30 to 6.55

Major terms of interest rate swaps are as follows:

31st December, 2014

Notional amount	Maturity	Swap
HK\$300,000,000	6th May, 2015	From HIBOR to 2.73%
HK\$75,000,000	29th September, 2015	From HKD-ISDA-SWAP RATE to 1.55%

31st December, 2013

Notional amount	Maturity	Swap
HK\$300,000,000	6th May, 2015	From HIBOR to 2.73%
HK\$75,000,000	29th September, 2015	From HKD-ISDA-SWAP RATE to 1.55%



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 32. BANK BORROWINGS/BANK OVERDRAFTS

	2014 HK\$'000	2013 HK\$'000
Bank overdrafts	<u>19,310</u>	<u>17,564</u>
Bank borrowings		
– Bank loans	905,113	921,847
– Trust receipt loans	<u>214,834</u>	<u>232,064</u>
	<u>1,119,947</u>	<u>1,153,911</u>
	<u>1,139,257</u>	<u>1,171,475</u>
Analysed by:		
Secured	689,739	386,810
Unsecured	<u>449,518</u>	<u>784,665</u>
	<u>1,139,257</u>	<u>1,171,475</u>
Total bank borrowings:		
Fixed-rate	456,169	387,585
Variable-rate	<u>683,088</u>	<u>783,890</u>
	<u>1,139,257</u>	<u>1,171,475</u>
Carrying amount repayable*:		
Within one year	1,113,632	1,081,069
Carrying amount of bank loans that are repayable more than one year but not more than five years from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)		
– More than one year, but not exceeding two years	21,362	65,233
– More than two years but not more than five years	<u>4,263</u>	<u>25,173</u>
	<u>1,139,257</u>	<u>1,171,475</u>
Less: Amount due and repayable within one year shown under current liabilities	<u>(1,139,257)</u>	<u>(1,171,475)</u>
Amount shown under non-current liabilities	<u>–</u>	<u>–</u>

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

Bank overdrafts are repayable on demand. Trust receipt loans are repayable within one year. The secured bank loans are secured by the Group's certain prepaid lease payments, property, plant and equipment, bills receivable, pledged bank deposit and corporate guarantee given by the Company. Details of which are set out in note 36.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 32. BANK BORROWINGS/BANK OVERDRAFTS – continued

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

	USD HK\$'000
As at 31st December, 2014	
Bank loans	483,509
Trust receipt loans	<u>155,955</u>
	<u>639,464</u>
As at 31st December, 2013	
Bank loans	496,249
Trust receipt loans	<u>159,983</u>
	<u>656,232</u>

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

	2014 HK\$'000	2013 HK\$'000
On demand or within one year	<u>456,169</u>	<u>387,585</u>

In addition, the Group has variable-rate borrowings which carry interests at rates based on HIBOR or LIBOR. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2014	2013
Effective interest rate:		
Fixed-rate borrowings	6.0% to 8.3%	6.0% to 7.4%
Variable-rate borrowings	1.34% to 6.75%	1.35% to 6.75%

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 33. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised share capital:		
At 1st January, 2013, 31st December, 2013 and 31st December, 2014	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st January, 2013, 31st December, 2013 and 31st December, 2014	<u>441,250,000</u>	<u>4,413</u>

On 24th December, 2014, the Company entered into a placing agreement with the placing agent, KGI Asia Limited, pursuant to which the placing agent has agreed to place 88,000,000 shares of the Company held by Powerlink Industries to not fewer than six independent investors at the price of HK\$1.05 per share. On the same date, the Company and Powerlink Industries entered into a subscription agreement for the subscription of up to 88,000,000 new shares ("Subscription Shares") at the subscription price of HK\$1.05 per share.

On 29th December, 2014, the placing was completed and 88,000,000 shares represented approximately 19.94% of the existing issued share capital of the Company have been placed to not fewer than six independent investors. The gross proceeds from the placing was approximately HK\$92.4 million. The net proceeds from the placing, which was amounted to approximately HK\$90.6 million, constituted a deposit (the "Deposit") payable by Powerlink Industries to the Company for the subscription of the Subscription Shares.

On 7th January, 2015, the Company allotted and issued 88,000,000 ordinary shares of HK\$0.01 each of the Company at the price of HK\$1.05 per share, to Powerlink Industries. The Deposit was applied as payment of the subscription price of the Subscription Shares and will be used for general working capital of the Group. The number of 88,000,000 shares represented approximately 16.62% of the existing issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

## 34. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and consultants and advisers ("Eligible Persons") of the Group.

Pursuant to the terms of the Scheme which will expire on 28th August, 2015, the board of directors of the Company may grant options to Eligible Persons to subscribe for shares in the Company at a consideration of HK\$1 per grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date the options are granted.

No options were outstanding at 31st December, 2014 or 31st December, 2013 under the Scheme. No options were granted, exercised, cancelled or lapsed during both years.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 35. OPERATING LEASES

### The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2014 HK\$'000	2013 HK\$'000
Office premises	<u>6,757</u>	<u>5,036</u>

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2014 HK\$'000	2013 HK\$'000
Within one year	6,508	6,603
In the second to fifth year inclusive	9,474	15,367
Over five years	<u>1,472</u>	<u>2,086</u>
	<u>17,454</u>	<u>24,056</u>

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for an average term of two to five years with fixed rental.

### The Group as lessor

Property rental income earned during the year was HK\$2,225,000 (2013: HK\$1,770,000). All of the properties held have committed tenants for the next five years.

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2014 HK\$'000	2013 HK\$'000
Within one year	1,340	1,728
In the second to fifth year inclusive	1,304	1,449
Over five years	<u>2,097</u>	<u>1,772</u>
	<u>4,741</u>	<u>4,949</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 36. PLEDGE OF ASSETS

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

	2014 HK\$'000	2013 HK\$'000
Prepaid lease payments ( <i>Note</i> )	101,258	86,207
Property, plant and equipment	76,750	8,359
Other assets	16,095	15,899
Trade receivables	16,868	–
Pledged bank deposits	67,487	46,296
	<u>278,458</u>	<u>156,761</u>

*Note:* At 31st December, 2014 and 31st December, 2013, prepaid lease payments of HK\$75,555,000 included in assets classified as held for sale.

The Group also had bills receivable discounted with recourse amounted to HK\$54,985,000 (2013: HK\$65,906,000)

## 37. CAPITAL COMMITMENTS

	2014 HK\$'000	2013 HK\$'000
Capital expenditure in respect of (i) acquisition of property, plant and equipment and (ii) prepaid lease payments relating to change of its usage to commercial purpose contracted for but not provided in the consolidated financial statements	<u>1,620</u>	<u>20,768</u>

## 38. PENSION/RETIREMENT BENEFITS SCHEME

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

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

During the year, the retirement benefit scheme contributions amounted to HK\$10,298,000 (2013: HK\$10,715,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 39. RELATED PARTY DISCLOSURES

Details of the balances with related parties are set out in note 26.

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

Related parties	Relationship	Nature of transactions	2014 HK\$'000	2013 HK\$'000
Dr. Sung Chung Kwun	(Note 1)	Rental expense paid	889	889
		Sales of investment property and prepaid lease payments	10,790	–
Addchance Dyeing Factory Limited	(Note 2)	Rental expense paid	5,640	4,240

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 the controlling shareholder of 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 company.

### Compensation of key management personnel

Compensation of key management personnel and directors (represented by the directors' emoluments and the top five employee's emoluments) during the year is set out in notes 13 and 14.

## 40. EVENTS AFTER THE REPORTING PERIOD

On 13th March, 2015, an indirect wholly-owned subsidiary of the Company (the "Purchaser") has entered into an agreement, pursuant to which the Purchaser has conditionally agreed to acquire and Hong Jun Global Limited (the "Vendor") has conditionally agree to sell 130 shares in the ordinary share capital of Coulman International Limited (the "Target Company", which is owned as to 54.5% by the Vendor), representing 13% of the equity interest in the Target Company. The Target Company is an investment holding company incorporated in the BVI and its non-wholly owned subsidiaries operate natural gas business including construction of pipelines, selling and distribution of natural gas, operation of fueling stations as well as installation of natural gas equipment. The consideration of the acquisition is HK\$177,320,000 and shall be settled by the combination of cash and an aggregate of 86,480,909 new ordinary shares of HK\$0.01 each in the share capital of the Company to be allotted and issued. The directors of the Company consider that through the acquisition, the Group can diversify its business and they are optimistic about the prospects of the natural gas distribution industry in the PRC. Completion shall take place within three business days after the conditions precedent to the agreement being fulfilled or waived (as the case may be).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2014 and 2013 are as follows:

Name of subsidiary	Notes	Place and date of incorporation/operation/establishment	Issued and fully paid share capital/registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2014	2013	2014	2013	
Interlink Atlantic Limited		British Virgin Islands ("BVI") 24th November, 1999	Ordinary share US\$1	100%	100%	-	-	Investment holding
Addchance Limited		Hong Kong 2nd October, 1981	Ordinary shares HK\$1,500,000	-	-	100%	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services, trading of cotton raw white yarn and fancy yarn and property holding
Chinakey (Hong Kong) Limited		Hong Kong 22nd October, 1997	Ordinary shares HK\$1,000,000	-	-	100%	100%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited		Hong Kong 12th March, 1997	Ordinary shares HK\$10,000	-	-	100%	100%	Trading of knitted sweaters
Charm Shine (Macau) Wool Yarn Industrial Limited		Macau 15th September, 1987	MOP500,000	-	-	100%	100%	Trading of dyed yarn and raw white yarn
Mei Pan Dyeing Factory Limited	(iii)	Hong Kong 1st May, 1987	Ordinary shares HK\$1,240,000 Ordinary Shares A HK\$760,000	-	-	100%	100%	Investment holding
King On (China) Limited		Hong Kong 3rd October, 2007	Ordinary shares HK\$10,000	-	-	100%	100%	Property holding
Charm Shine Industrial Company Limited	(iv)	Hong Kong 8th October, 1976	Ordinary shares HK\$2,200,000	-	-	-	100%	Inactive
張家港互益染整有限公司 Zhangjiagang Addchance Dyeing & Finishing Co., Ltd.	(i)	PRC 9th March, 2001	Registered capital US\$35,044,000	-	-	100%	100%	Manufacturing of dyed yarn and provision of dyeing services
羅定互益染廠有限公司 Luoding Addchance Dyeing Factory Ltd.	(i)	PRC 6th November, 1986	Registered capital US\$24,124,000	-	-	100%	100%	Provision of yarn dyeing services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 41. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Name of subsidiary	Notes	Place and date of incorporation/ operation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company				Principal activities
				Directly		Indirectly		
				2014	2013	2014	2013	
張家港互益紡織有限公司 Zhangjiagang Addchance Spinnery Co., Ltd.	(i)	PRC 12th December, 2003	Registered capital US\$12,000,000	-	-	100%	100%	Manufacturing of knitted sweaters and provision of knitting services
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd.	(i)	PRC 27th September, 2003	Registered capital US\$2,000,000	-	-	100%	100%	Provision of knitting services
廣西梧州互益紡織有限公司 Wu Zhou Addchance Textile Factory Limited	(i)	PRC 16th December, 2005	Registered capital US\$3,500,000	-	-	100%	100%	Manufacturing of knitted sweaters
安慶市宿松互益精紡有限公司 An Qing Su Song Addchance Spinning Company Limited	(i)	PRC 14th April, 2007	Registered capital US\$10,000,000	-	-	100%	100%	Manufacturing of cotton yarn
新疆博樂互益紡織有限公司 Xinjiang Bole Addchance Textiles Limited	(i)	PRC 3rd April, 2007	Registered capital US\$15,000,000 Paid up capital US\$13,200,000	-	-	100%	100%	Manufacturing of cotton yarn
Full Fortune Knitting Ltd.	(ii)	Cambodia 30th July, 2007	Registered capital US\$7,000,000	-	-	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Dignity Knitter Limited		Cambodia 26th May, 2011	Registered capital US\$2,000,000	-	-	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Great Honour Textile Factory Limited		Cambodia 26th May, 2011	Registered capital US\$2,000,000	-	-	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Ecobase Factory Limited		Cambodia 1st January, 2013	Registered capital US\$2,000,000	-	-	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves

### Notes:

- (i) These companies are wholly-foreign owned enterprise.
- (ii) The registered capital has not been paid up as at 31st December, 2014.
- (iii) Ordinary Shares A shall enjoy all rights, interest, privileges and have the same preference and priority as that of the Ordinary shares. Ordinary Shares A shall not be transferable nor can be charged, sold, encumbered, mortgaged or otherwise alienated during life time of Dr. Sung Chung Kwun.
- (iv) The Company was deregistered during the year ended 31st December, 2014.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 41. PARTICULARS OF PRINCIPAL SUBSIDIARIES – continued

Except Interlink Atlantic Limited, all the above subsidiaries operate in their places of incorporation or establishment. Interlink Atlantic Limited, incorporation in BVI, operates in Hong Kong.

All subsidiaries are limited liability companies. None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong and PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2014	2013
Inactive	Hong Kong	1	1
	PRC	2	2
		<u>3</u>	<u>3</u>
Investment holding	BVI	1	1
		<u>4</u>	<u>4</u>

The Group has no non-wholly-owned subsidiaries that have material non-controlling interests at 31st December, 2014 and 31st December, 2013.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2014

## 42. SUMMARISED FINANCIAL POSITION OF THE COMPANY

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

	2014 HK\$'000	2013 HK\$'000
<b>Assets</b>		
Interests in subsidiaries, unlisted	160,803	160,803
Amounts due from subsidiaries	480,874	449,183
Bank balances and cash	262	16,830
	<u>641,939</u>	<u>626,816</u>
<b>Liabilities</b>		
Other payables	90,226	5
Amount due to a subsidiary	20,033	20,033
Bank borrowings	166,438	232,709
	<u>276,697</u>	<u>252,747</u>
	<u>365,242</u>	<u>374,069</u>
<b>Capital and reserves</b>		
Share capital	4,413	4,413
Reserves ( <i>note</i> )	360,829	369,656
	<u>365,242</u>	<u>374,069</u>

*Note:*

	Share premium HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January, 2013	134,054	266,782	(297)	400,539
Profit for the year	–	–	4	4
Dividend recognised as distribution	–	(30,887)	–	(30,887)
	<u>134,054</u>	<u>235,895</u>	<u>(293)</u>	<u>369,656</u>
At 31st December, 2013	134,054	235,895	(293)	369,656
Loss for the year	–	–	(4)	(4)
Dividend recognised as distribution	–	(8,823)	–	(8,823)
	<u>134,054</u>	<u>227,072</u>	<u>(297)</u>	<u>360,829</u>
At 31st December, 2014	134,054	227,072	(297)	360,829

The contributed surplus of the Company represents (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited, over the nominal value of the share capital of the Company issued in exchange in prior years thereof and (ii) less dividends paid.

# FINANCIAL SUMMARY

For the year ended 31st December, 2014

## RESULTS

	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Turnover	<u>1,417,661</u>	<u>1,291,790</u>	<u>1,450,209</u>	<u>1,401,667</u>	<u>1,016,283</u>
Profit (loss) before tax	79,503	93,291	28,655	61,328	(180,731)
Income tax (expense) credit	<u>(8,072)</u>	<u>(3,038)</u>	<u>1,906</u>	<u>(1,873)</u>	<u>(3,527)</u>
Profit (loss) for the year	<u>71,431</u>	<u>90,253</u>	<u>30,561</u>	<u>59,455</u>	<u>(184,258)</u>
Profit (loss) attributable to:					
Owners of the Company	71,272	89,939	32,139	59,455	(184,258)
Non-controlling interests	<u>159</u>	<u>314</u>	<u>(1,578)</u>	<u>-</u>	<u>-</u>
	<u>71,431</u>	<u>90,253</u>	<u>30,561</u>	<u>59,455</u>	<u>(184,258)</u>

## ASSETS AND LIABILITIES

	2010 HK\$'000	2011 HK\$'000	2012 HK\$'000	2013 HK\$'000	2014 HK\$'000
Total assets	1,779,763	2,215,760	2,514,351	2,691,972	2,641,692
Total liabilities	<u>(866,136)</u>	<u>(1,179,292)</u>	<u>(1,437,015)</u>	<u>(1,582,992)</u>	<u>(1,693,875)</u>
	<u>913,627</u>	<u>1,036,468</u>	<u>1,077,336</u>	<u>1,108,980</u>	<u>947,817</u>
Equity attributable to owners of the Company	912,077	1,034,847	1,077,293	1,108,980	947,817
Non-controlling interests	<u>1,550</u>	<u>1,621</u>	<u>43</u>	<u>-</u>	<u>-</u>
	<u>913,627</u>	<u>1,036,468</u>	<u>1,077,336</u>	<u>1,108,980</u>	<u>947,817</u>

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Addchance Holdings Limited (the “Company”) will be held at Hilltop Country Club, No. 10 Hill Top Road, Lo Wai, Tsuen Wan, New Territories, Hong Kong on Friday, 29th May, 2015 at 12:00 noon for the following purposes:

1. To receive and consider the audited consolidated financial statements of the Company and the reports of the directors and auditors for the year ended 31st December, 2014.
2.
  - (a) To re-elect Mr. Sung Kim Wa as director of the Company;
  - (b) To re-elect Mr. Wong Chiu Hong as director of the Company;
  - (c) To re-elect Mr. Tsang Fai as director of the Company;
  - (d) To re-elect Mr. Lo Ping as director of the Company;
  - (e) To re-elect Mr. Chui Chi Yun, Robert as director of the Company;
  - (f) To re-elect Mr. Chan Tsz Fu, Jacky as independent non-executive director of the Company; and
  - (g) To authorise the remuneration committee of the Company to fix their remuneration.
3. To re-appoint auditors and to authorise the board of directors to fix their remuneration.
4. As special business, to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

## ORDINARY RESOLUTIONS

- A. “THAT:
  - (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

## NOTICE OF ANNUAL GENERAL MEETING

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- (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period;
- (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue or scrip dividend scheme or similar arrangement of the Company or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and
- (d) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held;
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company to holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

## NOTICE OF ANNUAL GENERAL MEETING

B. “THAT:

- (a) the exercise by the directors of the Company during the Relevant Period of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval be limited accordingly; and
- (c) for the purposes of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earlier of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable law to be held; and
- (iii) the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

- C. “THAT conditional upon resolution no. 4B above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors as mentioned in resolution no. 4B above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4A above.”

By Order of the Board  
Chang Kam Lai  
Company Secretary

Hong Kong, 28 April 2015

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

# NOTICE OF ANNUAL GENERAL MEETING

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*Notes:*

- (1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company. In order to be valid, the form of proxy must be deposited at the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.
- (2) For the purposes of ascertaining shareholders' entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from 27th May, 2015 (Wednesday) to 29th May, 2015 (Friday) (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 26th May 2015 (Tuesday).