ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3344)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

HIGHLIGHTS

- **Revenue slightly decreased by 1.4% to approximately HK$608.2 million**
- **Gross profit margin for the period under review improved to approximately 23.6%**
- **Net profit derived from core operations, excluding other gain and losses, was approximately HK$30.2 million with net profit margin of 5.0%**

INTERIM RESULTS

On behalf of the board of directors (the "Board") of Addchance Holdings Limited, I am pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2012, together with unaudited comparative figures for the corresponding period in 2011. These interim financial statements have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, who conducted the review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

		For the six months ended 30th June,	
		2012	2011
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**608,245**	617,184
Cost of sales		**(464,417)**	(473,596)
Gross profit		**143,828**	143,588
Other income		**5,758**	8,426
Other gains and losses		**(9,754)**	2,063
Selling and distribution costs		**(35,818)**	(38,400)
Administrative expenses		**(64,513)**	(65,390)
Finance costs	*4*	**(20,844)**	(13,521)
Profit before tax		**18,657**	36,766
Income tax credit (expense)	*5*	**1,775**	(4,498)
Profit for the period	*6*	**20,432**	32,268
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations		**6,387**	876
Total comprehensive income for the period		**26,819**	33,144

		For the six months ended 30th June,	
		2012	2011
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Profit for the period attributable to:			
Owners of the Company		**22,010**	32,415
Non-controlling interests		**(1,578)**	(147)
		20,432	32,268
Total comprehensive income for the period attributable to:			
Owners of the Company		**28,397**	33,291
Non-controlling interests		**(1,578)**	(147)
		26,819	33,144
Earnings per share, in HK cents			
Basic	*8*	**4.99**	7.35

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2012

	NOTES	**30.6.2012** **HK$'000** **(unaudited)**	31.12.2011 HK$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		**1,858**	1,884
Property, plant and equipment		**791,476**	823,838
Prepaid lease payments		**122,755**	60,047
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**15,528**	50,110
Club debenture		**1,070**	1,070
Deferred tax assets		**154**	159
		932,841	937,108
CURRENT ASSETS			
Prepaid lease payments		**1,170**	1,504
Inventories		**857,365**	782,497
Trade receivables, bills receivable and other receivables, deposits and prepayments	*9*	**482,321**	333,125
Amounts due from related companies		**138**	1,725
Tax recoverable		**2,828**	2,898
Bank balances and cash		**123,968**	156,903
		1,467,790	1,278,652
CURRENT LIABILITIES			
Trade and other payables	*10*	**162,094**	141,002
Bills payable	*10*	**33,582**	6,294
Derivative financial instruments		**23,607**	18,221
Bank borrowings – due within one year		**1,073,866**	967,486
Tax liabilities		**3,791**	3,418
Bank overdrafts		**24,348**	23,532
Dividend payable		**8,825**	–
		1,330,113	1,159,953
NET CURRENT ASSETS		**137,677**	118,699
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,070,518**	1,055,807

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2012

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

Six months ended 30th June, 2012

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

Six months ended 30th June, 2011

	Production and sale of cotton yarn *HK$'000*	Production and sale of knitted sweaters *HK$'000*	Production and sale of dyed yarns *HK$'000*	Provision of dyeing services *HK$'000*	Trading of cotton and yarns *HK$'000*	Segment total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE								
External sales	57,537	273,603	253,935	14,392	17,717	617,184	–	617,184
Inter-segment sales	97,279	228,790	392,333	7,384	93,013	818,799	(818,799)	–
	154,816	502,393	646,268	21,776	110,730	1,435,983	(818,799)	617,184
SEGMENT PROFIT	2,270	32,107	24,791	2,139	2,335	63,642	–	63,642
Unallocated income								640
Unallocated expenses								(13,995)
Finance costs								(13,521)
Group's profit before tax								36,766

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

4. FINANCE COSTS

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

5. INCOME TAX (CREDIT) EXPENSE

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

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

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

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

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

6. PROFIT FOR THE PERIOD

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

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

7. DIVIDEND

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

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

8. EARNINGS PER SHARE

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

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

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

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

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

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

10. TRADE AND OTHER PAYABLES/BILLS PAYABLE

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

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

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

11. EVENT AFTER THE END OF THE REPORTING PERIOD

On 29th June, 2012, the Group entered into an agreement with an independent third party (the "Buyer") to transfer the operation rights and controlling interests upon fulfilment of certain conditions precedent (details of which are set out in the announcement dated 9th July, 2012) (the "Operation Rights Transfer Agreement") over Good Spread Industrial Limited ("Good Spread") and 羅定忠益房地產開發有限公司 ("Luoding Addchance"), both being wholly-owned subsidiaries of the Company at an aggregate cash consideration of HK$554,321,000 payable by six installments (the "Consideration"), during a term from the actual date of receipt of all the first three installments of the Consideration to 30th July, 2016 unless otherwise agreed in writing.

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

The above transactions are not yet completed at the date of this report. The directors of the Company are still in the progress of assessing the financial impact to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

On 29th June, 2012, the Group entered into an Operation Right Transfer Agreement with third parties to transfer the operating right of Luoding Addchance Limited, one of its PRC subsidiaries, the principal business of which is property development. The consideration of the transfer is approximately HK$554 million and will be payable by six installments within 5 years. This transaction constitutes a very substantial disposal for the Company under the Listing rules and will be subject to the approval of the shareholders at the extraordinary general meeting of the Company. This transfer will strengthen the cash flow position of the Group and will have a positive impact to the Group's net profit upon completion.

PROSPECTS

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

Green Factory development

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

Sweater business is still the most profitable business of the Group and we will continue to increase our production capacity to cope with the recovering export demand. Computerized knitting machines were imported into Cambodia knitting manufacturing arms on schedule and were placed into operation. Furthermore, an environmental green factory was built in different phases in Cambodia to increase our production capacity of knitted sweaters and strengthen our competitive advantages towards those European customers and achieve the aim of "節能減排 (reducing the consumption of energy and emissions)". The establishment of this green factory is in good progress and we expected that this factory will further expand our customer base and the operation of this green factory will commence in the last quarter of 2012. We will also continue to increase the output per person by upgrading the automation of machineries and enhancing the overall production efficiency and we endeavoured to optimize our value chain and operation efficiency. With the weakening of the demand of those low-end products in the PRC, the Group will continue to focus on the production of those medium-to-high-end products so as to maintain our market share in this competitive environment. Also, the dominant contribution from the PRC domestic market bodes well for the Group to increase our domestic sales in the PRC. Sales made to PRC markets are expected to increase further thereafter.

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

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

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

FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June, 2012, the Group's cash and cash equivalents amounted to approximately HK$99.6 million, which substantially increased by around 77.5% or HK$43.5 million, from about HK$56.1 million last corresponding period. Total assets amounted to approximately HK$2,400.6 million, representing an increase of approximately HK$184.8 million comparing with about HK$2,215.8 million as at 31st December, 2011.

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

The Group mainly met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings. The Group will focus on reducing the net gearing ratio continuously by improving profitability, procuring the disposal of non-core properties as well as implementing tighter control over costs, working capital and capital expenditure. During the period under review, the Group transferred the operating right of one of its PRC subsidiaries at a consideration of about HK$554.3 million in order to dispose of those non-core business. This disposal will strengthen the cash inflow position of the Group in the coming years.

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

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

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

CORPORATE GOVERNANCE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the websites of the Stock Exchange and the Company (http://www.irasia.com/listco/hk/addchance/index.htm). An interim report for the six months ended 30th June, 2012 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Mr. Sung Kim Wa, Dr. Sung Chung Kwun, Mr. Wong Chiu Hong, Mr. Sung Kim Ping, Ms. Sung Kit Ching and Mr. Ip Siu Lam as executive Directors, and Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling as independent non-executive Directors.

On behalf of the Board, I would like to express my heartfelt gratitude to our management team, staff and shareholders for their dedication and contribution to the Group.

By Order of the Board
Sung Kim Wa
Chairman

Hong Kong, 28th August, 2012