



Addchance Holdings Limited

互益集團有限公司

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

(Stock Code: 3344)



2008 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  
Mr. SUNG Kim Ping  
Mr. CHEUNG Yung Fat, Albert

## 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  
DBS Bank (Hong Kong) Limited

## Principal share registrar and transfer office

Butterfield Fund Services (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.

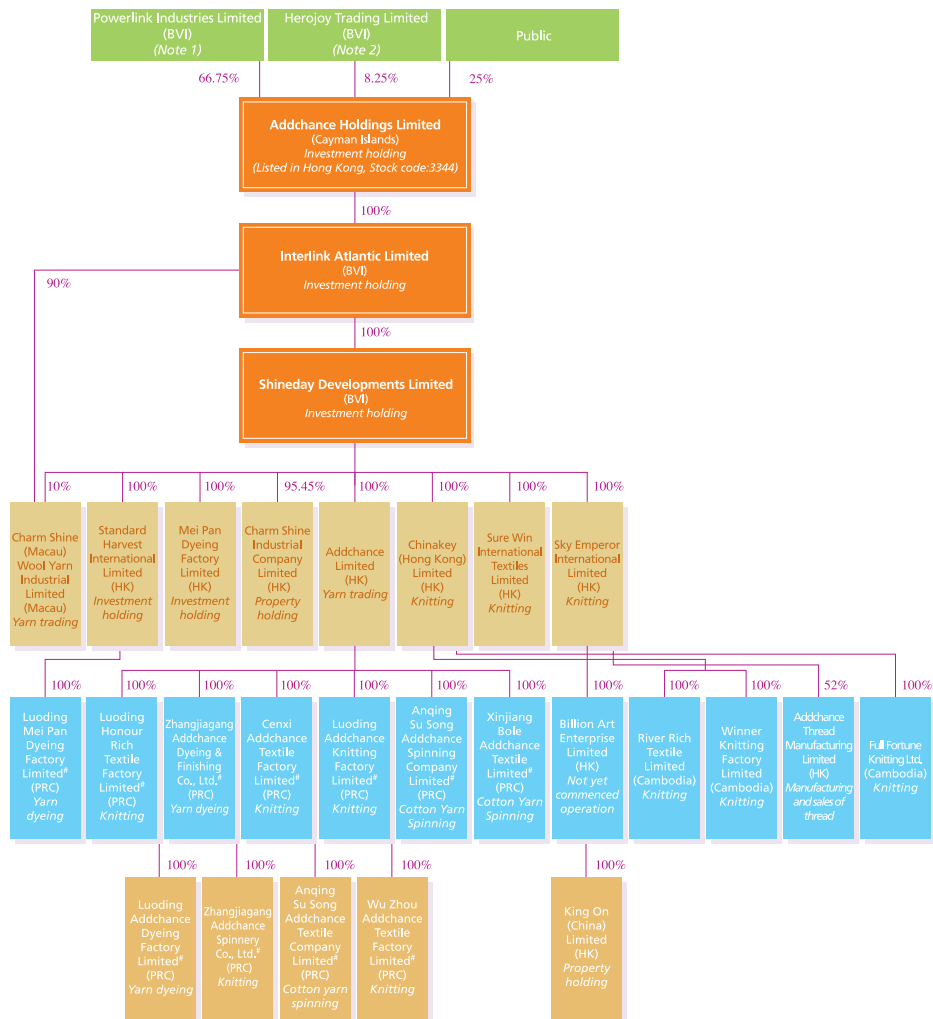
## Website

[www.addchance.com.hk](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 30TH JUNE, 2008



\* for identification purpose only

# CORPORATE STRUCTURE AS AT 30TH JUNE, 2008

*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), Mr. Sung Kim Ping and Ms. Sung Lam Ching.
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.

# FINANCIAL HIGHLIGHTS

## Key Financial Results

	Period ended 30th June		Changes +/- %
	2008 HK\$'000	2007 HK\$'000	
Turnover	556,664	435,197	27.9%
Gross profit	146,015	98,547	48.2%
Profit for the period	11,788	53,435	-77.9%
Profit attributable to :			
Equity holders of the Company	12,198	53,451	-77.2%
Minority interests	(410)	(16)	
Earnings per share (in HK cents)	3.05	13.36	

## Financial Ratios

	Period ended 30th June	
	2008	2007
Profitability ratios:		
Gross margin (%)	26.2	22.6
Net margin (%)	2.1	12.3
Liquidity ratios:		
Current ratio (times)	1.07	1.1
Stock turnover (days) (Note 1)	276	235
Debtors turnover (days) (Note 2)	112	109
Creditors turnover (days) (Note 3)	57	51
Capital adequacy ratio		
Gearing ratio (%) (Note 4)	51.7	47.4

### Notes:

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





# REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

# 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 8 to 25 which comprises the condensed consolidated balance sheet of Addchance Holdings Limited as of 30th June, 2008 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 Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard (“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  
19th September, 2008

# CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June, 2008

	NOTES	For the six months ended 30th June,	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Revenue	3	556,664	435,197
Cost of sales		<u>(410,649)</u>	<u>(336,650)</u>
Gross profit		146,015	98,547
Other income		4,241	5,771
Discount on acquisition of business	16	—	49,306
Selling and distribution costs		(39,587)	(30,030)
Administrative expenses		(73,414)	(52,753)
Finance costs	4	<u>(19,554)</u>	<u>(12,790)</u>
Profit before taxation		17,701	58,051
Taxation	5	<u>(5,913)</u>	<u>(4,616)</u>
Profit for the period	6	<u><u>11,788</u></u>	<u><u>53,435</u></u>
Attributable to:			
Equity holders of the Company		12,198	53,451
Minority interests		<u>(410)</u>	<u>(16)</u>
		<u><u>11,788</u></u>	<u><u>53,435</u></u>
Earnings per share, in cents	8		
Basic		<u><u>3.05</u></u>	<u><u>13.36</u></u>



# CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2008

	NOTES	30.6.2008 HK\$'000 (unaudited)	31.12.2007 HK\$'000 (audited)
<b>NON-CURRENT ASSETS</b>			
Investment properties		9,195	9,461
Property, plant and equipment	9	693,407	628,648
Prepaid lease payments		89,265	87,200
Available-for-sale investments		—	1,325
Deposit paid for acquisition of land use rights and property, plant and equipment		25,098	38,588
Club debentures		1,070	1,070
Deferred tax assets		251	315
		<u>818,286</u>	<u>766,607</u>
<b>CURRENT ASSETS</b>			
Prepaid lease payments		2,137	2,110
Inventories		627,097	417,863
Trade receivables, bills receivables and other receivables, deposits and prepayments	10	402,973	259,001
Amounts due from a related party/ related companies		188	840
Taxation recoverable		4,401	4,392
Pledged bank deposits		—	6,692
Fixed bank deposits		—	4,680
Bank balances and cash		55,233	25,644
		<u>1,092,029</u>	<u>721,222</u>

# CONDENSED CONSOLIDATED BALANCE SHEET

At 30th June, 2008

	NOTES	30.6.2008 HK\$'000 (unaudited)	31.12.2007 HK\$'000 (audited)
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	190,006	128,751
Bills payable	11	27,150	53,381
Amount due to a related party		—	305
Amount due to a director		—	170
Bank borrowings - due within one year	12	731,250	414,356
Obligations under finance leases			
- due within one year		8,669	9,027
Taxation payable		10,054	4,519
Dividend payable		20,000	—
Bank overdrafts		29,661	26,492
		<u>1,016,790</u>	<u>637,001</u>
<b>NET CURRENT ASSETS</b>			
		<u>75,239</u>	<u>84,221</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>893,525</u>	<u>850,828</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		4,000	4,000
Reserves		636,602	628,041
Equity attributable to equity holders of the Company		640,602	632,041
Minority interests		454	864
		<u>641,056</u>	<u>632,905</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings - due after one year	12	226,998	187,349
Obligations under finance leases - due after one year		9,391	13,726
Deferred tax liabilities		16,080	16,848
		<u>252,469</u>	<u>217,923</u>
		<u>893,525</u>	<u>850,828</u>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

	Attributable to equity holders of the parent							Minority interests HK\$'000	Total HK\$'000	
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note a)	Special reserves HK\$'000 (Note b)	Statutory reserves HK\$'000 (Note c)	Translation reserve HK\$'000	Retained profits HK\$'000			Subtotal HK\$'000
At 1st January, 2007 (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 foreign operations directly recognised in equity	—	—	—	—	—	9,831	—	9,831	—	9,831
Profit for the period	—	—	—	—	—	—	53,451	53,451	(16)	53,435
Total recognised income for the period	—	—	—	—	—	9,831	53,451	63,282	(16)	63,266
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	720	720
Dividend	—	—	(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
Exchange differences arising on translation of foreign operations directly recognised in equity	—	—	—	—	—	12,010	—	12,010	—	12,010
Profit for the period	—	—	—	—	—	—	45,095	45,095	(228)	44,867
Total recognised income for the period	—	—	—	—	—	12,010	45,095	57,105	(228)	56,877
Transfer to statutory reserves	—	—	—	—	55	—	(55)	—	—	—
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	240	240
At 31st December, 2007 (audited)	4,000	89,406	160,043	24,673	12,459	37,749	303,711	632,041	864	632,905
Exchange differences arising on translation of foreign operations directly recognised in equity	—	—	—	—	—	16,363	—	16,363	—	16,363
Profit for the period	—	—	—	—	—	—	12,198	12,198	(410)	11,788
Total recognised income for the period	—	—	—	—	—	16,363	12,198	28,561	(410)	28,151
Dividend	—	—	(20,000)	—	—	—	—	(20,000)	—	(20,000)
Transfer to statutory reserves	—	—	—	—	15	—	(15)	—	—	—
At 30th June, 2008 (unaudited)	4,000	89,406	140,043	24,673	12,474	54,112	315,894	640,602	454	641,056

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June, 2008

## 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, 2005; 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 established in The People's Republic of China ("PRC") and Macau under PRC or Macau laws and regulations for the purpose of staff welfare. 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 reflected in their statutory financial statements presented under relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves.



# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June, 2008

	NOTE	For the six months ended 30th June,	
		2008 HK\$'000 (unaudited)	2007 HK\$'000 (unaudited)
Net cash used in operating activities		<u>(262,624)</u>	<u>(264,815)</u>
Net cash used in investing activities:			
Deposit paid for acquisition of land use rights and property, plant and equipment		(19,148)	(29,660)
Prepaid lease payments made		—	(6,839)
Acquisition of business	16	—	(45,764)
Purchase of property, plant and equipment		(29,911)	(83,686)
Decrease in pledged bank deposits and fixed bank deposits		11,372	22,253
Other investing cash flows		<u>1,657</u>	<u>3,311</u>
		<u>(36,030)</u>	<u>(140,385)</u>
Net cash generated by financing activities:			
New bank loans raised		1,084,858	933,642
Repayment of bank borrowings		(735,981)	(550,152)
Dividend paid		—	(13,200)
Interest paid		(19,554)	(12,790)
Repayment of obligations under finance leases		<u>(4,693)</u>	<u>(2,042)</u>
		<u>324,630</u>	<u>355,458</u>
Net increase (decrease) in cash and cash equivalents		25,976	(49,742)
Effect of foreign exchange rate changes		444	569
Cash and cash equivalents at 1st January		<u>(848)</u>	<u>56,748</u>
Cash and cash equivalents at 30th June		<u><u>25,572</u></u>	<u><u>7,575</u></u>
Cash and cash equivalents at end of the period			
Bank balances and cash		55,233	33,885
Bank overdrafts		<u>(29,661)</u>	<u>(26,310)</u>
		<u><u>25,572</u></u>	<u><u>7,575</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 1. BASIS OF PREPARATION

The condensed consolidated financial statement 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 Group's annual consolidated financial statements for the year ended 31st December, 2007.

In the current interim period, the Group has applied, for the first time, a number of new interpretations ("new Interpretations") issued by the IASB, which are effective for the Group's financial year beginning 1st January, 2008.

IFRIC 11	IFRS 2: Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new Interpretations 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, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments 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, 2008

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

IFRSs (Amendments)	Improvements to IFRSs <sup>1</sup>
IAS 1 (Revised)	Presentation of Financial Statements <sup>2</sup>
IAS 23 (Revised)	Borrowing Costs <sup>2</sup>
IAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>3</sup>
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>2</sup>
IAS 39 (Amendment)	Eligible Hedged Items <sup>3</sup>
IFRS 1 and IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>2</sup>
IFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>2</sup>
IFRS 3 (Revised)	Business Combinations <sup>3</sup>
IFRS 8	Operating Segments <sup>2</sup>
IFRIC 13	Customer Loyalty Programmes <sup>4</sup>
IFRIC 15	Agreements for the Construction of Real Estate <sup>2</sup>
IFRIC 16	Hedges of a Net Investment in a Foreign Operation <sup>5</sup>

- 1 Effective for annual periods beginning on or after 1st January, 2009 except the amendments to IFRS 5, effective for annual periods beginning on or after 1st July, 2009
- 2 Effective for annual periods beginning on or after 1st January, 2009
- 3 Effective for annual periods beginning on or after 1st July, 2009
- 4 Effective for annual periods beginning on or after 1st July, 2008
- 5 Effective for annual periods beginning on or after 1st October, 2008

The adoption of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st July, 2009. IAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions.

The directors of the Company anticipate that the application of these standards, amendments 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, 2008

## 3. SEGMENT INFORMATION

### Business segments

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

Six months ended 30th June, 2008

	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	35,002	201,288	279,579	14,534	26,261	—	556,664
Inter-segment sales	<u>122,127</u>	<u>189,270</u>	<u>242,653</u>	<u>8,014</u>	<u>84,488</u>	<u>(646,552)</u>	<u>—</u>
	<u>157,129</u>	<u>390,558</u>	<u>522,232</u>	<u>22,548</u>	<u>110,749</u>	<u>(646,552)</u>	<u>556,664</u>
Inter-segment sales were charged at cost plus margin basis.							
SEGMENT RESULTS	<u>818</u>	<u>15,206</u>	<u>26,158</u>	<u>1,470</u>	<u>(846)</u>	<u>—</u>	42,806
Unallocated corporate income							561
Unallocated corporate expenses							(6,112)
Finance costs							<u>(19,554)</u>
Profit before taxation							17,701
Taxation							<u>(5,913)</u>
PROFIT FOR THE PERIOD							<u>11,788</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 3. SEGMENT INFORMATION (Continued)

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, 2008

## 4. FINANCE COSTS

	For the six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	18,730	12,321
Bank borrowings not wholly repayable within five years	484	350
Obligations under finance leases	340	119
	<u>19,554</u>	<u>12,790</u>

## 5. TAXATION

	For the six months ended 30th June,	
	2008	2007
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Hong Kong Profits Tax	3,118	3,924
PRC Enterprise Income Tax	3,499	49
Deferred taxation:		
– Current year	(493)	643
– Attributable to change in tax rate	(211)	—
	<u>5,913</u>	<u>4,616</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. On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the six months ended 30th June, 2008. The estimated average annual tax rate used is 16.5% (2007: 17.5%) for the six months ended 30th June, 2008.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 5. TAXATION (Continued)

Pursuant to the relevant laws and regulations in the People's Republic of China (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 the years between 2002 and 2007. Accordingly, the tax relief period of these PRC subsidiaries will expire in 2007 to 2012.

On 16th March, 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the PRC. On 6th December, 2007, the State Council of the PRC issued Implementation Regulation of the New Law. The New Law and the Implementation Regulation have changed the tax rate from 33% to 25% for the Group's subsidiaries from 1st January, 2008.

## 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,	
	2008 HK\$'000	2007 HK\$'000
Depreciation of investment properties	266	54
Depreciation of property, plant and equipment	35,147	25,784
Impairment loss on available-for-sale investments	1,325	—
Amortisation of prepaid lease payments	1,067	644
Interest income	(461)	(2,095)
	<u>          </u>	<u>          </u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30th June, 2008*

## 7. DIVIDENDS

On 11th April, 2008, a dividend of HK5.0 cents per share amounting to HK\$20,000,000 were declared to be paid to the shareholders whose names appear on the register of members of the Company as at 27th May, 2008 as the final dividend for 2007.

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

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2008.

## 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 Company of HK\$12,198,000 (2007: profit of HK\$53,451,000) and on the number of 400,000,000 (2007: 400,000,000) shares outstanding throughout the period.

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

## 9. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the period, the Group incurred expenditure of approximately HK\$62,549,000 (including HK\$32,638,000 transferred from deposit paid for acquisition of land use rights and property, plant and equipment) on property, plant and equipment.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 10. 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, 2008, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK\$290,280,000 and bills receivables of HK\$53,605,000 (31.12.2007: trade receivables of HK\$132,444,000 and bills receivables of HK\$82,841,000) and their aged analysis is follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Aged:		
0 - 30 days	165,989	77,524
31 - 60 days	95,960	67,696
61 - 90 days	31,964	30,204
91 - 120 days	9,558	18,467
Over 120 days	40,414	21,394
	<hr/>	<hr/>
	343,885	215,285
Other receivables, deposits and prepayments	59,088	43,716
	<hr/>	<hr/>
	402,973	259,001
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 11. TRADE AND OTHER PAYABLES/BILLS PAYABLE

At 30th June, 2008, included in trade and other payables are trade payables of HK\$102,073,000 (31.12.2007: HK\$53,178,000) and their aged analysis is as follows:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Aged:		
0 - 60 days	74,155	31,452
61 - 90 days	12,922	5,906
Over 90 days	14,996	15,820
	<hr/>	<hr/>
	102,073	53,178
Other payables and accruals	87,933	75,573
	<hr/>	<hr/>
	190,006	128,751
	<hr/> <hr/>	<hr/> <hr/>

Bills payable are aged within 0 - 90 days.

## 12. BANK BORROWINGS

During the period, the Group obtained new bank loans in the amount of approximately HK\$1,084,858,000 as additional working capital and made repayment of approximately HK\$735,981,000. The new loans bear interest ranged from 2% to 8% per annum and are repayable by instalments over a period of one to five years.

## 13. COMMITMENTS

At 30th June, 2008, the Group had commitments of approximately HK\$6,185,000 (31.12.2007: HK\$4,328,000) 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 prepaid lease payments.





# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 14. 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:

	30.6.2008 HK\$'000	31.12.2007 HK\$'000
Investment properties	6,798	6,878
Prepaid lease payments	15,943	16,148
Property, plant and equipment	27,570	5,556
Bank deposit	—	6,692
	<u>50,311</u>	<u>35,274</u>

## 15. 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\$3,918,000 (2007: HK\$3,831,000).

## 16. ACQUISITION OF BUSINESS

On 25th 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.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 16. ACQUISITION OF BUSINESS (Continued)

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.

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 payments	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>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2008

## 16. ACQUISITION OF BUSINESS *(Continued)*

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 required to expand the production facilities in future.

The business acquired reduced the Group's profit for the period between the date of acquisition and 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.

## 17. EVENTS AFTER THE BALANCE SHEET DATE

On 16th July, 2008, Addchance Limited and King On (China) Limited, both wholly-owned subsidiaries of the Company, entered into a conditional sale and purchase agreement with Mr. Lai Kin Wing (the "Purchaser"), an independent third party, to dispose of certain of the Group's properties for an aggregate consideration of HK\$53,357,000. Details of this transaction are set out in the Company's circular dated 15th August, 2008.

The transaction has not yet been completed at the date of this report.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

Addchance achieved record sales in the first half of 2008, driven by growth among all major business segments. We overcame challenging macroeconomic conditions in key markets and posted solid growth, notably in the sweater and spinning business following the completion of the acquisition of properties and business in Xinjiang, the People's Republic of China (the "PRC") and the commencement of the operation in Su Song, the PRC last year.

Revenue from each of our major business segments grew satisfactorily during the period under review despite the unfavourable market condition in the PRC. The continuous increase in operating costs and further stringent environmental regulations exerted pressure on all players and expedited the consolidation of the textile industry in the PRC. With our well-established environmental-conscious measures and facilities, quality products and services, we were able to increase our market share. Allied with this, we successfully managed to increase our average selling price for both knitted sweaters and dyed yarns to counter the effect of the rising costs. Through the dedicated efforts of our management, we were able to preserve and attain satisfactory results in this tough and volatile operating environment.

As a leading textile manufacturer and a niche player in the sweater manufacturing business in the PRC, Addchance has minimal exposure to the North American export market which minimizes our risk to the slow-down in the US retail sector. We believe the increasing domestic contribution and investment from the PRC bodes well for Addchance. The Company is sizable enough to maintain its strengths amid the consolidation of the textile industry and can actually play a positive role in the process. Addchance excels in processing advanced dyeing facilities and enjoys a good reputation in the market. It is equipped with production know-how associated with its strategically located production bases and has made persistent efforts in promoting vertical integration. Addchance has actively developed itself into a one-stop service provider for garment customers, engaging in different stages of production of yarn products — from the simple supply of cotton yarn to the manufacture of well-knitted sweaters, and from the spinning of cotton into yarn to the provision of yarn dyeing service.

# MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to report to the shareholders the results of the Group for the six months ended 30th June, 2008. The Group experienced another double-digit growth in turnover for the first half of 2008 following the acquisition of the properties and business in Xinjiang and the expansion of the 50,000-spindle of the spinning mill in Anqing, the PRC. Profit derived from core business of the Group attributable to equity holders also increased by more than twofold, from approximately HK\$4.1 million for the last period to approximately HK\$11.8 million for the period under review.

The Group has proven ability to grow sales and expand profitably during challenging economic conditions. The sales momentum generated in the first half of 2008 is expected to continue throughout the second half year. Looking ahead, challenges as well as opportunities will arise from the expedited consolidation in the textile industry. We believe that the Group can enhance its competitiveness and meet the new challenges in the market with our solid foundation, well-planned environmental measures and facilities and devoted management team.

## 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 knitted sweaters including cardigans and pullovers.

Addchance recorded another double-digit growth in turnover in the first half of 2008. Production and sales of knitted sweaters and dyed yarn remained the core business of the Group. For the period under review, total turnover of the Group increased by approximately 27.9% over the corresponding period in 2007, from approximately HK\$435.2 million to about HK\$556.7 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Turnover by operation

(Amount HK\$'000)

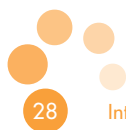
	Period ended 30th June		Changes
	2008	2007	+/-%
Production and sale of dyed yarns	279,579	231,776	21%
Production and sale of knitted sweaters	201,288	138,014	46%
Production and sale of cotton yarn	35,002	20,369	72%
Provision of dyeing and knitting services	14,534	17,411	-17%
Trading of cotton and yarns	26,261	27,627	-5%
	<u>556,664</u>	<u>435,197</u>	28%

## Turnover by operation

(in % of total)

	Period ended 30th June	
	2008	2007
Production and sale of dyed yarns	50.2%	53.3%
Production and sale of knitted sweaters	36.2%	31.7%
Production and sale of cotton yarn	6.3%	4.7%
Provision of dyeing and knitting services	2.6%	4.0%
Trading of cotton and yarns	4.7%	6.3%

Turnover of the sweater business grew by about 45.9%, from approximately HK\$138.0 million to about HK\$201.3 million, representing approximately 36.2% of the Group's total turnover. The knitted sweater segment continued to perform well during the period under review. In terms of the output quantity of knitted sweaters, revenue increased by approximately 27.2% whereas the revenue in terms of monetary value increased by about 45.9%. The growth in revenue was mainly driven by the higher average selling prices, sustainable economies of scale and improved operational efficiency. Our sweater products were still mainly exported to Europe, with major customers being Zara and H&M. Sales made to international retail chain stores accounted for approximately HK\$186.5 million, which represented about 92.6% of the Group's sales proceeds from knitted sweaters for the period under review.



# MANAGEMENT DISCUSSION AND ANALYSIS

Our sweater business continuously showed encouraging improvement in terms of its contribution to the Group following the acquisition of River Rich and Winner Knitting. In order to widen the product mix of our sweater business, the Group developed new products such as socks and hosiery products since last year. Revenue growth was mainly driven by the increase in sales volume associated with sustainable economies of scale and improved operational efficiency.

Dyed yarn is another core product of Addchance. Turnover from the production and sale of dyed yarns for the period under review was approximately HK\$279.6 million, which represented an increase of about 20.6% as compared with the corresponding period in 2007 and accounted for about 50.2% of the Group's total turnover. With our self-owned manufacturing facilities, the Group can provide comprehensive services to our customers with flexible and efficient production schedules as well as diversified product ranges. We continued to exercise tight cost controls and efficient order scheduling and production planning to maintain the net margin at a similar level as last year. Revenue generated from the provision of dyeing services decreased slightly from approximately HK\$17.4 million in first half of 2007 to about HK\$14.5 million during the period under review, a decrease of about 16.7% from the previous 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. Sales proceeds from dyed yarn from the PRC, Hong Kong and Macau accounted for approximately 92.4% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds was from exports to overseas countries including Thailand, Taiwan and Indonesia.

Following the completion of the acquisition of the properties and business in Xinjiang and the expansion of the 50,000-spindle of the spinning mill in Anqing last year, our spinning production facilities and capabilities increased as expected, and the production efficiency and the product quality improved through a series of production modification process. Addchance experienced apparent sales growth in the spinning business by approximately 71.8%, from about HK\$20.4 million in the first half of 2007 to about HK\$35.0 million for the period under review. Both the internal and external utilization rate of the cotton yarn increased. Through the dedicated effort of our marketing teams in exploring new customers from domestic PRC markets, both the revenue and net profit of the spinning business increased steadily for the period under review. During the period under review, about 77.7% of Group's self-production yarn was used for dyeing. The Group continuously intensified vertical integration in order to enhance its competitiveness. The start-up of the operation of the second 50,000-spindle Su Song Spinning Mill last year proved the positive return to the Group and higher return will be expected for the full year in 2008.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Cost of Sales*

With the continuous implementation of stringent cost control measures, enhancement in overall operational efficiency as well as the high level of flexibility achieved from the strong production bases located in a wide range of areas, the Group's cost of sales increased by about 22.0% from about HK\$336.7 million last period to about HK\$410.6 million for the period under review, despite the 27.9% increase in turnover. Raw materials remained a major factor of the Company's cost of sales, standing at around 36.5% in the first half of 2008 with cotton and yarn making up about 50% each. The acquisition in Xinjiang and the expansion in Su Song do reduce the proportion of the Company's cost incurred through sourcing of raw materials externally, reduced from about 39.2% of the total cost of sales last period to about 36.5% of the total cost of sales for the period under review.

## *Gross profit and gross profit margin*

The Group recorded approximately HK\$146.0 million in gross profit for the period under review, representing an increase of approximately 48.2% as compared with approximately HK\$98.5 million in the previous period. The increase in average selling price mitigated the rising costs impact of those operating costs including the purchased yarns, coal, dye stuff and labour costs while the cotton price remained relatively stable throughout the review period. The increase in the production and sales of knitted sweaters with higher gross profit margin led the Group's gross profit margin to increase slightly from approximately 22.6% last period to 26.2% in the current period. The strategic expansion and vertical integration enhanced the competitive advantage of Addchance. The development also provided the Group with stable supply of raw materials, optimized the factory utilization rate and lowered the production cost. As a result, the gross profit margin can be improved despite the unfavourable market conditions for the period under review.

The sweater business continued to be a segment that generated the most profit for the Group. With the continuous expansion of the customer base, the increase in sales volume and the rising economies of scale, the Group enjoyed a lower production cost, which drove the gross profit margin of sweater business further to about 35.7% for the period under review. The Company will further intensify its focus on operations and products that generate high gross profit margin. In general, the sweater operation brought in about 35.7% in gross profit margins and the average sales price for the period under review increased accordingly.



# MANAGEMENT DISCUSSION AND ANALYSIS

## *Net profit margin*

Excluding the effect of discount on acquisition of properties and business in Xinjiang in the first half of 2007, the net profit derived from core business substantially increased from approximately HK\$4.1 million to about HK\$11.8 million for the period under review, with over twofold increase compared with last period. The new investment made in Su Song and Xinjiang in 2007 began to generate positive return to the Group and, therefore, the competitive advantage of vertical expansion helped realize the net margin growth.

## *Other revenue*

Other revenue of approximately HK\$4.2 million mainly comprised exchange gain, interest income and rental income from the investment properties of the Group. 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 transportation cost, accessories and packing expenses. For the period under review, the Group's selling and distribution costs amounted to approximately HK\$39.6 million, representing approximately 7.1% of the Group's turnover, which was similar to the amount recorded in the first half of 2007. Despite the surge in international fuel prices and the continuous market expansion and business volume of sweaters during the period under review, the distribution cost was still kept at a reasonable level.

## *Administrative expenses*

Administrative expenses of approximately HK\$73.4 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. During the period under review, the administrative expenses increased in accordance with the business expansion and represented approximately 13.2% of the Group's turnover.

## *Finance costs*

Finance costs mainly came from interests on bank borrowings and obligations under finance leases. The amount increased by about HK\$6.8 million to HK\$19.6 million for the period under review, which was in line with the corresponding increase in the bank borrowings utilization rate. The amount constituted approximately 3.5% of the Group's turnover.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Borrowings*

As at 30th June, 2008, the Group had outstanding bank borrowings of approximately HK\$1,006.0 million, of which approximately HK\$769.6 million and HK\$233.1 million were due within one year and within 2 to 5 years respectively. The remaining amount of approximately HK\$3.3 million were due over 5 years.

In line with the sales growth and the lengthening of production lead-time of customers, the utilization rate for those trading banking facilities substantially increased and the bank borrowing level apparently increased from approximately HK\$651.0 million as at 31st December 2007 to approximately HK\$1,006.0 million as at 30th June 2008. The gearing ratio, which represents the total bank borrowings divided by total assets, increased from approximately 42.2% as at 31st December 2007 to 54.0% as at 30th June 2008.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June, 2008, the Group's cash and cash equivalents amounted to approximately HK\$25.6 million (30.6.2007: HK\$7.6 million). Total assets amounted to approximately HK\$1,910.3 million, representing an increase of approximately 28.4% compared with about HK\$1,487.8 million as at 31st December, 2007. The Group met its funding requirements for its usual course of operation by cash flows from operations, as well as long-term and short-term borrowings.

Net cash used in operating activities of approximately HK\$262.6 million was mainly used to purchase inventories and increase trade receivables, bills receivables and other receivables. For the period under review, the net cash spent on investing activities amounted to approximately HK\$36.0 million, a substantial decrease of approximately HK\$104.4 million from the first half of 2007. No material investment and acquisitions were made in the period under review.

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

## Stock turnover days

The stock turnover days for the period ended 30th June, 2008 were approximately 275 days compared with 235 days for the last corresponding period. The increase of 40 days was due to the lengthening of the production lead time of certain seasonal customers. Subsequently, the inventory balance started to decrease when the deliveries of knitted panels were made. The Group will continue to actively monitor the inventory level.

## Debtors' turnover days

For the first half of 2008, the number of debtors' turnover days was kept at a level similar to the first half of 2007 with the credit control on debt collection and the new customers selection procedures being made more stringent continuously. For the period under review, the number of debtors' turnover days was about 111 days, compared with 109 days in the previous period. 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 and 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 credit worthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant.

Taking into account the cash required for the Group's operation in the second half of 2008, the Board of Directors of the Company does not recommend the payment of interim dividend for the six months ended 30th June, 2008.

## OTHER INFORMATION

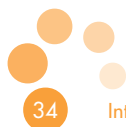
### DISCLOSURE OF INTERESTS

#### Interests of Directors in the shares, underlying shares and debentures

As at 30th June, 2008, 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 (the "Model Code") 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%
Mr. Sung Kim Ping ("Mr. Sung")	Beneficiary of discretionary trust	267,000,000 (Note 2)	66.75%
Mr. Wong Chiu Hong ("Mr. Wong")	Beneficiary of discretionary trust	33,000,000 (Note 3)	8.25%
Ms. Mok Pui Mei ("Ms. Mok")	Beneficiary of discretionary trust	33,000,000 (Note 4)	8.25%
Mr. Ip Siu Lam ("Mr. Ip")	Beneficiary of discretionary trust	33,000,000 (Note 5)	8.25%
Ms. Sung Lam Ching ("Ms. Sung")	Beneficiary of discretionary trust	267,000,000 (Note 6)	66.75%
Mr. Lau Gary Q. ("Mr. Lau")	Interest of spouse	267,000,000 (Note 7)	66.75%



*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. Mr. 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. Mr. Sung is also deemed to be interested in the entire issued share capital of Powerlink Industries Limited under the SFO.
3. 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.
4. 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.
5. 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.
6. As at 30th June, 2008, Ms. Sung was deemed to be interested in 267,000,000 Shares in the capacity as a discretionary beneficiary of The CK Sung's Trust. She ceased to be interested in those Shares on 4 August 2008 as a result of her cessation as a discretionary beneficiary of The CK Sung's Trust on such date. Ms. Sung has resigned as a director of the Company on 14 August 2008.
7. As at 30th June, 2008, Mr. Lau Gary Q., the spouse of Ms. Sung, was deemed to be interested in 267,000,000 Shares under the SFO. As Ms. Sung ceased to be a discretionary beneficiary of The CK Sung's Trust on 4 August 2008, the deemed interest of Mr. Lau Gary Q. in those Shares also ceased on such date.
8. The deemed interest of Dr. Sung as founder of The CK Sung's Trust and the deemed interest of Mr. Sung were in respect of the same interest and duplicated each other.
9. The deemed interest of Dr. Sung as founder and settlor of The Addchance Employee's Trust and all the deemed interests of Mr. Wong, Ms. Mok and Mr. Ip were in respect of the same interest and duplicated each other.

Save as disclosed above, as at 30th June, 2008, 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 to be notified to the Company and the Stock Exchange.

## OTHER INFORMATION

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

As at 30th June, 2008, 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:

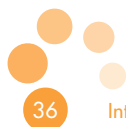
#### *Long position in Shares*

#### Interests of substantial shareholders (as defined in the Listing Rules)

Name	Capacity	Number of ordinary Shares held	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%

#### *Notes:*

1. 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 Trading Limited founder (as defined in the SFO) of which is Dr. Sung and the discretionary objects of which are Mrs. Sung, Mr. Sung and Ms. Sung (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 Mr. Sung). Accordingly, GZ Trust is deemed to be interested in the 300,000,000 Shares under the SFO.
2. The 267,000,000 Shares are beneficially owned by Powerlink.
3. 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.
4. The deemed interest of GZ Trust as trustee of The CK Sung's Trust and the deemed interest of Mrs. Sung were in respect of the same interest and duplicated each other.



**Interest of other person**

Name	Capacity	Number of ordinary Shares held	Percentage of shareholding
Herojoy Trading Limited	Beneficial owner	33,000,000	8.25%

Save as disclosed above, as at 30th June, 2008, 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.

Dr. Sung is the sole director of Powerlink and Herojoy Trading Limited as at the date of this report.

**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, 2008.

**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, 2008. 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, 2008.

# OTHER INFORMATION

## 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 Listing Rules during the six months ended 30th June, 2008 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 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, 2008.

## AUDIT COMMITTEE

The Audit Committee 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, 2008.