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, 2010

HIGHLIGHTS OF ANNUAL RESULTS

- **Turnover for the year ended 31st December, 2010 reached approximately HK$1,417.7 million, represented an increase of approximately HK$203.4 million or 16.8% as compared with last year.**

- **Profit attributable to shareholders substantially increased by about HK$21.4 million or 42.9% to approximately HK$71.3 million for the year ended 31st December, 2010.**

- **Excluding the exceptional gain of HK$67.1 million last year, the profit generated from core business increased substantially by about HK$87.6 million during the year ended 31st December, 2010.**

- **Earnings per share increased by around 33.8% to HK16.69 cents.**

- **The directors recommend the payment of a final dividend of HK3.0 cents per share for the year ended 31st December, 2010 to shareholders appearing on the register of members of the Company as at 31st May, 2011, 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, 2010 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2010

	NOTES	**2010** ***HK$'000***	2009 *HK$'000*
Revenue	*4*	**1,417,661**	1,214,255
Cost of sales		**(1,144,798)**	(1,037,480)
Gross profit		**272,863**	176,775
Other income		**19,491**	19,408
Gain on disposal of assets classified as held for sale		**–**	67,092
Selling and distribution costs		**(67,356)**	(59,422)
Administrative expenses		**(120,443)**	(117,295)
Finance costs		**(25,052)**	(28,313)
Profit before tax		**79,503**	58,245
Income tax expense	*5*	**(8,072)**	(7,347)
Profit for the year	*6*	**71,431**	50,898
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		**19,241**	773
Total comprehensive income for the year		**90,672**	51,671
Profit for the year attributable to:			
Owners of the Company		**71,272**	49,880
Non-controlling interests		**159**	1,018
		71,431	50,898
Total comprehensive income attributable to:			
Owners of the Company		**90,513**	50,653
Non-controlling interests		**159**	1,018
		90,672	51,671
Earnings per share, in HK cents	*8*		
Basic		**16.69**	12.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2010

	NOTES	**As at 31.12.2010**	As at 31.12.2009	As at 1.1.2009
		HK$'000	*HK$'000* (restated)	*HK$'000* (restated)
NON-CURRENT ASSETS				
Investment properties		**1,936**	1,988	2,040
Property, plant and equipment		**734,115**	758,018	768,926
Prepaid lease payments		**58,653**	81,808	73,127
Deposit paid for acquisition of land use rights and property, plant and equipment		**20,134**	13,460	16,203
Club debentures		**1,070**	1,070	1,070
Deferred tax assets		**159**	159	230
		816,067	856,503	861,596
CURRENT ASSETS				
Prepaid lease payments		**1,437**	1,737	1,831
Inventories		**540,473**	466,079	586,080
Trade receivables, bills receivables and other receivables, deposits and prepayments	*9*	**295,322**	248,607	226,866
Amounts due from related companies		**191**	192	163
Pledged bank deposits		**–**	5,682	1,387
Bank balances and cash		**99,115**	79,826	94,208
		936,538	802,123	910,535
Assets classified as held for sale		**27,158**	–	7,983
		963,696	802,123	918,518
CURRENT LIABILITIES				
Trade and other payables	*10*	**244,997**	172,889	245,462
Bills payable		**32,773**	43,285	52,595
Amount due to non-controlling interests		**175**	175	240
Bank borrowings – due within one year		**490,878**	581,785	684,220
Obligations under finance leases – due within one year		**–**	5,057	8,669
Taxation payable		**1,899**	6,072	7,347
Bank overdrafts		**–**	12,049	22,877
		770,722	821,312	1,021,410
NET CURRENT ASSETS (LIABILITIES)		**192,974**	(19,189)	(102,892)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,009,041**	837,314	758,704

	As at 31.12.2010	As at 31.12.2009	As at 1.1.2009
	HK$'000	*HK$'000* (restated)	*HK$'000* (restated)
CAPITAL AND RESERVES			
Share capital	**4,413**	4,000	4,000
Reserves	**907,664**	781,328	730,675
Equity attributable to owners of the Company	**912,077**	785,328	734,675
Non-controlling interests	**1,550**	1,391	146
	913,627	786,719	734,821
NON-CURRENT LIABILITIES			
Bank borrowings – due after one year	**74,535**	30,113	–
Obligations under finance leases – due after one year	**–**	–	5,057
Deferred tax liabilities	**20,879**	20,482	18,826
	95,414	50,595	23,883
	1,009,041	837,314	758,704

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") since 5th October, 2005. 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")/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised standards, amendments and interpretations issued by the International Accounting Standards Board ("new and revised IFRSs").

IFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
IFRS 3 (as revised in 2008)	Business Combinations
IAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
IAS 39 (Amendments)	Eligible Hedged Items
IFRSs (Amendments)	Improvements to IFRSs issued in 2009
IFRSs (Amendments)	Amendments to IFRS 5 as part of Improvements to IFRSs issued in 2008
IFRIC 17	Distributions of Non-cash Assets to Owners

Except as described below, the application of new and revised IFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

(a) IFRS 3 (as required in 2008) Business Combinations and IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The Group applies IFRS 3 (as revised in 2008) Business Combinations prospectively to business combinations for which the acquisition date is on or after 1st January, 2010. The requirements in IAS 27 (as revised in 2008) Consolidated and Separate Financial Statements in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1st January, 2010. As there was no transaction during the current year in which IFRS 3 (as revised in 2008) and IAS 27 (as revised in 2008) are applicable, the application of IFRS 3 (Revised 2008), IAS 27 (as revised in 2008) and the consequential amendments to other IFRSs had no effect on the consolidated financial statements of the Group for the current or prior accounting periods. Results of the Group in future periods may be affected by future transactions for which IFRS 3 (as revised in 2008), IAS 27 (as revised in 2008) and the consequential amendments to the other IFRSs are applicable.

(b) Amendments to IAS 17 Leases

As part of Improvements to IFRSs issued in 2009, IAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendment to IAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendment to IAS 17 has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in IAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to IAS 17, the Group reassessed the classification of unexpired leasehold land as at 1st January, 2010 based on information that existed at the inception of the leases. The directors of the Company consider the application of amendments to IAS 17 had no effect on the consolidated financial statements of the Group for the current or prior accounting period.

(c) Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Under the definition of current liabilities of IAS 1 Presentation of Financial Statements, an entity shall classify a liability as current when then entity does not have an unconditional right to deter settlement of the liability for at least twelve months after the reporting period. The term loans of the Group include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") that should be classified by the borrower as current liabilities.

In order to comply with the requirements set out in IAS 1, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans was determined based on the agreed scheduled repayment dates set out in the loan agreements. Under IAS 1, term loans with a repayment on demand clause that gives the lender the unconditional right to call the loans at any time are classified as current liabilities.

As a result, bank loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$112,461,000 and HK$136,184,000 have been reclassified from non-current liabilities to current liabilities as at 31st December, 2009 and 1st January, 2009 respectively. As at 31st December, 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HK$66,289,000 have been classified as current liabilities. Such change in accounting policy has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

Summary of the effects of the above changes in accounting policies

The effects of the above changes in accounting policies on the financial positions of the Group as at 1st January, 2009 and 31st December, 2009 are as follows:

	As at 1.1.2009 (originally stated)	Adjustments	As at 1.1.2009 (restated)	As at 31.12.2009 (originally stated)	Adjustments	As at 31.12.2009 (restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Borrowings – current	570,913	136,184	707,097	481,373	112,461	593,834
Borrowings – non-current	136,184	(136,184)	–	142,574	(112,461)	30,113
	707,097	–	707,097	623,947	–	623,947

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

IFRSs (Amendments)	Improvements to IFRSs issued in 2010 except for the amendments to IFRS 3 (as revised in 2008), IAS 1 and IAS 28[3]
IFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets[5]
IFRS 9	Financial Instruments[7]
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[6]
IAS 24 (as revised in 2009)	Related Party Disclosures[4]
IAS 32 (Amendments)	Classification of Rights Issues[1]
IFRIC 14 (Amendments)	Prepayments of a Minimum Funding Requirement[4]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[2]

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

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

[3] *Effective for annual periods beginning on or after 1st July, 2010 or 1st January, 2011, as appropriate*

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

[5] *Effective for annual periods beginning on or after 1st July, 2011*

[6] *Effective for annual periods beginning on or after 1st January, 2012*

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

IFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. IFRS 9 (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

Under IFRS 9, all recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods.

In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1st January, 2013, with earlier application permitted.

The directors anticipate that IFRS 9 will be adopted in the Group's consolidated financial statements for the financial year ending 31st December, 2013 and that the application of the new standard may have impact on amounts reported in respect of the Group's financial assets. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The directors of the Company anticipate that the application of the other new and revised standard and interpretations will have no material impact on the profit or loss and the financial position of the Group.

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

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

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

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

Segment revenues and results

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

For the year ended 31st December, 2010

	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	Total for reporting segments	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	184,381	606,261	558,614	36,167	32,238	1,417,661	–	1,417,661
Inter-segment sales	194,412	425,593	567,343	20,033	120,414	1,327,795	(1,327,795)	–
Segment revenue	378,793	1,031,854	1,125,957	56,200	152,652	2,745,456	(1,327,795)	1,417,661
SEGMENT PROFIT	15,601	76,838	24,750	4,238	2,558	123,985	–	123,985
Interest income								267
Rental income								608
Unallocated income								63
Unallocated expenses								(20,368)
Finance costs								(25,052)
Profit before tax								79,503

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$'000*	Total for reporting segments HK$'000	Elimination *HK$'000*	Total *HK$'000*
REVENUE								
External sale	142,206	557,626	467,169	25,337	21,917	1,214,255	–	1,214,255
Inter-segment sales	83,660	409,639	423,651	34,818	128,189	1,079,957	(1,079,957)	–
Segment revenue	225,866	967,265	890,820	60,155	150,106	2,294,212	(1,079,957)	1,214,255
SEGMENT PROFIT	3,708	23,054	7,800	352	3,219	38,133	–	38,133
Interest income								105
Rental income								368
Unallocated income								2,232
Unallocated expenses								(21,372)
Gain on disposal of assets classified as held for sale								67,092
Finance costs								(28,313)
Profit before tax								58,245

Geographical information

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

	Revenue from external customers		Non-current assets	
	2010	2009	**2010**	2009
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**589,917**	420,353	**604,425**	639,310
Hong Kong	**222,160**	210,151	**23,032**	21,510
Other Asian countries	**96,472**	72,267	**188,451**	195,524
Europe	**471,060**	494,650	**–**	–
North America	**38,052**	16,834	**–**	–
	1,417,661	1,214,255	**815,908**	856,344

Included in revenue for customers located in Europe, amounts of HK$156,230,000 (2009: HK$69,725,000) and HK$119,803,000 (2009: HK$51,860,000) were arising from sales to customers based in Netherlands and United Kingdom respectively.

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

5. INCOME TAX EXPENSE

	2010	2009
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– Current year	**4,940**	3,959
– (Over)underprovision in prior years	**(784)**	496
PRC Enterprise Income Tax – current year	**3,519**	1,165
Deferred taxation		
– Current year	**397**	1,727
	8,072	7,347

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

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

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from PRC income tax for two years starting from their first profit-making year, followed by a 50% reduction for the next three years (the "Tax Holiday"). The first profit-making year of these PRC subsidiaries range from of 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries will expire in 2010 to 2012. The Tax Holiday continues to be applicable for the PRC subsidiaries after the EIT Law on Enterprise Income Tax was implemented.

Pursuant to the relevant laws and regulations of Cambodia, the profit generated from the subsidiaries of the Company are entitled to exemption from the Cambodia Income Tax until 2011.

6. PROFIT FOR THE YEAR

	2010	2009
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting) the following items:		
Directors' remuneration	**6,869**	6,889
Other staff costs	**242,696**	242,291
Retirement benefits scheme contributions, excluding directors	**7,750**	7,542
Total staff costs	**257,315**	256,722
Amortisation of prepaid lease payments	**1,437**	1,931
Auditor's remuneration	**2,000**	2,000
Net exchange losses	**742**	–
Cost of inventories recognised as an expense	**1,144,798**	1,037,480
Depreciation of property, plant and equipment	**90,034**	78,130
Depreciation of investment properties	**52**	52
Loss on disposal of property, plant and equipment	**–**	119
Impairment loss recognised on trade receivables	**257**	–
Impairment loss recognised on other receivable	**1,500**	–
and after crediting the following other income items:		
Interest income	**267**	105
Net exchange gain	**–**	1,122
Gain on disposal of properties	**–**	2,231
Gain on disposal of property, plant and equipment	**37**	–
Gross rental income from investment properties	**608**	368
Less: direct operating expenses from investment properties that generated rental income during the year	**(58)**	(67)
	550	301

7. DIVIDENDS

	2010	2009
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year		
– Final dividend of HK2.0 cents per share for 2009	**8,825**	–

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31st December, 2010 of HK3.0 cents per share has been proposed by the directors and is subject to the approval of the shareholders at the forthcoming annual general meeting.

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 approximately HK$71,272,000 (2009: HK$49,880,000) and on the weighted average number of shares in issue during the year of 427,010,000 (2009: 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 2010, included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$230,100,000 and bills receivables of HK$22,252,000 (2009: HK$144,987,000 and HK$53,686,000 respectively) and their aged analysis, presented based on the invoice date at the end of the reporting period is follows:

	2010	2009
	HK$'000	*HK$'000*
Aged:		
0 – 30 days	**149,783**	100,195
31 – 60 days	**53,412**	57,206
61 – 90 days	**14,605**	17,532
91 – 120 days	**5,029**	6,996
Over 120 days	**38,961**	26,247
	261,790	208,176
Less: Allowance for doubtful debts	**(9,438)**	(9,503)
	252,352	198,673
Prepaid expenses	**17,927**	14,309
VAT receivables	**3,850**	4,690
Deposits	**1,021**	2,841
Others	**20,172**	28,094
	295,322	248,607

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

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:

	2010	2009
	HK$'000	*HK$'000*
Aged:		
0 – 60 days	**24,960**	30,036
61 – 90 days	**4,680**	7,069
Over 90 days	**11,488**	9,138
	41,128	46,243
Receipt in advance	**83,631**	12,280
Deposit received from disposal of a subsidiary	**34,535**	–
Payable for acquisition of property, plant and equipment	**10,423**	43,685
Payable for acquisition of prepaid lease payments	**1,457**	1,420
Accrued expenses	**67,577**	60,752
VAT tax payables	**1,673**	4,904
Other payables	**4,573**	3,605
	244,997	172,889

BUSINESS REVIEW AND OUTLOOK

2010 was a year of turmoil for the textiles industry. Under the backdrop such as the appreciation of RMB and the inflation and fluctuations in raw cotton prices in the Mainland, the overall business was exposed to a challenging operating landscape. Besides, there were constant activities of industry consolidation. However, the Group firmly believed that the crisis presented both challenges and chances. To weather the abrupt market upheaval, we boosted our customers' confidence in us by capitalizing on our integrity and quality. While strengthening the vertical integration of the spinning, dyeing and weaving processes, the Group stepped up its energy conservation efforts to promote green plant development. We endeavoured to offset the negative cost factors and greatly enhanced our bargaining power against external counterparties. During the year under review, part of the old cotton textile machines were updated to improve efficiency. To tackle the price volatility in the raw material market, the Group streamlined and implemented stringent cost control. The Group then transferred part of increase in raw material costs to its customers in a cautious and rational manner. Mutual business benefits were thus established with our customers and the pressure of rising costs faced by both the Group and its customers was reduced. This enabled us to secure stable orders and good responses from our customers. In relation to knitted sweaters, in addition to increasing the imported automatic looms, we also took advantage of the stable human resources and the labour surplus in various rural regions. As such, we are able to shift the production mix to villages and towns where we have close proximity to the residents, and support the export of sweaters to Cambodia. Cambodia, as the last country for the export of the Group's sweaters, is politically stable under the local government governed by Hun Sen. The Group also enjoyed the benefits of its human resources in Cambodia, where the wages of workers were less than half of those in China. Cambodia also enjoyed import tariff concessions from Europe and Japan. The continuous improvement in the local technology and quality in Cambodia ultimately contributed operating financial profits to the Group, highlighting encouraging results for us.

Invigorated by the introduction of a series of quantitative easing measures by the United States, the global economy was relieved from the dark cloud and showed signs of recovery. The Chinese summarize the basic necessities of life as "clothing, food, housing and travelling" and the textiles industry retains the top-rank position among them and is expected to take the lead to benefit from the global economic recovery. The Group will adopt a very careful approach to consolidate the benefits brought about by the vertically integrated production chains of spinning, dyeing and weaving so as to strengthen our core competitive strengths and enlarge our market share in the exports markets. At the same time, with its established reputation, the Group is well-positioned to achieve sustained profitability for shareholders and to foster further growth of the Group. The Group consolidated and streamlined the production sectors in various regions to reduce its production costs. We reinforced our competitive edges in the domestic branded raw material markets in the southern, central and northern parts of China, thus further enhancing the Group's overall percentage of domestic sales. The Group considers that the outlook of the textiles industry will remain positive and optimistic.

MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to report the results of the Group for the 12 months ended 31st December, 2010. The Group's consolidated revenue increased by approximately 16.8% to HK$1,417.7 million. Profit attributable to equity shareholders derived from the core business of the Group was HK$71.3 million, substantially increased by approximately HK$87.6 million from that of last year.

During the financial year under review, there were tentative signs of gradual stabilization and improvements in the global economy. The recovering international market, continuously blooming domestic market and the lower comparison basis in the year 2009 all contributed to a rebounce in the textile industry in the year of 2010. However, the operating environment was still full of challenges for the Company and the textile industry as a whole with the escalating prices of cotton and yarn and the appreciation of RMB. Leveraging our competitive edges, the Group still managed to strengthen its core competencies and achieved growths in terms of revenue and sales volume in the year of 2010. Our efforts led the Group to continuously achieve satisfactory performance in terms of revenue and net profits in the year of 2010.

The Group achieved record sales in the year of 2010. For the year ended 31st December, 2010, the turnover of the Group was HK$1,417.7 million, representing an increase of approximately 16.8% as compared with that of the previous year. Profit derived from the core business attributable to the owners of the Company grew to approximately HK$71.3 million, substantially increased by approximately HK$87.6 million as compared with that of the previous year. Profit derived from core business in the second half of the year 2010 is comparatively lower than that derived from the first half of the year 2010 as the escalating cotton prices continued to crush the industry and affect our profit margins. The Group has maintained a well-stocked inventory by proactively purchasing cotton to offset the uprising raw material costs in the first half of the year 2010. However, with the sudden upsurge of the cotton price in the second half of the year 2010, the Group decreased its cotton inventory due to the uncertainty of the rising trend of the cotton prices. With the decrease in the stock-up of the cotton inventory, the profit margin of the Group has been affected a bit in the second half of year 2010. Overall, the Group was able to pass on most of our increased raw material costs to our customers by raising our selling prices. The inventories piled up before also benefited from the upsurge of the cotton price. Furthermore, in view of the upsurge of the raw material cost, we adopted some new series of strategies to lock-in our profit margin without being affected by any sudden increase in the cotton prices. The Group requested full deposits on cotton or yarn purchases in advance upon accepting new customers' orders. This deposit received in advance can lock-in the cotton costs and can neutralize the rising cost and maintain our margins at a relatively stable level.

The increasing contribution from the domestic market and investment in the People's Republic of China (the "PRC") bode well for the Company. The Group has advanced dyeing facilities and enjoys a good reputation in the market. The Group has also equipped with the production know-how and has established strategically located production bases. It also has made persistent efforts in promoting vertical integration. The Company 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 in the market with increasing market share when the demand in the domestic market and international market gradually recover in the coming years.

Looking forward, the overall textile industry will remain difficult and challenging as a result of the impact of the cotton price fluctuations and the appreciation of the RMB. However, the Group will further optimize its operations and infrastructure to cope with the current market situations and maintain a solid foundation to support future growth. We will continuously review the cost and risk management functions and will also focus on reducing our net gearing ratio to a more sustainable level over the next few years by improving profitability level and implementing tighter control over cost, working capital and capital expenditure.

Furthermore, for the better reallocation of the Group resources, the Group disposed of its interest in one of its PRC subsidiaries in April 2010 as a means to dispose of some of the Group's non-core businesses. In relation to the proceeds from the disposal of the 98% equity interest in Anqing Su Song Addchance Real Estate Co. Limited, the Group has received on schedule the first and the second instalments of RMB13.7 million and RMB16 million respectively during the year under review. The remaining third instalment and the balance in the aggregate amount of RMB31.8 million is expected to be received in the year of 2011.

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.

The Group recorded another double-digit growth in its turnover in the year of 2010. Production and sales of knitted sweaters and dyed yarn remained the principal operations of the Group. Revenue generated from the production and sales of cotton yarns increased year by year. For the year under review, the total turnover of the Group increased by approximately 16.8% when compared with that in 2009, from approximately HK$1,214.3 million to about HK$1,417.7 million.

Turnover of the sweater business increased by about 8.7%, from approximately HK$557.6 million last year to about HK$606.3 million in the year under review, representing approximately 42.8% of the Group's total turnover. In terms of the output quantity of knitted sweaters, it decreased slightly by approximately 5.7% whilst the average market price increased by around 13.4% when compared with last year. As in the first half of the year 2010, the drop in sales orders delivered in the year 2010 was mainly attributable to the change in sales strategy. The Group exercised prudent yarn inventory control by giving priority to those orders with high profit margin to maximize the profitability and the Group was able to pass most of our increased raw material costs to our customers with our strong bargaining power. The decrease in the output quantity was attributable to the decrease in orders accepted from a few customers with lower profit margin, whilst those orders with higher profit margins increased as compared with those of the previous year. Thus, it resulted in a higher average selling price per unit sold. Our sweater products were still mainly exported to Europe and the Group continues to expand our customer base in order to have a less reliance on certain customers. As a percentage of the revenue of the Group, the sales made to our biggest customer decreased from about 17.3 % to approximately 12.6% this year as planned. We believe that the order rescheduling and the efficient production planning will result in a continuous increase in the profit margins of the Group in the coming year.

Dyed yarn remains the core product of the Group. Turnover from the production and sale of dyed yarns for the year under review was approximately HK$558.6 million, representing an apparent increase of about 19.6% as compared with that of the previous year and accounted for about 39.4% of the Group's total turnover. With our competitive advantage of our self-owned upstream manufacturing facilities, the Group can provide stable and lower market cost yarn products for production of dyed yarns despite the uprising cotton costs for the year under review. Sales volume in relation to the dyed yarns increased by around 4.5%, whilst the average selling price per pound increased by approximately 17.0% as compared with last year. The piling-up of yarns in the first half of the year of 2010 enabled the Group to realize a bigger return and the profit derived from dyed yarns also increased accordingly. We continued to exercise tight cost controls, efficient order scheduling and production planning to streamline our existing operations and improve our profit margin.

Revenue generated from the provision of dyeing services also increased from approximately HK$25.3 million the previous year to about HK$36.2 million during the year under review, an increase of about 42.7% from the previous year. Most of the Group's dyed yarn was sold to the manufacturers in the PRC and in Hong Kong which operate production sites in Guangdong, Jiangsu and Zhejiang. 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 sales proceeds was generated from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Production and sales of cotton yarns became another core segment of the Group's business following the series of expansion of our spinning facilities in Xinjiang and Anqing. Revenue generated from cotton yarns increased year by year. The Group experienced apparent sales growth in the spinning business by approximately 29.7%, increased from about HK$142.2 million last year to about HK$184.4 million during the year under review. Our spinning production scales and capabilities increased as expected and in turn the turnover grows yearly. During the year under review, the uprising cotton cost and shortage of the cotton yarn provided opportunities for our Group to fully utilize our production capacity. Market fluctuation sometimes comes with bigger returns. With the upsurge in cotton price, we successfully transferred the uprising cost to our customers through our efficient pricing adjustment together with the low cost inventory on hand. Therefore, the average selling price per ton increased by about 39.4% comparing with that of last year and the profit generated from spinning segment increased apparently by about HK$11.9 million or over 300%. Both the internal and external utilization rates of the cotton yarn increased and approximately 51.3% of the Group's self production yarn was internally used for dyed yarn production. With the efforts of our dedicated marketing teams in exploring new customers from the PRC domestic market, both the revenue and net profit of the spinning business increased continuously and steadily during the year under review.

Cost of Sales

During the year under review, the cost of sales increased by about 10.3%, from HK$1,037.5 million last year to about HK$1,144.8 million. It was mainly driven by the escalating cotton price and the increasing prices of the other cotton-related raw materials. Raw materials remained a major factor of the Group's cost of sales, standing at around 54.9% in the year 2010, with cotton and yarn making up 60% and 40% each respectively. With the benefit of the piling-up of the cheaper cotton stock, the continuous implementation of stringent cost control measures as well as the high level of flexibility achieved from the strong production bases located in wide range of areas, the Group's cost of sales increased by a less extent despite the approximately 16.8% increase in turnover.

Gross profit and gross profit margin

The Group recorded approximately HK$272.9 million in gross profit for the year under review, representing a substantial increase of approximately 54.3% as compared with approximately HK$176.8 million recorded in the previous year. Although the costs of cotton and other related raw materials have increased since the first quarter of 2010, the Group has maintained a well-stocked inventory by proactively purchasing cotton to offset the rising costs and to pass the increased costs and overheads to the end-customers through increased selling prices. Therefore, the average selling prices in each segment increased apparently, including about 39.4% increase in the price of cotton yarn, about 13.4% increase in the price of knitted sweaters and approximately 17.0% increase in the price of dyed yarns. The strong demand of yarns in the market prompted a bigger increase in their selling prices than the increase in the cost of the raw materials. The strategic stock-up of cotton inventory in the first half of 2010 also contributed to the substantial increase in the overall gross profit margin. Together with the enhanced utilization rate of our production facilities, the profit margins in each segment were improved during the year under review. The gross profit margin of the Group surged from 14.6% in the previous year to 19.2% this year, representing an increase of around 4.6 percentage point as compared with that of last year.

Net profit margin

Excluding the exceptional gain of approximately HK$67.1 million resulting from the disposal of the properties in Hong Kong last year, the net profit for the year 2010 derived from the core business substantially increased by around HK$87.6 million comparing with that of last year. Net profit margin surged to about 5.0% for the year under review. The Group was successful in overcoming the challenges by sharpening its competitive edge. The results reflected the effort of the management in exercising stringent cost measurements.

Borrowings

As at 31st December, 2010, the Group had outstanding bank borrowings of approximately HK$565.4 million, of which approximately HK$490.9 million and HK$74.5 million were due within one year and within 2 to 5 years respectively.

Compared with the bank borrowing level last year, the amount decreased from approximately HK$629.0 million to approximately HK$565.4 million during the year under review. The net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, improved apparently from 0.75 as at 31st December, 2009 to 0.55 as at 31st December, 2010.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2010, the Group's cash and cash equivalents apparently increased by around HK$31.3 million to approximately HK$99.1 million. Total assets increased to approximately HK$1,779.8 million.

The Group has successfully implemented the placement strategy in the capital market during the year under review. An aggregate of 41.25 million shares have been placed to the public at the placing price of HK$1.15 per share in May 2010 to diversify the capital mix of the Group and fulfil the need for long-term development. The placing proceeds increased the cash inflow of the Group from the financing activities.

With the absence of capital injection projects, the net cash used in investing activities decreased apparently to about HK$20.0 million as compared with the cash outflow of HK$77.1 million last year. Capital expenditures for the year under review decreased apparently by about 40.0% to approximately HK$55.7 million.

The Group mainly met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings. The Group will focus on reducing the net gearing ratio continuously by improving profitability, procuring the disposal of non-core properties and implementing tighter control over costs, working capital and capital expenditure.

The sales and purchases of the Group were evenly denominated in Hong Kong dollars, the US dollars and Renminbi respectively. Part of the effect of the appreciation of Renminbi against the US dollars 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 dollars and 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, 2010, 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, 2010, none of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code on Corporate Governance Practices 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 led 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 process and operational efficiency.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 26th May, 2011 (Thursday) to 31st May, 2011 (Tuesday) (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, 2011 (Wednesday).

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's annual results for the year ended 31st December, 2010.

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, 2010.

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, 2010 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, and have been confirmed that they are in line with 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 2010 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, Ms. Mok Pui Mei, Mr. Sung Kim Ping and Mr. Ip Siu Lam 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
Dr. Sung Chung Kwun
Chairman

Hong Kong, 28th March, 2011