ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3344)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2009

HIGHLIGHTS OF ANNUAL RESULTS

- Turnover for the year ended 31st December, 2009 reached approximately HK$1,214.3 million, represented a decrease of approximately HK$102.5 million or 7.8% as compared with last year.

- Profit attributable to owners decreased by about HK$17.7 million or 26.2% to approximately HK$49.9 million for the year ended 31st December, 2009.

- A gain of approximately HK$67.1 million from the disposal of assets classified as held for sale was recognized for the year.

- The directors recommend the payment of a final dividend of HK2.0 cents per share for the year ended 31st December, 2009 to shareholders appearing on the register of members of the Company as at 31st May, 2010, which is subject to approval of the shareholders at the annual general meeting.

FINAL RESULTS

The directors (the "Directors") of Addchance Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2009 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2009

	NOTES	**2009** **HK$'000**	2008 HK$'000
Revenue	*4*	**1,214,255**	1,316,764
Cost of sales		**(1,037,480)**	(1,037,235)
Gross profit		**176,775**	279,529
Other income		**19,408**	58,310
Gain on disposal of assets classified as held for sale		**67,092**	–
Selling and distribution costs		**(59,422)**	(88,333)
Administrative expenses		**(117,295)**	(128,790)
Finance costs		**(28,313)**	(44,559)
Profit before tax		**58,245**	76,157
Income tax expense	*5*	**(7,347)**	(9,308)
Profit for the year	*6*	**50,898**	66,849
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		**773**	55,067
Total comprehensive income for the year		**51,671**	121,916
Profit for the year attributable to:			
Owners of the Company		**49,880**	67,567
Minority interests		**1,018**	(718)
		50,898	66,849
Total comprehensive income attributable to:			
Owners of the Company		**50,653**	122,634
Minority interests		**1,018**	(718)
		51,671	121,916
Earnings per share, in HK cents	*8*		
Basic		**12.47**	16.89

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31ST DECEMBER, 2009

	NOTES	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Investment properties		**1,988**	2,040
Property, plant and equipment		**758,018**	768,926
Prepaid lease payments		**81,808**	73,127
Deposit paid for acquisition of land use rights and property, plant and equipment		**13,460**	16,203
Club debentures		**1,070**	1,070
Deferred tax assets		**159**	230
		856,503	861,596
CURRENT ASSETS			
Prepaid lease payments		**1,737**	1,831
Inventories		**466,079**	586,080
Trade receivables, bills receivables and other receivables, deposits and prepayments	*9*	**248,607**	226,866
Amounts due from related companies		**192**	163
Pledged bank deposits		**5,682**	1,387
Bank balances and cash		**79,826**	94,208
		802,123	910,535
Assets classified as held for sale		**–**	7,983
		802,123	918,518
CURRENT LIABILITIES			
Trade and other payables	*10*	**172,889**	245,462
Bills payable		**43,285**	52,595
Amount due to a minority shareholder		**175**	240
Bank borrowings – due within one year		**481,373**	570,913
Obligations under finance leases – due within one year		**5,057**	8,669
Taxation payable		**6,072**	7,347
		708,851	885,226
NET CURRENT ASSETS		**93,272**	33,292
TOTAL ASSETS LESS CURRENT LIABILITIES		**949,775**	894,888

	2009	2008
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	4,000	4,000
Reserves	781,328	730,675
Equity attributable to owners of the Company	785,328	734,675
Minority interests	1,391	146
	786,719	734,821
NON-CURRENT LIABILITIES		
Bank borrowings – due after one year	142,574	136,184
Obligations under finance leases		
– due after one year	–	5,057
Deferred tax liabilities	20,482	18,826
	163,056	160,067
	949,775	894,888

1. GENERAL

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9th June, 2004 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its holding company is Powerlink Industries Limited, a company incorporated in the British Virgin Islands which is also its ultimate holding company. The entire issued share capital of Powerlink Industries Limited is wholly and beneficially owned by Dr. Sung Chung Kwun, the chairman of the Company.

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

In the current year, the Group has applied the following new and revised Standards, Amendments and Interpretations ("new and revised IFRSs") issued by the International Accounting Standards Board which are or have become effective.

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
IFRS 1 & IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
IFRS 2 (Amendment)	Vesting Conditions and Cancellations
IFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
IFRS 8	Operating Segments
IFRIC – Int 9 & IAS 39 (Amendments)	Embedded Derivatives
IFRIC – Int 13	Customer Loyalty Programmes
IFRIC – Int 15	Agreements for the Construction of Real Estate
IFRIC – Int 16	Hedges of a Net Investment in a Foreign Operation
IFRIC – Int 18	Transfers of Assets from Customers
IFRSs (Amendments)	Improvements to IFRSs issued in 2008, except for the amendment to IFRS 5 that is effective for annual periods beginning or after 1st July, 2009
IFRSs (Amendments)	Improvements to IFRSs issued in 2009 in relation to the amendment to paragraph 80 of IAS 39

IAS 1 (Revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and changes in the format and content of the financial statements.

IFRS 8 is a disclosure standard that requires the identification of operating segments to be performed on the same basis as financial information that is reported internally for the purpose of allocating resources between segments and assessing their performance. The predecessor standard, IAS 14 "Segment Reporting", required the identification of two sets of segments (business and geographical) using a risks and returns approach. In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14.

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

The Group has not early applied the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to IFRSs 2008 [1]
IFRSs (Amendments)	Improvements to HKFRSs 2009 [2]
IAS 24 (Revised)	Related Party Disclosures [6]
IAS 27 (Revised)	Consolidated and Separate Financial Statements [1]
IAS 32 (Amendment)	Classification of Rights Issues [4]
IAS 39 (Amendment)	Eligible Hedged Items [1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters [3]
IFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [5]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions [3]
IFRS 3 (Revised)	Business Combinations [1]
IFRS 9	Financial Instruments [7]
IFRIC – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement [6]
IFRIC – Int 17	Distributions of Non-cash Assets to Owners [1]
IFRIC – Int 19	Extinguishing Financial Liabilities with Equity Instruments [5]

[1] *Effective for annual periods beginning on or after 1st July, 2009.*

[2] *Amendments that are effective for annual periods beginning on or after 1st July, 2009 and 1st January, 2010, as appropriate.*

[3] *Effective for annual periods beginning on or after 1st January, 2010.*

[4] *Effective for annual periods beginning on or after 1st February, 2010.*

[5] *Effective for annual periods beginning on or after 1st July, 2010.*

[6] *Effective for annual periods beginning on or after 1st January, 2011.*

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

The application of IFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after 1st January, 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets and will be effective from 1st January, 2013, with earlier application permitted. The Standard requires all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of IFRS 9 might affect the classification and measurement of the Group's financial assets.

In addition, as part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. The amendments will be effective from 1 January 2010, with earlier application permitted. Before the amendments to IAS 17, leasees were required to classify leasehold land as operating leases and presented as prepaid lease payments in the consolidated statement of financial position. The amendments have removed such a requirement. Instead, the amendments require the classification of leasehold land to be based on the general principles set out in IAS 17, that are based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. The application of the amendments to IAS 17 might affect the classification and measurement of the Group's leasehold land.

The directors of the Company anticipate that the application of the other new and revised Standards, Amendments or Interpretations will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis and in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

The Group has adopted IFRS 8 "Operating Segments" with effect from 1st January, 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, Board of Directors, for the purpose of allocating resources to segments and assessing their performance. In contrast, the predecessor standard, IAS 14 "Segment Reporting", required an entity to identify two sets of segments (business and geographical) using a risks and returns approach, with the entity's "system of internal financial reporting to key management personnel" serving only as the starting point for the identification of such segments.

In the past, the Group's primary reporting format was business segments. The application of IFRS 8 has not resulted in a redesignation of the Group's reportable segments as compared with the primary reportable segments determined in accordance with IAS 14. Nor has the adoption of IFRS 8 changed the basis of measurement of segment profit or loss and segment asset. The Group's operating segments under IFRS 8 are therefore identical to the business segments under IAS 14.

Segment revenues and results

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

For the year ended 31st December, 2009

	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	**142,206**	**557,626**	**467,169**	**25,337**	**21,917**	**–**	**1,214,255**
Inter – segment sales	**83,660**	**409,639**	**423,651**	**34,818**	**128,189**	**(1,079,957)**	**–**
	225,866	**967,265**	**890,820**	**60,155**	**150,106**	**(1,079,957)**	**1,214,255**
SEGMENT PROFIT (LOSS)	**3,708**	**23,054**	**7,800**	**352**	**(12,337)**	**–**	**22,577**
Interest income							**105**
Rental income							**368**
Unallocated income							**2,232**
Unallocated expenses							**(5,816)**
Gain on disposal of assets classified as held for sale							**67,092**
Finance costs							**(28,313)**
Profit before tax							**58,245**
Income tax expense							**(7,347)**
PROFIT FOR THE YEAR							**50,898**

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

For the year ended 31st December, 2008

	Production and sale of cotton yarn	Production and sale of knitted sweaters	Production and sale of dyed yarns	Provision of dyeing services	Trading of cotton and yarns	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE							
External	84,636	633,015	523,194	38,293	37,626	–	1,316,764
Inter – segment sales	239,826	510,373	498,241	23,030	153,023	(1,424,493)	–
	324,462	1,143,388	1,021,435	61,323	190,649	(1,424,493)	1,316,764
SEGMENT PROFIT (LOSS)	4,754	53,716	43,165	5,652	(165)	–	107,122
Interest income							252
Rental income							527
Unallocated income							23,219
Unallocated expenses							(10,404)
Finance costs							(44,559)
Profit before tax							76,157
Income tax expense							(9,308)
PROFIT FOR THE YEAR							66,849

Geographical information

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

	Revenue from external customers		**Non-current assets**	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**420,353**	346,800	**639,310**	640,119
Hong Kong	**210,151**	305,873	**21,510**	30,367
Other Asian countries	**72,267**	56,844	**195,524**	190,880
Europe	**494,650**	605,446	**–**	–
North America	**16,834**	1,801	**–**	–
	1,214,255	1,316,764	**856,344**	861,366

Note: Non-current assets excluded financial instruments and deferred tax assets.

5. INCOME TAX EXPENSE

	2009	2008
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– Current year	**3,959**	6,791
– Underprovision in prior years	**496**	–
PRC Enterprise Income Tax – current year	**1,165**	454
Deferred taxation		
– Current year	**1,727**	2,290
– Attributable to a change in tax rate	**–**	(227)
	7,347	9,308

On 26th June, 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Therefore, Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both year.

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

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). The first profit-making year of these PRC subsidiaries range from 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries will expire in 2009 to 2012. The Tax Holiday continues to be applicable for the PRC subsidiaries after the EIT Law on Enterprise Income Tax was implemented.

6. PROFIT FOR THE YEAR

	2009	2008
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging the following items:		
Directors' remuneration	**6,889**	8,721
Other staff costs	**242,291**	260,089
Retirement benefits scheme contributions, excluding directors	**7,542**	8,739
Total staff costs	**256,722**	277,549
Allowance for bad and doubtful debts	**–**	569
Amortisation of prepaid lease payments	**1,931**	2,126
Auditor's remuneration	**2,000**	2,000
Cost of inventories recognised as an expense	**1,037,480**	1,037,235
Depreciation of property, plant and equipment	**78,130**	68,186
Depreciation of investment properties	**52**	190
Impairment loss on available-for-sale investments included in administrative expenses	**–**	1,325
Loss on disposal of property, plant and equipment	**119**	–
and after crediting the following other income items:		
Interest income	**105**	252
Exchange gain	**1,122**	179
Gain on disposal of properties	**2,231**	42,779
Gain on disposal of property, plant and equipment	**–**	28
Gross rental income from investment properties	**368**	589
Less: direct operating expenses from investment properties that generated rental income during the year	**(67)**	(62)
	301	527

7. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year		
– Final dividend of HK5.0 cents per share for 2007	**–**	20,000

A final dividend for the year 2009 of HK2.0 cents per share amounting to approximately HK$8,860,000 was proposed on 21st April, 2010.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the year is based on the profit for the year attributable to the owners of the Company of HK$49,880,000 (2008: HK$67,567,000) and on the number of shares in issue during the year of 400,000,000 (2008: 400,000,000).

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

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

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

At 31st December 2009, included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$144,987,000 and bills receivables of HK$53,686,000 (2008: HK$160,964,000 and HK$21,441,000 respectively) and their aged analysis, presented based on the invoice date at the end of the reporting period is follows:

	2009	2008
	HK$'000	*HK$'000*
Aged:		
0 – 30 days	**100,195**	115,568
31 – 60 days	**57,206**	28,969
61 – 90 days	**17,532**	12,437
91 – 120 days	**6,996**	7,030
Over 120 days	**26,247**	27,904
	208,176	191,908
Less: Allowance for doubtful debts	**(9,503)**	(9,503)
	198,673	182,405
Prepaid expenses	**14,309**	29,672
VAT receivables	**4,690**	7,287
Deposits	**2,841**	1,455
Others	**28,094**	6,047
	248,607	226,866

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

10. TRADE AND OTHER PAYABLES

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

	2009	2008
	HK$'000	*HK$'000*
Aged:		
0 – 60 days	**30,036**	38,145
61 – 90 days	**7,069**	15,450
Over 90 days	**9,138**	26,417
	46,243	80,012
Receipt in advance	**12,280**	4,131
Payable for acquisition of property, plant and equipment	**43,685**	13,284
Payable for acquisition of prepaid lease payments	**1,420**	1,424
Accrued expenses	**60,752**	62,626
VAT tax payables	**4,904**	3,679
Other payables	**3,605**	2,306
Deposit received for disposal of properties	**–**	78,000
	172,889	245,462

BUSINESS REVIEW AND OUTLOOK

2009 was a challenging year for Addchance and all the players in the textile industry because of the uncertain global economic environment brought about by the US subprime crisis, as well as the escalating fuel and raw material costs. As a result, the operating environment was getting tough for manufacturers and exporters in China.

However, in view of the challenging operating environment, Addchance implemented various strategies to minimize the negative impacts from external environment. Thanks to the continuous effort in upholding our competitive edge and offering excellent products to the customers, we do not only consolidate the leading position in the textile industry, but also pave the way for our future business growth momentum.

During the year under review, our purchase orders received decreased slightly. Our sweater business was affected by the uncertain global economic environment and achieved a slower growth in the year 2009. Amid this unfavourable market environment, we can still maintain our average market price at a similar level comparing with that of last year. With strong support from the reputable brands, we further expanded our customer base and gained a number of new customers in the beginning of 2009.

Amid the volatile operating environment, we continued to leverage on our core competency to maintain high standard of facilities and production knowhow in our manufacturing bases in China. Upon the completion of the acquisition of spinning facilities in Xinjiang and the expansion of the spinning mill in Anqing in 2007, our spinning production capabilities were further improved and upgraded. In addition, we strategically implemented a series of production modification process to enhance our production efficiency and product quality.

For the year ahead, we believe it would be another year of challenge as the uncertain global economic climate will continue to expert pressures to the operating environment of the textile industry. Nevertheless, with our production knowhow associated with the strategically located production bases, as well as persistent effort in promoting vertical integration, we are confident to maintain our competitiveness and consolidate the market position as one-stop service provider for garment customers.

Addchance will strive to achieve a sustainable growth by exercising stringent cost control strategies and pursuing market diversification. We are confident that the China's economy will remain sound and be able to achieve moderate growth given its solid economic foundation and the stimulus packages proposed by the Central Government. Hence, we will continue to expand our production capacity in accordance with the market demand and upgrade the equipment and technology on an on-going basis in order to maintain our competitiveness in the industry. We are confident that we will possess the competitive attributes and qualities to further consolidate our market leadership position and take us into the next level.

MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to report the results of the Group for the 12 months ended 31st December, 2009. The Group's consolidated revenue slightly decreased by about 7.8% to HK$1,214.3 million. Profit attributable to owners of the Company was approximately HK$49.9 million.

During the financial year under review, the operating environment was full of challenges for Addchance and the textile industry. The outbreak of US subprime crisis has led to a global financial tsunami since the second half of 2008, which has adversely affected both customer confidence and spending habits. The textile and garment industry was suffering from a slower growth rate in terms of investment and export sales, and a lower selling price. Customers became more cautious in placing orders and the financial tsunami has a negative impact on customer confidence and their purchasing power. They have been aggressively reducing their inventories and delayed in placing orders with us. All these changes affected our purchasing orders received in the year of 2009.

As a leading textile manufacturer and niche player in the sweater manufacturing business, we believe that the increasing contribution from the domestic market and investment in the People's Republic of China (the "PRC") bode well for Addchance. The Group has advanced dyeing facilities and enjoys a good reputation in the market. It is equipped with the production know-how associated with its strategically located production bases, and it 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 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. The vertically-integrated facilities have well positioned the Group for increasing its market share following the consolidation of the textile supply chain and when demand gradually recovers in the coming years.

Looking forward, the macro uncertainty triggered by the global financial tsunami continues to cloud visibility. It is anticipated that the global economic environment will remain tough and difficult. The economic outlook for the year of 2010 depends largely on the effectiveness of the various economic stimulus plans being implemented in the US and EU. It is anticipated that the PRC would be the first country to stand out from the dark cloud of the economic recession in the world. The consolidation of the textile industry gave us rooms for increasing our market shares in the domestic markets of the PRC. In the coming year, the Group will continue to locate new clients in the PRC and target to increase the domestic market share as we believe that the PRC's economic foundation will remain sound in spite of the global financial tsunami. Those favorable economic foundations include high saving rate, large-scale infrastructure and rapid urbanization, availability of work force and improving quality of education. We believe that the Group can enhance its competitiveness and meet new challenges in the market with our strong market position, 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 a mixture of the above, and knitted sweaters including cardigans and pullovers. 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 stable level.

The Group's total revenue for the year ended 31st December, 2009 decreased slightly by about 7.8% to HK$1,214.3 million as compared to the approximately HK$1,316.8 million last year.

Turnover of the sweater business dropped by about 11.9%, from approximately HK$633.0 million last year to about HK$557.6 million in the year under review, representing approximately 45.9% of the Group's total turnover. In terms of the output quantity of knitted sweaters, revenue decreased by approximately 12.3% whereas the revenue in terms of monetary value decreased by about 11.9%. Amid this unfavourable market environment, we can still maintain our average market price at a similar level when compared with that of last year. Our sweater products were still mainly exported to Europe. New customers were secured at the beginning of 2009 in order to expand our customer base.

Dyed yarn remains the core product of Addchance. Turnover from the production and sale of dyed yarns for the year under review was approximately HK$467.2 million, which represented a decrease of 10.7% as compared with the previous year and accounted for 38.5% of the Group's total turnover. Revenue generated from the provision of dyeing services decreased from approximately HK$38.3 million the previous year to about HK$25.3 million during the year under review, a decrease of about 33.8% from the previous year. 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 sales proceeds from the PRC, Hong Kong and Macau accounted for approximately 95.0% of the Group's total sales proceeds from dyed yarn. The remainder of the total amount was from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Following the completion of the acquisition of spinning facilities in Xinjiang and the expansion of the spinning mill in Anqing since 2007, our spinning production facilities and capabilities have increased as expected. Production efficiency and product quality improved through a series of production modification process. Addchance experienced apparent sales growth in the spinning business by approximately 68.0%, from about HK$84.6 million last year to about HK$142.2 million for the year 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, revenue and net profit of the spinning business increased steadily for the year under review.

Turnover derived from the trading of cotton and yarns decreased by approximately HK$15.7 million or about 41.8%, from approximately HK$37.6 million to approximately HK$21.9 million. The decrease was mainly attributable to the policy of the Group that continuously re-allocate its resources to those segments with high profit margins in order to strengthen our market position amidst keen competition. Therefore, the Group deliberately started to reduce its trading sales volume that carried a lower profit margin since 2008 and we expect the trading sales volume of cotton and yarns will continue to drop in the coming year.

Cost of Sales

During the year under review, the cost of sales remained at a similar level as that of last year, from approximately HK$1,037.2 million to about HK$1,037.5 million despite the Group experienced a drop of approximately 7.8% in turnover. The higher average cost products digested in the year 2009 and resulting in the increase of the amount of raw materials consumed by approximately 20.0% as compared with last year, offsetting the decrease of fuel cost, labour and utility costs and subcontracting charges in this year. Also, the decrease in the sales volume of knitted sweaters and dyed yarns drove the increase of the unit cost per product.

Raw material costs continued to be the major component of the Company's cost of sales, representing approximately 54.7% of the Company's total cost of sales in the year 2009 with the costs of cotton and yarn representing about 50% each of the total cost of raw materials. With the expansion of our self-owned spinning business since 2007, the purchases of yarn from outsiders continuously decreased by about 16.6% as compared with that of last year.

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 cost of sales remained at a similar level. Addchance will maintain its vigilance to further tighten its cost control measures as well as to enhance its production efficiency and effectiveness.

Gross profit and gross profit margin

The Group recorded approximately HK$176.8 million in gross profit for the year under review, representing a decrease of approximately 36.8% as compared with approximately HK$279.5 million the previous year. Gross profit margin decreased from about 21.2% last year to approximately 14.6% for the year under review. Although the Group managed to keep the average selling price of its products at a similar level as that of the last year, the decrease in the sales orders affected our sales volumes recorded in the year under review, which in turn increased our unit overhead cost and brought a negative impact on the profit margin. We will continue to exercise stringent cost controls, efficient order scheduling and production planning so as to improve the profit margins in the coming years.

Net profit margin

On 30th December, 2008, the Group (as vendor) and a purchaser entered into two provisional sale and purchase agreements in respect of certain properties located at Sung's Tower, 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong (the "Properties"), pursuant to which the Group agreed to sell the Properties to the purchaser at an aggregate consideration of US$10.0 million. Completion of the sale and purchase of the Properties took place on 14th January, 2009. Details of the disposal of the Properties are set out in the announcement of the Company dated 2nd January, 2009. A gain of approximately HK$67.1 million from the disposal of the Properties was recognized for the year ended 31st December, 2009.

Excluding the effect of the gain on disposal of the Properties, an approximately HK$16.2 million net loss incurred from the core business of the Group for the year under review.

Borrowings

As at 31st December, 2009, the Group had outstanding bank borrowings of approximately HK$629.0 million, of which approximately HK$486.4 million and HK$142.6 million were due within one year and within 2 to 5 years respectively.

Compared with the bank borrowing level last year, the amount apparently decreased from approximately HK$720.8 million to approximately HK$629.0 million with the absence of funds raised for acquisition and investment during the year under review. The net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, improved from 0.92 as at 31st December, 2008 to 0.75 as at 31st December, 2009.

The Group will focus on reducing the net gearing ratio continuously to a more sustainable level over the coming years by improving profitability, procuring the disposal of non-core properties as well as implementation of tighter control over costs, working capital and capital expenditure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2009, the Group's total assets amounted to approximately HK$1,658.6 million, in which the cash and cash equivalents represented approximately HK$67.8 million. The Group met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings.

Net cash inflow substantially increased by approximately HK$131.3 million to approximately HK$182.0 million, which was generated from operating activities, primarily reflecting growth in the Group's core business. Also, the decrease in inventories and the collection of accounts receivables increased further the net cash inflow generated from operating activities.

For the year under review, the net cash used in investing activities decreased substantially to approximately HK$77.1 million compared with the previous year. Capital expenditure for the year of 2009 largely decreased by around HK$82.2 million from HK$174.3 million last year to approximately HK$92.1 million with no material investment and acquisitions being made during the year under review.

The sales of the Group were evenly denominated in Hong Kong dollar, US dollar, Renminbi and EURO respectively, while the purchases of the Group 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. Fluctuations in foreign currencies such as the US dollar, EURO and the Renminbi remained a concern of the Group. To mitigate foreign currency risk, the Group will enter into appropriate hedging arrangements.

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

During the year ended 31st December, 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

CODE ON CORPORATE GOVERNANCE PRACTICES

During the year ended 31st December, 2009, none of the Directors is aware of any information which would reasonable 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 Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), save that Code Provision A.2.1 requires that the role of chairman and chief executive officer should be separate and should not be performed by the same individual. Dr. Sung Chung Kwun 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 leaded by Dr. Sung Chung Kwun. 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26th May, 2010 (Wednesday) to 31st May, 2010 (Monday) (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on 25th May, 2010 (Tuesday). The final dividend, if approved, will be paid on or about 11th June, 2010.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31st December, 2009.

The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the annual results for the year ended 31st December, 2009.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income and related notes thereof for the year ended 31st December, 2009 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF FURTHER INFORMATION

The 2009 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange's website and the Company's website in due course.

MEMBERS OF THE BOARD

As at the date of this announcement, the Board comprises Dr. Sung Chung Kwun, Mr. Wong Chiu Hong, Mr. Ip Siu Lam, Ms. Mok Pui Mei, Mr. Sung Kim Ping and Mr. Cheung Yung Fat, Albert as executive Directors, Mr. Lau Gary Q. as non-executive Director and Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling as independent non-executive Directors.

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

By Order of the Board
Sung Chung Kwun
Chairman

Hong Kong, 21st April, 2010