



Addchance Holdings Limited

互益集團有限公司

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

07

interim

report



Major cotton agricultural bases

Major dyeing bases



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Executive Directors

Dr. SUNG Chung Kwun (*Chairman*)
Mr. WONG Chiu Hong
Ms. MOK Pui Mei
Mr. IP Siu Lam
Ms. SUNG Lam Ching

Non-Executive Director

Mr. LAU Gary Q.

Independent Non-Executive Directors

Mr. CHAN, Tsz Fu, Jacky
Mr. NG Man Kin
Professor CAI Xiu Ling

Company Secretary and Qualified Accountant

Ms. FUNG Ka Lai

Members of Audit Committee, Remuneration Committee and Nomination Committee

Mr. CHAN, Tsz Fu, Jacky
Mr. NG Man Kin
Professor CAI Xiu Ling

Authorized representatives

Mr. WONG Chiu Hong
Ms. MOK Pui Mei

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
Industrial and Commercial Bank of China (Asia) Limited

Principal share registrar and transfer office

Butterfield Fund Service (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
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 Law

F. Zimmern & Co.

Investor and Media Relations

Hill & Knowlton Asia Ltd.

Website

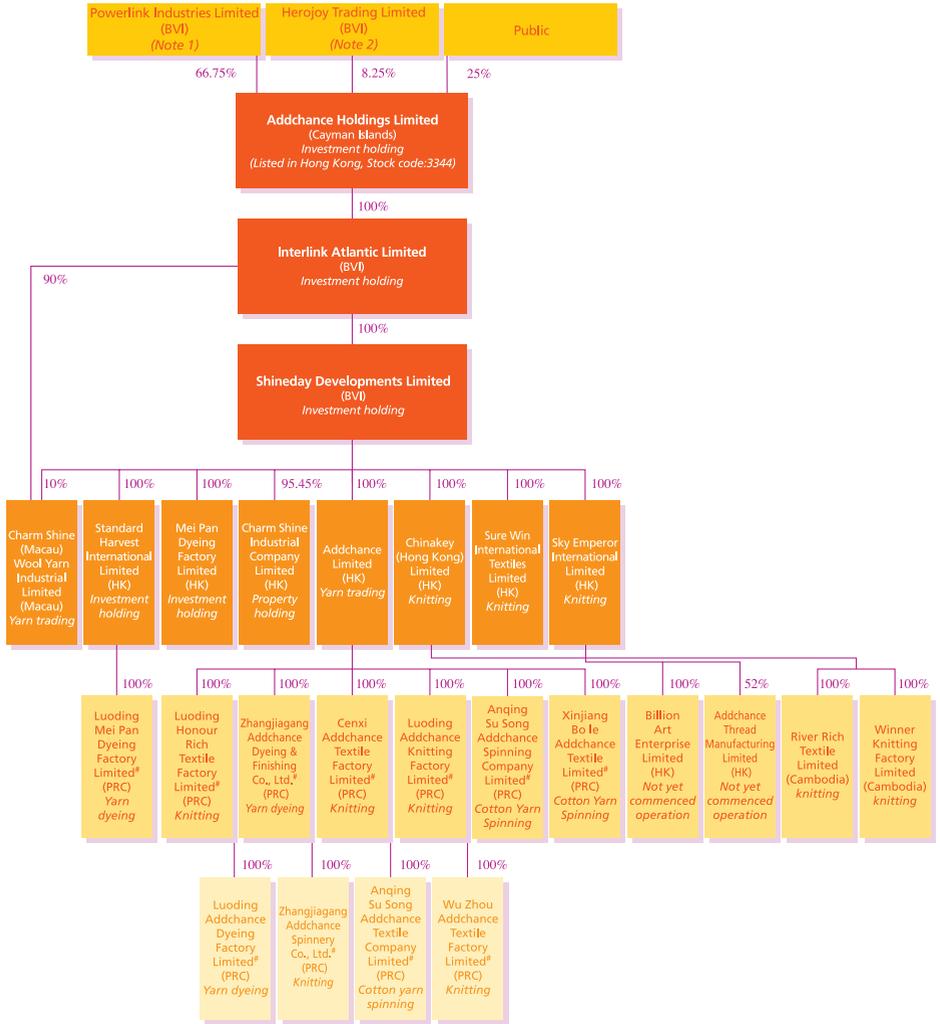
www.addchance.com.hk

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

Stock code

3344

CORPORATE STRUCTURE AS AT 30TH JUNE, 2007



* for identification purpose only

CORPORATE STRUCTURE AS AT 30TH JUNE, 2007

Notes:

1. Powerlink Industries Limited is ultimately beneficially owned by GZ Trust Corporation in the capacity as trustee of The CK Sung's Trust, a discretionary family trust set up by Dr. Sung Chung Kwun ("Dr. Sung") as founder (as defined in the Securities and Futures Ordinance), the discretionary objects of which are Mrs. Sung (Ms. Tse Mui Chu, the spouse of Dr. Sung), Ms. Sung Lam Ching and Mr. Sung Kim Ping, one of the sons of Dr. Sung.
2. Herojoy Trading Limited is ultimately beneficially owned by GZ Trust Corporation in the capacity as trustee of The Addchance Employee's Trust, a discretionary trust set up by Dr. Sung as settlor and founder (as defined in the Securities and Futures Ordinance) for the benefit of employees of the Group, the discretionary objects of which are the employees of the Group from time to time including Mr. Wong Chiu Hong, Ms. Mok Pui Mei and Mr. Ip Siu Lam but excluding Ms. Sung Lam Ching.

Key Financial Results

	Period ended 30th June,		Changes +/- %
	2007 HK\$'000	2006 HK\$'000	
Turnover	435,197	341,064	27.6%
Gross profit	98,547	69,952	40.9%
Profit for the period	53,435	229	>100%
Profit attributable to :			
Equity holders of the Company	53,451	229	>100%
Minority interests	(16)	—	
Earnings per share (in HK cents)	13.36	0.06	

Financial Ratios

	Period ended 30th June,	
	2007	2006
Profitability ratios:		
Gross margin (%)	22.6	20.5
Net margin (%)	12.3	0.1
Liquidity ratios:		
Current ratio (times)	1.1	1.4
Stock turnover (days) (Note 1)	235	157
Debtors' Turnover (days) (Note 2)	109	126
Creditors' Turnover (days) (Note 3)	51	30
Capital adequacy ratio		
Gearing ratio (%) (Note 4)	47.4	38.4

Notes:

1. The number of stock turnover days is equal to inventory at the end of period divided by the cost of sales for the period and then multiplied by 181 days.
2. The number of debtors' turnover days is equal to trade and bills receivables at the end of period divided by the sales of the period and then multiplied by 181 days.
3. The number of creditors' turnover days is equal to trade and bills payable at the end of period divided by the cost of sales for the period and then multiplied by 181 days.
4. The gearing ratio is equal to total bank borrowings at the end of the period divided by total assets at the end of the period.

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

Introduction

We have reviewed the interim financial information set out on pages 9 to 24 which comprises the condensed consolidated balance sheet of Addchance Holdings Limited as of 30th June, 2007 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended, and certain explanatory notes. The Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by International Accounting Standards Board. The directors are responsible for the preparation and presentation of this interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
13th September, 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2007

	NOTES	For the six months ended 30th June,	
		2007	2006
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
Revenue	3	435,197	341,064
Cost of sales		<u>(336,650)</u>	<u>(271,112)</u>
Gross profit		98,547	69,952
Other income		5,771	6,080
Discount on acquisition of business	17	49,306	—
Selling and distribution costs		(30,030)	(22,762)
Administrative expenses		(52,753)	(41,680)
Finance costs	4	<u>(12,790)</u>	<u>(8,520)</u>
Profit before taxation		58,051	3,070
Taxation	5	<u>(4,616)</u>	<u>(2,841)</u>
Profit for the period	6	<u><u>53,435</u></u>	<u><u>229</u></u>
Attributable to:			
Equity holders of the parent		53,451	229
Minority interests		<u>(16)</u>	<u>—</u>
		<u><u>53,435</u></u>	<u><u>229</u></u>
Earnings per share, in cents	8		
Basic		<u><u>13.36</u></u>	<u><u>0.06</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	NOTES	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
NON-CURRENT ASSETS			
Investment properties		3,929	3,983
Property, plant and equipment	9	566,084	394,516
Prepaid lease payments		67,043	44,318
Available-for-sale investments		1,325	1,325
Deposits paid for acquisition of land use rights and property, plant and equipment	10	29,660	24,031
Club debentures		1,070	1,070
Deferred tax assets		356	405
		<u>669,467</u>	<u>469,648</u>
CURRENT ASSETS			
Prepaid lease payments		1,626	1,080
Inventories		437,998	217,043
Trade receivables, bills receivables and other receivables, deposits and prepayments	11	316,394	191,714
Amounts due from related companies		1,378	594
Taxation recoverable		5,130	5,767
Pledged bank deposits		4,600	5,950
Fixed bank deposits		4,680	25,583
Bank balances and cash		33,885	65,562
		<u>805,691</u>	<u>513,293</u>
CURRENT LIABILITIES			
Trade and other payables	12	173,677	104,462
Bills payable	13	4,706	43,082
Amount due to a related company		451	129
Bank overdrafts		26,310	8,814
Bank borrowings - due within one year	14	505,246	218,902
Obligations under finance leases - due within one year		2,467	4,150
Taxation payable		3,174	1,478
		<u>716,031</u>	<u>381,017</u>
NET CURRENT ASSETS		<u>89,660</u>	<u>132,276</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>759,127</u></u>	<u><u>601,924</u></u>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2007

	NOTE	30.6.2007 HK\$'000 (unaudited)	31.12.2006 HK\$'000 (audited)
CAPITAL AND RESERVES			
Share capital		4,000	4,000
Share premium and reserves		<u>570,936</u>	<u>520,854</u>
Equity attributable to equity holders of the parent		574,936	524,854
Minority interests		<u>852</u>	<u>148</u>
Total equity		<u>575,788</u>	<u>525,002</u>
NON-CURRENT LIABILITIES			
Bank borrowings - due after one year	14	167,819	70,673
Obligations under finance leases - due after one year		—	359
Deferred tax liabilities		<u>15,520</u>	<u>5,890</u>
		<u>183,339</u>	<u>76,922</u>
		<u>759,127</u>	<u>601,924</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

	Attributable to equity holders of the parent								Minority interests	Total
	Share capital	Share premium	Contributed surplus	Special reserves	Statutory reserves	Translation reserve	Retained profits	Subtotal		
	HK\$'000	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000 (Note c)	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January, 2006 (audited)	4,000	89,406	192,043	24,673	12,347	(655)	139,081	460,895	154	461,049
Profit for the period and the total recognised income and expense for the period	—	—	—	—	—	—	229	229	—	229
Dividend paid (Note 7)	—	—	(18,800)	—	—	—	—	(18,800)	—	(18,800)
At 30th June, 2006 (unaudited)	4,000	89,406	173,243	24,673	12,347	(655)	139,310	442,324	154	442,478
Exchange differences arising on translation of operations outside Hong Kong directly recognised in equity	—	—	—	—	—	16,563	—	16,563	—	16,563
Profit (loss) for the period	—	—	—	—	—	—	65,967	65,967	(6)	65,961
Total recognised income and expenses for the period	—	—	—	—	—	16,563	65,967	82,530	(6)	82,524
Transfer to statutory reserves	—	—	—	—	57	—	(57)	—	—	—
At 31st December, 2006 (audited)	4,000	89,406	173,243	24,673	12,404	15,908	205,220	524,854	148	525,002
Exchange differences arising on translation of operations outside Hong Kong directly recognised in equity	—	—	—	—	—	9,831	—	9,831	—	9,831
Profit (loss) for the period	—	—	—	—	—	—	53,451	53,451	(16)	53,435
Total recognised income and expense for the period	—	—	—	—	—	9,831	53,451	63,282	(16)	63,266
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	720	720
Dividend paid (Note 7)	—	—	(13,200)	—	—	—	—	(13,200)	—	(13,200)
At 30th June, 2007 (unaudited)	4,000	89,406	160,043	24,673	12,404	25,739	258,671	574,936	852	575,788

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2007

Notes:

- (a) The contributed surplus of the Company 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.
- (b) Special reserves of the Group represent (i) the difference between the nominal value of share capital issued by Interlink Atlantic Limited and the nominal value of the share capital of subsidiaries acquired by Interlink Atlantic Limited on 23rd September, 2004; and (ii) the contribution from minority shareholders 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 in the People's Republic of China ("PRC") under PRC laws and regulations for the purpose of staff welfare.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2007

	NOTE	For the six months ended 30th June,	
		2007 HK\$'000 (unaudited)	2006 HK\$'000 (unaudited)
Net cash used in operating activities		<u>(264,815)</u>	<u>(87,073)</u>
Net cash used in investing activities:			
Deposits paid for acquisition of land use rights and property, plant and equipment		(29,660)	(5,815)
Prepaid lease payments made		(6,839)	—
Acquisition of business	17	(45,764)	—
Purchase of property, plant and equipment		(83,686)	(10,258)
Decrease (increase) in pledged bank deposits and fixed bank deposits		22,253	(9,512)
Other investing cash flows		3,311	(1,563)
		<u>(140,385)</u>	<u>(27,148)</u>
Net cash from financing activities:			
New bank loans raised		933,642	297,738
Repayment of bank borrowings		(550,152)	(216,674)
Dividend paid		(13,200)	(18,800)
Interest paid		(12,790)	(8,520)
Repayment of obligations under finance leases		(2,042)	(2,571)
		<u>355,458</u>	<u>51,173</u>
Net decrease in cash and cash equivalents		(49,742)	(63,048)
Effect of foreign exchange rate changes		569	—
Cash and cash equivalents at 1st January		<u>56,748</u>	<u>86,086</u>
Cash and cash equivalents at 30th June		<u><u>7,575</u></u>	<u><u>23,038</u></u>
Cash and cash equivalents at end of the period			
Bank balances and cash		33,885	60,397
Bank overdrafts		(26,310)	(37,359)
		<u><u>7,575</u></u>	<u><u>23,038</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31st December, 2006.

In the current interim period, the Group has applied, for the first time, a new standard, amendment and interpretations ("new IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1st January, 2007.

The adoption of the new IFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied all the new and revised standards or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

3. SEGMENT INFORMATION

Business segments

For management purposes, the Group is currently organised into the following five operating divisions. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group's turnover and contribution to operating results by business segments is as follows:

Six months ended 30th June, 2007

	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	Elimination HK\$'000	Total HK\$'000
REVENUE							
External	20,369	138,014	231,776	17,411	27,627	—	435,197
Inter-segment sales	56,051	120,802	234,159	3,457	120,860	(535,329)	—
	<u>76,420</u>	<u>258,816</u>	<u>465,935</u>	<u>20,868</u>	<u>148,487</u>	<u>(535,329)</u>	<u>435,197</u>
Inter-segment sales were charged at cost plus margin basis.							
SEGMENT RESULTS	<u>(126)</u>	<u>8,813</u>	<u>11,735</u>	<u>1,657</u>	<u>950</u>	<u>—</u>	23,029
Discount on acquisition of business							49,306
Unallocated corporate income							2,787
Unallocated corporate expenses							(4,281)
Finance costs							<u>(12,790)</u>
Profit before taxation							58,051
Taxation							<u>(4,616)</u>
PROFIT FOR THE PERIOD							<u>53,435</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

3. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Six months ended 30th June, 2006

	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	Elimination HK\$'000	Total HK\$'000
REVENUE							
External	31,735	103,000	174,453	17,628	14,248	—	341,064
Inter-segment sales	31,975	69,484	157,665	4,290	77,249	(340,663)	—
	<u>63,710</u>	<u>172,484</u>	<u>332,118</u>	<u>21,918</u>	<u>91,497</u>	<u>(340,663)</u>	<u>341,064</u>

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

SEGMENT RESULTS	<u>4,928</u>	<u>1,945</u>	<u>4,053</u>	<u>1,775</u>	<u>915</u>	<u>—</u>	13,616
Unallocated corporate income							1,266
Unallocated corporate expenses							(3,292)
Finance costs							<u>(8,520)</u>
Profit before taxation							3,070
Taxation							<u>(2,841)</u>
PROFIT FOR THE PERIOD							<u>229</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

4. FINANCE COSTS

	For the six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	12,321	8,176
Bank borrowings wholly repayable over five years	350	98
Obligations under finance leases	119	246
	<u>12,790</u>	<u>8,520</u>

5. TAXATION

	For the six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	3,924	645
PRC income tax	49	196
Deferred taxation	643	2,000
	<u>4,616</u>	<u>2,841</u>

Hong Kong Profits Tax is recognised based on managements' best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used is 17.5% (2006:17.5%).

Pursuant to the relevant laws and regulations in the PRC, certain subsidiaries established in the PRC are entitled to exemption from the PRC enterprise income tax for the first two years commencing from their first profit-making year of operation and thereafter, these PRC subsidiaries will be entitled to a 50% relief from the PRC enterprise income tax for the following three years. The first profit-making year of these PRC subsidiaries is in the years between 2002 and 2006. Accordingly, the tax relief period of these PRC subsidiaries will expire in 2007 to 2011.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

5. TAXATION (Continued)

On 16th March, 2007, the National People's Congress approved and promulgated a new tax law, which will take effect beginning 1st January, 2008. Under the new tax law, foreign investment entities and domestic companies are subject to a uniform tax rate of 25%. The new tax law provides a five-year transition period from its effective date for those enterprises which were established before the promulgation date of the new tax law and which were entitled to a preferential low tax rate under the then effective tax laws or regulations. The Company's subsidiaries in the PRC will transit from tax rate of 33% to the uniform tax rate of 25%.

6. PROFIT FOR THE PERIOD

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

	For the six months ended 30th June,	
	2007 HK\$'000	2006 HK\$'000
Depreciation of investment properties	54	107
Depreciation of property, plant and equipment	25,784	15,514
Amortisation of prepaid lease payments	644	449
Interest income	(2,095)	(1,266)
	<u> </u>	<u> </u>

7. DIVIDENDS

On 3rd April, 2007, a dividend of HK3.3 cents per share amounting to HK\$13,200,000 were resolved to pay to the shareholders whose names appearing on the register of members of the Company as at 8th May, 2007 as the final dividend for 2006.

On 20th April, 2006, a dividend of HK4.7 cents per share amounting to HK\$18,800,000 were resolved to pay to the shareholders whose names appearing on the register of members of the Company as at 29th May, 2006 as the final dividend for 2005.

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2007.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to equity holders of the parent of HK\$53,451,000 (2006: profit of HK\$229,000) and on the number of 400,000,000 (2006: 400,000,000) shares.

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

9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred expenditure of approximately HK\$83,686,000 on property, plant and equipment. The Group also acquired property, plant and equipment with fair value of HK\$85,080,000 as a result of acquisition of business as set out in note 17.

10. DEPOSITS PAID FOR ACQUISITION OF LAND USE RIGHTS AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group paid deposits of approximately HK\$29,660,000 for acquisition of land use rights and property, plant and equipment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

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

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

At 30th June, 2007, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK\$208,644,000 and bills receivables of HK\$54,570,000 (31.12.2006: trade receivables of HK\$111,309,000 and bills receivables of HK\$60,174,000) respectively and their aged analysis is follows:

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Aged:		
0 - 30 days	97,586	73,492
31 - 60 days	84,369	61,046
61 - 90 days	47,123	19,928
91 - 120 days	9,271	4,363
Over 120 days	24,865	12,654
	<hr/>	<hr/>
	263,214	171,483
Other receivables, deposits and prepayments	53,180	20,231
	<hr/>	<hr/>
	316,394	191,714
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

12. TRADE AND OTHER PAYABLES

At 30th June, 2007, included in trade and other payables are trade payables of HK\$90,882,000 (31.12.2006:HK\$30,755,000) and their aged analysis is as follows:

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Aged:		
0 - 60 days	71,300	20,323
61 - 90 days	8,443	2,866
Over 90 days	11,139	7,566
	<hr/>	<hr/>
	90,882	30,755
Other payables and accruals	82,795	73,707
	<hr/>	<hr/>
	173,677	104,462
	<hr/> <hr/>	<hr/> <hr/>

13. BILLS PAYABLE

All bills payables are aged within 0-90 days.

14. BANK BORROWINGS

During the period, the Group obtained new bank loans in the amount of approximately HK\$933,642,000 as additional working capital and made repayment of approximately HK\$550,152,000. The new loans bear interest ranged from 4% to 9% per annum and are repayable by instalments over a period of one to six years.

15. COMMITMENTS

At 30th June, 2007, the Group had commitments of approximately HK\$25,683,000 (31.12.2006: HK\$24,601,000) for capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of the acquisition of property, plant and equipment and land use rights.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

16. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following carrying values have been pledged to secure bank borrowings granted to the Group:

	30.6.2007 HK\$'000	31.12.2006 HK\$'000
Property, plant and equipment	15,091	16,242
Bank deposit	4,600	5,950
	<u>19,691</u>	<u>22,192</u>

17. ACQUISITION OF BUSINESS

On 24th April, 2007, the Group entered into an agreement (the "Agreement") with the liquidation committee of 博州博棉紡織(集團)有限責任公司 Bozhou Bo Mian Textile (Group) Limited Liability Company ("Bozhou Bo Mian") in relation to the acquisition of certain assets and the business owned by Bozhou Bo Mian at a consideration of RMB45,000,000 (equivalent to HK\$45,764,000). The acquisition was completed on 30th April, 2007. Bozhou Bo Mian was a state-owned enterprise established in the PRC in 1998 and was principally engaged in cotton yarn spinning. Bozhou Bo Mian has been incurring loss since 2001 and applied to the Intermediate People's Court of Mongol Autonomous Prefecture, Boertala, Xinjiang 中國新疆博爾塔拉蒙古自治州中級人民法院 (the "Court") for winding-up. On 30th December, 2006, the Court declared the winding-up of Bozhou Bo Mian and made an order that a liquidation committee appointed by the Court to take over the management and control of Bozhou Bo Mian.

In accordance with the Agreement, the Group was required to continue to employ the existing employees of Bozhou Bo Mian and continue to complete the sales orders of customers received by Bozhou Bo Mian. In addition, the Group was required to continue to carry out the existing business of cotton yarn spinning owned by Bozhou Bo Mian.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2007

17. ACQUISITION OF BUSINESS (Continued)

The fair value of the assets acquired in the transaction, and the discount on acquisition arising, are as follows:

	Carrying amount before acquisition HK\$'000	Fair value adjustments HK\$'000	Fair value HK\$'000
Assets acquired:			
Prepaid lease payment	32	16,284	16,316
Property, plant and equipment	65,721	19,359	85,080
Inventories	2,707	—	2,707
Deferred taxation	—	(9,033)	(9,033)
	<u>68,460</u>	<u>26,610</u>	<u>95,070</u>
Discount on acquisition of business			<u>(49,306)</u>
Total consideration			<u>45,764</u>
Cash outflow arising from the transaction			
Cash consideration paid			<u>(45,764)</u>

The discount on acquisition was a result of losses incurred by Bozhou Bo Mian in prior years' operation and the additional capital to be injected by the Group to expand the production facilities in future.

The business acquired reduced the Group's profit for the period between the date of acquisition and the 30th June, 2007 by HK\$1,038,000. The directors are of the view that it is impracticable to disclose the revenue and the result of Bozhou Bo Mian for the period from 1st January, 2007 to 30th June, 2007 as if the acquisition had been effected at the 1st January, 2007 since the pre-acquisition financial information was not provided by the liquidation committee of Bozhou Bo Mian.

18. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The remuneration of directors and key executives of the Group is determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to HK\$3,831,000 (2006: HK\$3,216,000).

BUSINESS REVIEW AND PROSPECTS

Business Review & Outlook

2007 will be a fruitful year to the Group. We are pleased to report to the shareholders the results of the Group for the six months ended 30th June, 2007. Processing the advanced dyeing facilities, production know-how associated with the strategically located production bases, persistent vertical integration and good market reputation, the Group proactively developed itself as a one-stop service provider for garment customers with selection of production for yarn products at different stages: whether from a simply supply of cotton yarn, or a production of a well-knitted sweater; from the spinning of cotton into yarn, to the provision of yarn dyeing service.

Since the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has been actively looking for acquisition and business expansion opportunities. Following the acquisition of the land use rights and investment in spinning production facilities in Su Song, the Company plans to continue increasing its production capacity of yarn-spinning.

Acquisition of assets and land use rights (the "Properties") in Xinjiang Uygur Autonomous Region of the PRC ("Xinjiang") in April 2007

On 30th April, 2007, the Group completed the acquisition of the Properties and business of Bozhou Bo Mian Textile (Group) Limited Liability Company ("Bo Mian Textile") in Xinjiang from the Liquidation Committee of Bo Mian Textile at an aggregate consideration of RMB45 million. Since the cost for the acquisition represented a discount of their assessed values, this acquisition increased the net asset value of the Group and the discount has been recognized immediately in the income statement of the Group for the six months ended 30th June, 2007. By acquiring the Properties in Xinjiang, the production capacity of yarn-spinning of the Group can be enhanced accordingly.

The Properties are located in Bole City, Xinjiang, which is situated in the north-western part of Xinjiang, and are adjacent to Alashankou, the PRC's largest land port. The central government of the PRC intends to develop Alashankou as the "Second Shenzhen". Alashankou is also the first route through which the oil and natural gas from Kazakhstan are imported into the PRC. By acquiring the Properties, the Group will be able to develop "one-stop" production, including spinning, dyeing and knitting in Bole City and the products can be exported to those countries in Central Asia and Eastern Europe through Alashankou. Electricity represented the major cost for spinning business. To the best knowledge of the Board, the electricity charges in Xinjiang are approximately RMB0.38 per kilowatt hour and are at least 50% lower than those of the other provinces of the PRC, which will in turn enable the Group to lower its cost for spinning. Therefore, the Directors are of the view that this acquisition constituted a good investment opportunity for the business expansion of the Group.

Following the completion of the construction of the knitting mill in Wuzhou and the acquisition of the entire share capitals of two Cambodian factories, namely River Rich Textile Ltd. ("River Rich") and Winner Knitting Factory Limited ("Winner Knitting"), in the year 2006, the production capacity in sweater business was on schedule to expand and cater for the increasing demand for the sweaters in Europe and the United States. On the other hand, the second 50,000-spindle expansion in the spinning mill in Anqing has not been completed and the operation is expected to commence in the last quarter of 2007.

The acquisition of River Rich and Winner Knitting provided a steady environment for the export of the Group's Chinese textile products to diversify the extra risks and uncertainties associated with the expiring of the existing Sino-EU textile trade agreement that will expire on 31st December, 2007 as the export of the textile products with origin in Cambodia will not be subject to any quota restrictions imposed, if any. Although there are possibilities of other factors that may limit the growth rate of European Union ("EU") export in the future, the exporting flexibility of the Group can be enhanced by virtue of the competitive advantage of the 13 per cent import tax waiver when the products are delivered directly from Cambodia to European countries.

Looking forward, the Group will continue to experience an apparent growth in its sweater and spinning business as a result of the completion of the acquisition of Properties in Xinjiang. Moreover, the production capacity of the second 50,000-spindle Su Song Spinning Mill will commence operation towards the end of the financial year, which in turn, will bring positive growth to the spinning business.

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, knitting services and 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 mixtures of above and knitted sweaters including cardigans and pullovers.

The first half-year has long been the slack season of our Group. To cope with the demand for knitted sweaters in X'mas and New Year, customers in dyed yarn and knitted sweaters usually placed orders started from the 2nd quarter annually and the production lead-time become shorter than that last period. Normally, the turnover of the first half-year period represents around 30-40% of the annual turnover. For the period under review, total turnover reached approximately HK\$435.2 million, a sharp increase of approximately 27.6% as compared with the same period last year, with the continuous growth in sweaters and dyed yarn business.

MANAGEMENT DISCUSSION AND ANALYSIS

Turnover by operation

(Amount HK\$'000)

	Period ended 30th June,		Changes +/- %
	2007	2006	
Production and sale of dyed yarns	231,776	174,453	33%
Production and sale of knitted sweaters	138,014	103,000	34%
Production and sale of cotton yarn	20,369	31,735	-36%
Provision of dyeing services	17,411	17,628	-1%
Trading of cotton and yarns	27,627	14,248	94%
	<u>435,197</u>	<u>341,064</u>	28%

Turnover by operation

(in % of total)

	Period ended 30th June,	
	2007	2006
Production and sale of dyed yarns	53.3%	51.1%
Production and sale of knitted sweaters	31.7%	30.2%
Production and sale of cotton yarn	4.7%	9.3%
Provision of dyeing services	4.0%	5.2%
Trading of cotton and yarns	6.3%	4.2%

Turnover of the Group is primarily generated from production and sale of dyed yarns and knitted sweaters. With the continuous expansion in the production and sale of knitted sweaters and the dedicated effort of the marketing teams, Addchance recorded another double-digit growth in turnover of sales of knitted sweaters. For the period under review, turnover of sales of knitted sweaters increased by approximately 34.0% over the last corresponding period, from approximately HK\$103.0 million to about HK\$138.0 million. The market demand for knitted sweater continued to expand, contributing to about 37.1% increases in the sales of knitted sweaters to approximately 4.1 million pieces, compared with 3.0 million pieces last corresponding period. Our sweater business showed encouraging improvement in contribution to the Group following our acquisition of River Rich and Winner Knitting. By widening the product mix of our sweater business, the Group explored new products, e.g. socks and hosiery products, during the period under review. Revenue growth was mainly driven by the increase in sales volume associated with the sustainable economies of scale and improved operational efficiency.

Our sweaters products were still mainly exported to EU during the period under review. Sales made to international retail chain stores, such as H&M and Zara, accounted for approximately HK\$117.6 million, which represented approximately 85.2% of the Group's sales of knitted sweaters for the period under review. Stepping into the year 2007, revenue from the knitted sweaters segment is expected to achieve substantial growth momentum as a result of our exploration of new customers and markets. For the period under review, another international retail chain store, Marks & Spencer, was newly introduced into our Group. Our Group had passed the quality and workmanship check during the factory evaluation audit and gained the recognition of Marks & Spencer accordingly. We have commenced the production of knitted sweaters and arranged for delivery. The cooperation with these renowned international retail chain stores increased our market share and popularity in Europe. The Board expects that the development of the knitted sweaters has a good prospect and would bring to us encouraging results in the future.

Dyed yarn remains a core product segment for Addchance. Turnover from the production and sale of dyed yarns for the period under review was approximately HK\$231.8 million, an apparent increase of about 32.9% or about HK\$57.3 million as compared with last corresponding period, and accounted for approximately 53.3% of the Group's total turnover. Revenue generated from the provision of dyeing services decreased slightly from approximately HK\$17.6 million last corresponding period to about HK\$17.4 million during the period under review, a slight 1% decrease as compared with last period. 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 and the sales made to the PRC, Hong Kong and Macau accounted for approximately 99% of the Group's sales of dyed yarn while the remaining represented exports to overseas countries including Thailand, Taiwan, and Indonesia.

With the increase in the internal utilization rate of the cotton yarn, turnover of the yarn-spinning business decreased from approximately HK\$31.7 million last period to about HK\$20.4 million for the current period, representing a decrease of about 35.8%. During the period under review, yarn utilized for the self-production of the Group increased further by 20% and about 70% of yarn produced by the Group was used in its dyeing function. During the year 2007, the Group continuously expanded in vertical integration to enhance its competitiveness and the second 50,000-spindle Susong Spinning Mill is expected to commence operation in the last quarter of 2007. Moreover, with the acquisition of Properties in Xinjiang, the production capacity of the Group can be increased further to cater for the increasing demand on cotton yarn.

Cost of Sales

In line with the sharp increase in turnover, the Group's cost of sales increased correspondingly by about 24.2%, from approximately HK\$271.1 million last period to approximately HK\$336.7 million during the period under review. Raw materials continued to be the major component in the cost of sales, which accounted for approximately 39.2% of the Group's overall cost of sales for the current period. With the establishment of the Wuzhou knitting mill and the acquisitions made in Cambodia and Xinjiang, direct labour charges and factory overhead increased compared with the same period last year and they accounted for about 18.2% and 22.6% of the Group's cost of sales respectively during the period under review.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK\$98.5 million for the period under review, representing a sharp increase of approximately 40.9% as compared to approximately HK\$69.9 million last period. With the increase in the production and sale of knitted sweaters with higher gross profit margin, led to the Group's gross profit margin increased from 20.5% last period to 22.6% for the current period. The strategic expansion and vertical integration enhanced the competitive advantage of Addchance and facilitate the Group with stable raw materials supply, optimized factory utilization rate and lower production cost, the gross profit margin therefore improved continuously with the effectiveness of the Group's sales and production planning and strengthened cost control.

Sweater business continued to be the most profit-generating segment of the Group. With the continuous expansion of customer base, the apparent increase in sales volume and the increasing economies of scale, the Group enjoyed a lower production cost and therefore drove the gross profit margin of sweater business further to about 28.2% for the period under review.

Net profit margin

Net profit increased substantially by approximately HK\$53.2 million, from approximately HK\$0.2 million last period to approximately HK\$53.4 million for the period under review. Except for the effect of the discount arose on acquisition of the Properties in Xinjiang mentioned above, the operating profit derived from the core business increased to about HK\$4.1 million. It was mainly attributable to the enhancement of the production capability of knitted sweaters and the strengthening of the bargaining power with the acquisition of the Cambodian factories. Also, the hard work of the market teams of the Group in developing new customers also contributed to the revenue growth.

Discount on acquisition of business

As mentioned above, the Group has acquired the business and the production facilities of Bo Mian Textile, including the land-use rights, the buildings, the machinery, equipment and inventories. Since the cost of the acquisition of the Properties represented a discount of their assessed values, an amount of approximately HK\$49.3 million discount arose and it has been recognized immediately in the income statement of the Group during the period under review.

Other income

Other income of approximately HK\$5.8 million mainly comprised exchange gain, interest income and rental income from investment properties of the Group located in Hong Kong and the PRC. They are all industrial properties located in Hong Kong and an office unit located in the PRC.

Selling and distribution costs

Selling and distribution costs mainly included the transportation costs, accessories and packing expenses. For the period under review, the Group's selling and distribution costs amounted to approximately HK\$30.0 million, representing an increase of about 31.9% when compared with the last corresponding period. With the upsurge in the international fuel prices and the continuous expansion in the market and business volume of sweaters throughout the period under review, the distribution costs increased accordingly.

Administrative expenses

Administrative expenses of approximately HK\$52.8 million mainly represented the staff costs including the salary expenses and staff welfare expenses, directors' remuneration, bank charges and depreciation. During the period under review, the administrative expenses increased by about 26.6% from approximately HK\$41.7 million for the previous period to approximately HK\$52.8 million, representing for about 12.1% of the Group's turnover.

Finance costs

Finance costs mainly comprised the interest on bank borrowings and obligations under finance leases. Amount increased by about 50.1% from approximately HK\$8.5 million for the previous period to approximately HK\$12.8 million for the period under review in line with the corresponding increase in the bank borrowings utilization rate.



Borrowings

As at 30th June, 2007, the Group had outstanding bank borrowings of approximately HK\$699.4 million, in which an amount of approximately HK\$531.6 million and HK\$161.0 million was due within one year and due within 2 to 5 years respectively and the remaining amount of approximately HK\$6.8 million was due over 5 years.

In line with the expansion of various business operating segment, the utilization rate on banking facilities increased and the bank borrowings level apparently increased from approximately HK\$298.4 million as at 31st December, 2006 to approximately HK\$699.4 million as at 30th June, 2007. Gearing ratio, being the total bank borrowings divided by total assets, therefore increased from approximately 30.4% as at 31st December, 2006 to 47.4% as at 30th June, 2007.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June, 2007, the Group's cash and cash equivalents amounted to approximately HK\$7.6 million. The Group met its funding requirements in its usual course of operation by cash flows from operations, as well as long-term and short-term borrowings.

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As a result of the piling up of knitted panels resulting from the lengthen of the production lead-time of several big orders to minimize the production cost during slack season, the Group's inventories and trade and bills receivable increased substantially by approximately HK\$221.0 million and HK\$91.7 million respectively. To cater for the expansion of the Group's production capacity and its business expansion, the Group's bank borrowings as at 30th June, 2007 have also increased by approximately HK\$401.0 million to about HK\$699.4 million, resulting the net cash inflow in financing activities increased from approximately HK\$51.2 million to about HK\$355.5 million and the net cash used in investing activities increased from about HK\$27.1 million to approximately HK\$140.4 million for the period under review.

Stock turnover days

The stock turnover days of the Group for the period ended 30th June, 2007 was approximately 235 days as compared to 157 days for the last corresponding period. It increased substantially as compared to the period under 30th June, 2006 mainly due to the piling up of knitted panels during the period under review resulting from the lengthen of the production lead-time of several big orders to minimize the production cost during slack season. The stock turnover days will return to a normal level when the peak season started.

Debtors' turnover days

The debtors' turnover days was improved by 17 days from last corresponding period 126 days to 109 days, mainly attributable to the continuous tightened credit control on various customers. Generally, the Group offers credit terms to its trade customers of 30 days to 120 days subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors, which is expected to take into account factors such as the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to the shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant.

Taking into account into the cash required for the Group's capital investment in the second half of 2007, the Board of Directors of the Company does not recommend the payment of interim dividends for the six months ended 30th June, 2007.

DISCLOSURE OF INTERESTS

Interests of Directors in the shares, underlying shares and debentures

As at 30th June, 2007, the interests of the Directors in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK\$0.01 each of the Company ("Shares")

Name of directors	Capacity	Number of ordinary Shares held	Percentage of shareholding
Dr. Sung Chung Kwun ("Dr. Sung")	Founder of discretionary trusts	300,000,000 (Note 1)	75%
Ms. Sung Lam Ching ("Ms. Sung")	Beneficiary of discretionary trust	267,000,000 (Note 2)	66.75%
Mr. Lau Gary Q. ("Mr. Lau")	Interest of spouse	267,000,000 (Note 3)	66.75%
Mr. Wong Chiu Hong ("Mr. Wong")	Beneficiary of discretionary trust	33,000,000 (Note 4)	8.25%
Ms. Mok Pui Mei ("Ms. Mok")	Beneficiary of discretionary trust	33,000,000 (Note 5)	8.25%
Mr. Ip Siu Lam ("Mr. Ip")	Beneficiary of discretionary trust	33,000,000 (Note 6)	8.25%

Notes:

1. Dr. Sung is deemed to be interested in 300,000,000 Shares in the capacity as the founder of The CK Sung's Trust, the beneficial owner of Powerlink Industries Limited and founder and settlor of The Addchance Employee's Trust. Under the SFO, Dr. Sung is also deemed to be interested in the entire issued share capital of Powerlink Industries Limited, the associated corporation of the Company holding 267,000,000 Shares, representing 66.75% in the issued share capital of the Company.
2. Ms. Sung is deemed to be interested in 267,000,000 Shares in the capacity as a discretionary beneficiary of The CK Sung's Trust, the beneficial owner of Powerlink Industries Limited. Ms. Sung is also deemed to be interested in the entire issued share capital of Powerlink Industries Limited under the SFO.
3. Mr. Lau being the spouse of Ms. Sung, is deemed to be interested in 267,000,000 Shares under the SFO.
4. Mr. Wong is deemed to be interested in 33,000,000 Shares in the capacity as a discretionary beneficiary of The Addchance Employee's Trust.
5. Ms. Mok is deemed to be interested in 33,000,000 Shares in the capacity as a discretionary beneficiary of The Addchance Employee's Trust.
6. Mr. Ip is deemed to be interested in 33,000,000 Shares in the capacity as a discretionary beneficiary of The Addchance Employee's Trust.

Save as disclosed above, as at 30th June, 2007, none of the Directors or any chief executive of the Company had an interest or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to the Company and the Stock Exchange.

Interests of substantial shareholders and other persons in the share capital of the Company

As at 30th June, 2007, so far as is known to the Directors, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the shares and 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:

Long position in Shares

Interests of substantial shareholders

Name	Capacity	Number of Shares	Approximate percentage of shareholding
GZ Trust Corporation ("GZ Trust") (Note 1)	Trustee of discretionary trusts	300,000,000	75%
Powerlink Industries Limited ("Powerlink") (Note 2)	Beneficial owner	267,000,000	66.75%
Ms. Tse Mui Chu ("Mrs. Sung") (Note 3)	Beneficiary of discretionary trust	267,000,000	66.75%
Mr. Sung Kim Ping (Note 4)	Beneficiary of discretionary trust	267,000,000	66.75%

Notes:

- The entire issued share capital of Powerlink and Herojoy Trading Limited are owned by GZ Trust in its capacity as the trustee of (i) The CK Sung's Trust, a discretionary trust the founder (as defined in the SFO) of which is Dr. Sung and the discretionary objects of which are Mrs. Sung, Ms. Sung and Mr. Sung Kim Ping (excluding Dr. Sung himself), and (ii) The Addchance Employee's Trust, a discretionary trust the founder (as defined in the SFO) and the settlor of which is Dr. Sung and the discretionary objects of which are the employees of the Group from time to time including Mr. Wong, Ms. Mok and Mr. Ip (excluding Ms. Sung). Accordingly, GZ Trust is deemed to be interested in the 300,000,000 Shares under the SFO.
- The 267,000,000 Shares are beneficially owned by Powerlink.
- Mrs. Sung is deemed to be interested in 267,000,000 Shares in the capacity as a discretionary beneficiary of The CK Sung's Trust.
- Mr. Sung Kim Ping is deemed to be interested in 267,000,000 Shares in the capacity as a discretionary beneficiary of The CK Sung's Trust.

Interest of other person

Name	Capacity	Number of Shares	Approximate percentage of shareholding
Herojoy Trading Limited	Beneficial owner	33,000,000	8.25%

Save as disclosed above, as at 30th June, 2007, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

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

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2007.

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, 2007. 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, 2007.

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 of Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules during the six months ended 30th June, 2007 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. Dr. 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 Dr. 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 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 as set out in the Model Code during the six months ended 30th June, 2007.

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, 2007.