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, 2012

HIGHLIGHTS OF FINAL RESULTS

- **Turnover for the year ended 31st December, 2012 reached approximately HK$1,450.2 million, represented an increase of approximately HK$158.4 million or 12.3% as compared with last year.**

- **Profit for the year was approximately HK$30.6 million. Excluding those exceptional gain or loss, the net profit derived from core business decreased from HK$70.4 million to approximately HK$35.9 million, represented a decrease of around 49.1% comparing the same last year.**

- **The directors recommend the payment of (i) a final dividend of HK2.0 cents per share for the year ended 31st December, 2012 and; (ii) a special dividend of HK3.0 cents per share to shareholders appearing on the register of members of the Company as at 31st May, 2013, which is subject to approval of the shareholders at the annual general meeting.**

FINAL RESULTS

The directors of the Company are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2012 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2012

	NOTES	**2012** **HK$'000**	2011 *HK$'000*
Revenue	*4*	**1,450,209**	1,291,790
Cost of sales		**(1,171,741)**	(1,007,627)
Gross profit		**278,468**	284,163
Other income		**15,691**	14,827
Other gains and losses		**(5,291)**	19,852
Selling and distribution costs		**(82,844)**	(75,914)
Administrative expenses		**(135,001)**	(116,474)
Finance costs		**(42,368)**	(33,163)
Profit before tax		**28,655**	93,291
Income tax credit (expense)	*5*	**1,906**	(3,038)
Profit for the year	*6*	**30,561**	90,253
Other comprehensive income for the year			
Exchange differences arising on translation of foreign operations		**19,130**	46,069
Total comprehensive income for the year		**49,691**	136,322
Profit for the year attributable to:			
Owners of the Company		**32,139**	89,939
Non-controlling interests		**(1,578)**	314
		30,561	90,253
Total comprehensive income attributable to:			
Owners of the Company		**51,269**	136,008
Non-controlling interests		**(1,578)**	314
		49,691	136,322
Earnings per share, in HK cents	*8*		
Basic		**7.28**	20.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2012

	NOTES	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Investment properties		**1,832**	1,884
Property, plant and equipment		**823,421**	823,838
Prepaid lease payments		**121,787**	60,047
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**24,723**	50,110
Club debenture		**1,070**	1,070
Other assets		**15,899**	–
Deferred tax assets		**159**	159
		988,891	937,108
CURRENT ASSETS			
Prepaid lease payments		**2,293**	1,504
Inventories		**765,237**	782,497
Trade receivables, bills receivable and other receivables, deposits and prepayments	*9*	**619,841**	333,125
Amounts due from related companies		**2,278**	1,725
Tax recoverable		**3,213**	2,898
Bank balances and cash		**132,598**	156,903
		1,525,460	1,278,652
CURRENT LIABILITIES			
Trade and other payables	*10*	**148,522**	141,002
Bills payable		**53,704**	6,294
Derivative financial instruments		**20,199**	18,221
Bank borrowings – due within one year		**1,076,727**	967,486
Tax liabilities		**4,149**	3,418
Bank overdrafts		**25,506**	23,532
		1,328,807	1,159,953
NET CURRENT ASSETS		**196,653**	118,699
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,185,544**	1,055,807

	NOTE	**2012**	2011
		HK$'000	*HK$'000*
CAPITAL AND RESERVES			
Share capital		**4,413**	4,413
Reserves		**1,072,880**	1,030,434
Equity attributable to owners of the Company		**1,077,293**	1,034,847
Non-controlling interests		**43**	1,621
		1,077,336	1,036,468
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**15,821**	19,339
Deposit received from transfer of operating right of a subsidiary	*10*	**92,387**	–
		1,185,544	1,055,807

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 beneficial owner of Powerlink Industries Limited is Dr. Sung Chung Kwun, an executive director and former 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 amendments to IFRSs issued by the International Accounting Standards Board.

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

Except as described below, the application of the new and revised IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied for the first time the amendments to IFRS 7 Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

The Group has arrangements with various banks to transfer to the banks its contractual rights to receive cash flows from certain bills receivable. The arrangements are made through discounting those receivables to banks on a full recourse basis. Specifically, if the bill receivable are not paid at maturity, the banks have the right to request the Group to pay the unsettled balance. As the Group has not transferred the significant risks and rewards relating to these bill receivable, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. The relevant disclosures have been made regarding the transfer of these bill receivable on application of the amendments to IFRS 7. In accordance with the transitional provisions set out in the amendments to IFRS 7, the Group has not provided comparative information for the disclosures required by the amendments.

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

Amendments to IFRSs	Annual Improvements to IFRSs 2009 – 2011 Cycle[1]
Amendments to IFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures[3]
Amendments to IFRS 10, IFRS 11 and IFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance[1]
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities[2]
IFRS 9	Financial Instruments[3]
IFRS 10	Consolidated Financial Statements[1]
IFRS 11	Joint Arrangements[1]
IFRS 12	Disclosure of Interests in Other Entities[1]
IFRS 13	Fair Value Measurement[1]
IAS 19 (as revised in 2011)	Employee Benefits[1]
IAS 27 (as revised in 2011)	Separate Financial Statements[1]
IAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[1]
Amendments to IAS 1	Presentation of Items of Other Comprehensive Income[4]
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities[2]

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

[2] *Effective for annual periods beginning on or after 1st January, 2014.*

[3] *Effective for annual periods beginning on or after 1st January, 2015.*

[4] *Effective for annual periods beginning on or after 1st July, 2012.*

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at 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 values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. 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 recognition 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. 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 presented in profit or loss.

The directors anticipate that the adoption of IFRS 9 for annual period beginning on 1st January , 2015 will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 31st December, 2012.

IFRS 10 Consolidated Financial Statements

IFRS10 replaces the parts of IAS 27 Consolidation and Separate Financial Statements that deal with consolidated financial statements. SIC 12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10. Under IFRS 10, there is only one basis for consolidation, that is, control. In addition, IFRS 10 includes a new definition of control that contains three elements: (a) power over the investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. Extensive guidance has been added in IFRS 10 to deal with complex scenarios.

The directors anticipate that the adoption of IFRS 10 for annual period beginning on 1st January, 2013 will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 31st December, 2012.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards. The directors anticipate that the standard will be adopted in the Group's consolidated financial statements for the annual period beginning 1st January, 2013.

The directors of the Company anticipate that the application of the other new and revised IFRSs will have no material impact on the consolidated financial statements.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 to cover all assets and liabilities within its scope.

IFRS 13 is effective for the Group for annual period beginning on 1st January, 2013. Other than club debenture and other assets, the directors anticipate that the application of the new standard is unlikely to have material impact on the other assets and liabilities as reported in the consolidated financial statements.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 Presentation of Items of Other Comprehensive Income introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, a 'statement of comprehensive income' is renamed as a 'statement of profit or loss and other comprehensive income' and an 'income statement' is renamed as a 'statement of profit or loss'. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require items of other comprehensive income to be grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

The amendments to IAS 1 are effective for the Group for annual period beginning on 1st January, 2013. The presentation of items of other comprehensive income will be modified accordingly when the amendments are applied in future accounting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. SEGMENT INFORMATION

Information reported to the executive 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 revenue and results

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

For the year ended 31st December, 2012

	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 reportable segments	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	154,076	879,342	363,038	33,396	20,357	1,450,209	–	1,450,209
Inter-segment sales	173,191	–	222,285	17,435	129,331	542,242	(542,242)	–
Segment revenue	327,267	879,342	585,323	50,831	149,688	1,992,451	(542,242)	1,450,209
SEGMENT PROFIT	(4,378)	73,672	18,230	5,331	471	93,326	–	93,326
Interest income								668
Rental income								754
Unallocated income								–
Unallocated expenses								(21,747)
Other gains and losses								(1,978)
Finance costs								(42,368)
Profit before tax								28,655

For the year ended 31st December, 2011

	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 reportable segments	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	116,002	698,638	425,938	28,994	22,218	1,291,790	–	1,291,790
Inter-segment sales	199,164	–	243,738	24,562	137,453	604,917	(604,917)	–
Segment revenue	315,166	698,638	669,676	53,556	159,671	1,896,707	(604,917)	1,291,790
SEGMENT PROFIT	2,213	85,336	26,443	2,905	2,217	119,114	–	119,114
Interest income								415
Rental income								509
Unallocated income								12
Unallocated expenses								(23,198)
Other gains and losses								29,602
Finance costs								(33,163)
Profit before tax								93,291

Geographical information

Information about the Group's revenue from external customers is presented 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**	
	2012	2011	**2012**	2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**469,259**	442,993	**719,199**	700,146
Hong Kong	**188,344**	204,945	**28,942**	17,519
Other Asian countries	**157,949**	71,175	**240,591**	219,284
Australia	**28,891**	–	**–**	–
Europe	**586,517**	523,411	**–**	–
North America	**19,249**	49,266	**–**	–
	1,450,209	1,291,790	**988,732**	936,949

Included in revenue for customers located in Europe, amounts of HK$294,360,000 (2011: HK$254,024,000), HK$102,811,000 (2011: HK$42,623,000) and HK$21,719,000 (2011: HK$34,589,000) were arising from sales to customers based in the United Kingdom, Germany and the Netherlands, respectively.

5. INCOME TAX (CREDIT) EXPENSE

	2012	2011
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
– Current year	**1,275**	2,057
– Overprovision in prior years	**(391)**	(218)
PRC Enterprise Income Tax – current year	**728**	2,739
	1,612	4,578
Deferred taxation		
– Current year	**(3,518)**	(1,540)
	(1,906)	3,038

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 have expired by 2011.

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

6. PROFIT FOR THE YEAR

	2012 *HK$'000*	2011 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**8,440**	7,491
Other staff costs	**297,126**	267,558
Retirement benefits scheme contributions, excluding directors	**9,497**	9,706
Total staff costs	**315,063**	284,755
Amortisation of prepaid lease payments	**2,266**	1,470
Auditor's remuneration	**2,100**	2,000
Cost of inventories recognised as an expense	**1,171,741**	1,007,627
Depreciation of property, plant and equipment	**90,562**	89,921
Depreciation of investment properties	**52**	52
Written off on trade receivables	**891**	127
Written off on other receivables	**1,500**	1,500
Loss on disposal of property, plant and equipment	**11**	–
and after crediting the following other income items:		
Interest income	**668**	415
Gain on disposal of property, plant and equipment	**–**	12
Gross rental income from investment properties	**754**	509
Less: direct operating expenses from investment properties that generated rental income during the year	**(102)**	(114)
	652	395

7. DIVIDENDS

	2012 *HK$'000*	2011 *HK$'000*
Dividend recognised as distribution during the year – 2011 Final dividend of HK2.0 cents (2011: 2010 final dividend of HK3.0 cents) per share	**8,823**	13,238

The (i) final dividend of HK2.0 cents in respect of the year ended 31st December, 2012 and (ii) special dividend of HK3.0 cents (2011: final dividend of HK2.0 cents in respect of the year ended 31st December, 2011) per share have been proposed by the directors and is subject to approval by the shareholders in 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 HK$32,139,000 (2011: HK$89,939,000) and on the weighted average number of shares in issue during the year of 441,250,000 (2011: 441,250,000).

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

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

The Group generally allows credit period ranged from 30 days to 120 days to its trade customers.

At 31st December, 2012, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK$449,280,000 and bills receivable of HK$134,760,000 (2011: HK$212,611,000 and HK$70,793,000, respectively) and their aged analysis, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, is as follows:

	2012	2011
	HK$'000	*HK$'000*
Aged:		
0 – 30 days	**266,875**	133,846
31 – 60 days	**109,614**	64,882
61 – 90 days	**90,001**	33,673
91 – 120 days	**51,374**	26,738
Over 120 days	**75,614**	33,703
	593,478	292,842
Less: Allowance for doubtful debts	**(9,438)**	(9,438)
	584,040	283,404
Prepaid expenses	**15,432**	18,013
VAT receivables	**5,297**	8,284
Deposits	**1,279**	1,142
Others	**13,793**	22,282
	619,841	333,125

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 AND DEPOSIT RECEIVED FROM TRANSFER OF OPERATING RIGHT OF A SUBSIDIARY

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

	2012	2011
	HK$'000	*HK$'000*
Aged:		
0 – 60 days	**40,229**	36,073
61 – 90 days	**4,064**	6,322
Over 90 days	**15,700**	10,678
	59,993	53,073
Receipt in advance	**7,096**	22,624
Deposit received from transfer of operating right of a subsidiary	**92,387**	–
Payable for acquisition of property, plant and equipment	**–**	1,038
Payable for acquisition of prepaid lease payments	**–**	1,528
Accrued expenses	**70,274**	57,746
VAT tax payables	**2,238**	144
Other payables	**8,921**	4,849
	240,909	141,002
Less: Deposit received from transfer of operating right of a subsidiary shown under non-current liabilities	**92,387**	–
Trade and other payables shown under current liabilities	**148,522**	141,002

BUSINESS REVIEW AND PROSPECTS

2012 marked a challenging year for the textile industry. Under the continued fluctuations in the European Union ("EU") economy and uncertainties of quantitative easing policies in the United States ("US"), consumption sentiment in the market revived at a slow pace. Faced with a series of unfavourable factors such as the significant weakening of the competitiveness of domestic cotton exports due to higher cotton prices in China's textile industry as compared with those in other parts of the world, each of the peers in the textile industry would be of no exception, but had to be exposed to similar difficulties. This situation remained to be relieved.

During the year, the Group closely kept abreast of the internal and external conditions of the market. The Directors made joint efforts to capitalize the synergies of the Group's vertical production, reduce production costs by stepping up efforts over cost control, raw materials procurement and expense cuts, thereby mitigating the impact of the changing market on the Group. The Group's overseas production base in Cambodia benefited from the preferential import tariff policies implemented by countries including countries in the EU and Japan, and was blessed with increasing competitive edge among its industry peers. The Group plans to expand its production base in Cambodia. To play an active role in supporting the world's green, eco-friendly and energy-saving awareness, we took the first initiative to build a green plant in Cambodia. The vision for building this plant is to maximize the benefits of energy conservation and carbon emission reduction with the use of natural resources. Also, we reinforced our green support through our membership in an international cotton organization – Better Cotton Initiative (BCI). As one of the cotton yarn suppliers, widespread applauses were received from a number of major internationally-prestigious sweater brands. The Group's green factory will be well equipped with considerable quantities of Germany-imported computer-operated automatic weaving machines and equipment, so as to expand the capacity of the symbols of green eco-friendly clothing products. The expanded capacity is anticipated to be put into full operation in 2013, by then benefits will be brought to us.

We are confident that the demand for textiles across the globe will remain robust as products offered by the textile industry are daily necessities for the global population. Thanks to the concerted efforts of the Board of Directors and the cost advantages in Cambodia, the Group is definitely well-poised to reap higher profitability for shareholders. We would also like to take this opportunity to thank all management personnel for their efforts and contribution to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to report the audited results of the Group for the 12 months ended 31st December, 2012. The Group's consolidated revenue increased by approximately 12.3% to HK$1,450.2 million. Profit attributable to equity shareholders derived from the core business of the Group was approximately HK$35.9 million, with net profit margin of approximately 2.5%.

With the deteriorating sovereign debt crisis in the Eurozone, slow recovery of the US economy, the continuous surging production costs in the PRC and the significant fall in the cotton prices, the operating environment of the whole textile industry was still full of challenges. Cotton prices in the PRC market remained at a low level while the prices in overseas markets declined sharply, resulting in the decrease in the cotton and cotton-related products. This in turn limited our bargaining power to lift the selling price of those spinned products. The fall in the cotton and cotton-related costs also discouraged the customers from placing large orders in order to avoid pilling-up of the inventories. Customers adopted a wait-and-see approach with the expectation that the downward trend will go on. During the year under review, our procurement strategy towards cotton and cotton-related materials had also changed. Less cotton was purchased for the year in order to minimize the cotton stock pile-up. As a result of the policy adopted by the PRC government regarding the guaranteed offer price from the government, cotton price has started to stabilize since the second half of 2012.

Sweater business is still the most profitable business of the Group and we have been continuing to increase our production capacity to cope with the recovering export demand. For the year under review, an environmental green factory was built in different phases in Cambodia not only to increase our production capacity of knitted sweaters or panels but also to strengthen our competitive advantages towards those European customers and achieve the aim of environmental protection. The idea of our green factory was inspired by our customer, Marks and Spencer. The underlying concept is to try to get use of those environmental friendly materials, implement green production process and save energy. To implement the concept of reuse, reduce and recycle, we can minimize the daily disposal within the green factory.

Construction of this green factory had been completed by the end of the fiscal year 2012 as planned and operation had commenced in January 2013. Computerized knitting machines were already put in use and full operation had started on schedule. The establishment of this green factory has increased our sweater production capacity by around 20% and new EU, Australian and Japanese customers were gained during the year under review. We will continue to increase the output per person by upgrading the automation of machineries and enhancing the overall production efficiency and we will endeavour to optimize our value chain and operation efficiency. The Group will continue to focus on the production of those medium-to-high-end products so as to maintain our market share in this competitive environment.

On 29th June, 2012, the Group entered into an Operation Right Transfer Agreement with third parties to transfer the operating right of the PRC subsidiary, Luoding Addchance Limited, whose principal business is property development. The consideration of this transfer was approximately HK$554 million and will be payable by six installments within 5 years. This transfer will strengthen the cash flow position of the Group and will pose a positive impact on the Group's net profit upon completion date.

PROSPECTS

The upsurge in the production costs in the PRC has become a trend in the coming years and this also brings opportunities to the Group. The Group strategically established our manufacturing plants in Cambodia for a number of years and over 95% of our sweater products were exported through our manufacturing plants in Cambodia. We do enjoy the cost benefits of our human resources in Cambodia, where the wages of workers represent approximately only one-third of those in the PRC. Further, Cambodia enjoyed import tariff concessions from Europe and Japan. All these factors can strengthen our bargaining power of orders received from the EU and the Japanese customers. Therefore, further development or expansion in Cambodia would be our focus in the coming years.

To diversify our products variety, the Group became a member of BCI, aiming to reduce the amount of water and chemicals used to grow cotton and improve social and economic benefits for cotton farmers. Working with international social care organization like BCI, the Group not only can diversify our products variety but also can take the responsibility for community care. For the year under review, the Group started our production of the BCI products from our spinning production arms. We will continue to strengthen our production technology on value-added yarns in the coming years.

Looking ahead, the global economy will undoubtedly remain tough and uncertain. However, with our focus on Cambodia development, we can tackle the difficulties of continuously raising production costs in the PRC. The long established spinning arms in SuSong and Xinjiang also bode well for the Group on the upstream raw materials supply and the newly established green factory in Cambodia sharpens our competitive edge on procuring orders from the EU and the Japanese customers. Demand for middle and high-end textile products is expected to grow with the growing PRC domestic consumption. The Group will continue to enhance its competitive edge to capture the opportunities arising from the challenge, strive to implement further stringent cost control measures and streamline existing operations and structures to further enhance operational efficiency and profit margin.

FINANCIAL REVIEW

Turnover

The Group is principally engaged in the production and sales 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 as well as socks and hosiery products.

Total revenue for the twelve months ended 31st December, 2012 was approximately HK$1,450.2 million. Comparing with the last corresponding year, the revenue significantly increased by around 12.3% for the year under review, increased from HK$1,291.8 million to approximately HK$1,450.2 million for the year under review. Production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group.

The Group recorded double-digit growth in its turnover in the year of 2012. Turnover of the sweater business substantially increased by approximately 25.9%, from approximately HK$698.6 million in last corresponding year to approximately HK$879.3 million during the year under review, representing approximately 60.6% of the Group's total turnover. The Group can still manage to generate positive financial returns despite the unfavourable consumer spending environment. Both the sales volume and the average selling price of the knitted sweaters increased despite the stagnant market conditions, in which sales volume increased by around 18.5% whilst the average selling price increased by approximately 8.5% for the year under review with the increasing sales proportion of the middle and high-end products. New customers were gained from Europe, Australia and Japan strategically. Our sweater business is being benefited vertically from our upstream spinning arms by utilizing the raw material at a controllable and stable costs, which in turn improve our profit margin. Our sweater products were still mainly exported to Europe and the Group continues to expand our customer base to reduce its reliance on some customers. As a percentage of the revenue of sweater business, the sales made to our largest customer was approximately 14.6% this year as planned. We also gained new customers from Australia and Japan in the year 2012 and the PRC domestic sales also increased. With the expectation of the growing demand for middle and high-end textile products, our PRC domestic sales would be expected to increase further. We can continuously maintain a balance between the PRC domestic sales and export sales in order to naturally hedge against the continuous appreciation of the Renminbi (the "RMB"). Besides, textile products imported from Cambodia are subject to tax exemption for those European customers, which in turn further strengthen the bargaining power of the Group.

Sales generated from the production and sales of dyed yarn decreased by approximately 14.8%, from HK$425.9 million to approximately HK$363.0 million for the year under review, representing approximately 25.0% of the Group's total turnover. Similar to the results in the interim period, the impact of the drop in cotton and cotton-related raw materials costs did affect the selling price of dyed yarn as well. The average selling price of dyed yarn decreased significant by approximately 19.5% comparing with the same last year. However, sales volume generated from dyed yarn in the second half of 2012 started to increase in view of the stabilization policy launched by the PRC government on the cotton price and the sales volume made from dyed yarn for the full year increased by around 8.7%. With our competitive advantage gained from our self-owned upstream manufacturing facilities, the Group can provide stable supply of those yarn products for the production of dyed yarns and we continued to exercise tight cost controls and efficient order scheduling and production planning in order to streamline our existing operations and improve our profit margin.

Production and sales of cotton yarns is another core business segment of the Group. Revenue generated from sales of cotton yarns increased further in the second half of 2012 by around 32.8% to approximately HK$154.1 million. With the stabilization of the cotton price in the second half of 2012, the sales volume made on the cotton yarns increased by approximately 8.7% yearly whereas the average selling price decreased to a lesser extent by only 8.5% instead of the significant drop by 15.5% in the first half of 2012. With the drop in cotton price and the change in the procurement strategy and inventory control strategy, more cotton yarns sales were made for the year under review in order to avoid the piling up of the yarns products. As a result, the external utilization rate of the cotton yarn increased to 47.1% for the year under review.

Revenue generated from the provision of dyeing services increased slightly from HK$29.0 million to approximately HK$33.4 million for the year under review. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the PRC, Hong Kong and Macau accounted for approximately 95.3% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds were derived from exports to overseas countries including Thailand, Taiwan and Indonesia.

Cost of Sales

Cost of sales increased further by around 16.3% from HK$1,007.6 million to approximately HK$1,171.7 million for the year under review despite the 12.3% increase in sales. Continuously surging labour and production costs in the PRC affected the profit margin of the Group. However, with the lower labour costs in our Cambodia factories, the overall labour costs decreased slightly over the last year. Raw materials remained a major factor of Group's cost of sales, standing at around 50.6% for the year under review with cotton and yarn making up 50% each respectively whereas electricity charges and depreciation can also be maintained at the similar level as those of last year.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK$278.5 million for the year under review, with gross profit margin at approximately 19.2%. It decreased by approximately 2.8% comparing with the gross profit margin last year. A drop in cotton price is the major factor that adversely affect the gross profit margin. Average selling price of dyed yarn and finished spin cotton yarn decreased substantially during the year by approximately 19.5% and 8.5% respectively comparing with the same as last year. However, the Group was still able to transfer part of the cost to the end-customers by raising the average selling price of knitted sweater products by focusing on those high valued products during the year. Therefore, the improvement on the gross profit margin on sweater products can offset part of the impact of the decreasing profit margin of dyed yarn cotton yarn, maintaining the overall gross profit margin at around 19.2%. The Group will continuously try to manage the gross profit margin by improving the operating efficiency as well as factory utilization rate.

Net profit margin

Excluding the fair value adjustment on the derivatives financial instruments and exchange differences of appproximately HK$5.3 million for the year under review, a net profit of approximately HK$35.9 million was derived from the core business of the Group, with net profit margin of approximately 2.5%. The Group will continuously overcome the challenges by sharpening its competitive edge.

Other revenue

Other revenue of approximately HK$15.7 million mainly comprised the income derived from the disposal of scrapped materials, exchange gains and interest income.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. For the year under review, the Group's selling and distribution costs amounted to approximately HK$82.8 million, representing approximately 5.7% of the Group's turnover.

Administrative expenses

Administrative expenses of approximately HK$135.0 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 9.3% of the Group's turnover.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which remained at approximately HK$42.4 million, representing approximately 2.9% of the Group's turnover. It increased significantly due to the high utilization rate of bank loans raised for the year under review.

Borrowings

As at 31st December, 2012, the Group had outstanding bank borrowings of approximately HK$1,102.2 million, which were classified as falling due within one year. The amount was at a similar level as that as at the interim period end. Amongst the total bank borrowings, approximately HK$419.8 million was in term loan nature and approximately HK$682.4 million was in trade nature. Of the total term loan amount of HK$419.8 million, there is approximately HK$150.7 million that is repayable more than one year but not more than five years from the year end but contains a payment on demand clause in the loan agreements. According to the terms of repayment schedules of the respective loan agreements, approximately HK$150.7 million will be repaid within 2 to 5 years. Term loan raised was mainly used for the additions of the knitting machineries in Cambodia and the PRC production bases while the trade loan mainly comprised those financing arrangements for delivery of sweater products.

Net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, was 0.90, remained at the same level as that as at the interim period end.

The transfer of the operating right of Luoding Addchance Limited will strengthen the cash inflow position of approximately HK$554 million within 5 years. 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 as well as implementing tighter control over costs, working capital and capital expenditure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2012, the Group's cash and cash equivalents amounted to HK$107.1 million, slightly decreasing from HK$133.4 million last year. Total assets increased to approximately HK$2,514.4 million as at year end.

With the change in the procurement strategy, corresponding decrease in the purchase of raw materials and the digestion of the inventories during the year under review, net cash outflow of around HK$36.3 million was used in operating activities. Net cash used in investing activities was approximately HK$42.2 million and kept at a better level as that of last year. There was no material changes on the capital expenditure for the year under review. Less cash was generated from financing activities, resulting the net cash and cash equivalents remained at around HK$107.1 million as at year end.

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

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

Debtors' turnover days

The debtors' turnover days were lengthened by 19 days from 128 days during the interim period to 147 days for the year end because of the increase in sales made in the last quarter. Credit control on debt collection and new customer selection procedures are still being made in a stringent manner continuously. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the individual creditability of the customers.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2012 were approximately 238 days, which significantly improved by around 45 days as compared with 283 days for the corresponding last year end. The stock turnover days kept improving with the delivery of the batches of knitted panels in the third quarter of year 2012 and less cottons and yarns were procured during the year under review to minimize the stock piling-up. The Group will continuously monitor its inventory level to a secure level in the coming years.

Dividend Policy

The declaration of dividends is subject to the discretion of the directors and is expected to take into account various 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 its shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the directors may deem relevant. The directors recommend the payment of (i) a final dividend of HK2.0 cents per share for the year ended 31st December, 2012 and (ii) a special dividend of HK3.0 cents per share to shareholders appearing on the register of members of the Company as at 31st May, 2013, which is subject to approval of the shareholders at the forthcoming annual general meeting.

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

During the year ended 31st December, 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares.

CORPORATE GOVERNANCE

During the year ended 31st December, 2012, none of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not, in compliance with the Code on Corporate Governance Practices (effective until 31st March, 2012) and the Corporate Governance Code (effective from 1st April, 2012) as set out in Appendix 14 to the 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. Mr. Sung Kim Wa is the chairman of the Company and there was no chief executive officer appointed by the Company and the day-to-day management of the Group was led by Mr. Sung Kim Wa. 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 29th May, 2013 (Wednesday) to 31st May, 2013 (Friday) (both days inclusive) during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend and special 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 28th May, 2013 (Tuesday).

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code for the year ended 31st December, 2012.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's final results for the year ended 31st December, 2012. 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 final results for the year ended 31st December, 2012.

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 the related notes thereto for the year ended 31st December, 2012 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 2012 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 Mr. Sung Kim Wa, Dr. Sung Chung Kwun, Mr. Wong Chiu Hong, Mr. Sung Kim Ping, Ms. Sung Kit Ching and Mr. Ip Siu Lam as executive Directors, and Mr. Chan Tsz Fu, Jacky, Mr. Ng Man Kin and Professor Cai Xiu Ling as independent non-executive Directors.

ACKNOWLEDGEMENT

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
Mr. Sung Kim Wa
Chairman

Hong Kong, 25th March, 2013

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