ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3344)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

On behalf of the board of directors (the "Board") of Addchance Holdings Limited, I am pleased to announce the unaudited consolidated results for the six months ended 30th June, 2009 of the Company and its subsidiaries (the "Group"), together with the unaudited comparative figures for the corresponding period in 2008. These interim financial statements have not been audited, but have been reviewed by the Company's auditors, Deloitte Touche Tohmatsu, who conducted the review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the audit committee of the Company (the "Audit Committee").

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

		For the six months ended 30th June,	
	NOTES	**2009**	2008
		HK$'000	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**517,026**	556,664
Cost of sales		**(411,083)**	(410,649)
Gross profit		**105,943**	146,015
Other income		**8,160**	4,241
Gain on disposal of assets classified as held for sale		**70,017**	–
Selling and distribution costs		**(27,921)**	(39,587)
Administrative expenses		**(65,318)**	(73,414)
Finance costs	*4*	**(14,049)**	(19,554)
Profit before tax		**76,832**	17,701
Income tax expense	*5*	**(1,746)**	(5,913)
Profit for the period	*6*	**75,086**	11,788

	NOTE	For the six months ended 30th June, **2009** **HK$'000** **(unaudited)**	2008 HK$'000 (unaudited)
Other comprehensive income for the period			
Exchange differences arising on translation of foreign operations		**–**	16,363
Total comprehensive income for the period		**75,086**	28,151
Profit for the period attributable to:			
Owners of the Company		**74,068**	12,198
Minority interests		**1,018**	(410)
		75,086	11,788
Total comprehensive income attributable to:			
Owners of the Company		**74,068**	28,561
Minority interests		**1,018**	(410)
		75,086	28,151
Earnings per share, in HK cents			
Basic	*8*	**18.52**	3.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2009

	NOTES	**30.6.2009** **HK$'000** **(unaudited)**	31.12.2008 *HK$'000* (audited)
NON-CURRENT ASSETS			
Investment properties		**2,014**	2,040
Property, plant and equipment		**770,789**	768,926
Prepaid lease payments		**72,364**	73,127
Deposit paid for acquisition of land use rights and property, plant and equipment		**15,984**	16,203
Club debentures		**1,070**	1,070
Deferred tax assets		**186**	230
		862,407	861,596
CURRENT ASSETS			
Prepaid lease payments		**1,730**	1,831
Inventories		**621,246**	586,080
Trade receivables, bills receivables and other receivables, deposits and prepayments	*9*	**301,166**	226,866
Amounts due from related companies		**81**	163
Pledged bank deposits		**1,136**	1,387
Bank balances and cash		**81,089**	94,208
		1,006,448	910,535
Assets classified as held for sale		**–**	7,983
		1,006,448	918,518
CURRENT LIABILITIES			
Trade and other payables	*10*	**208,144**	245,462
Bills payable	*10*	**78,422**	52,595
Amount due to a minority shareholder		**175**	240
Bank borrowings – due within one year		**554,266**	548,036
Obligations under finance leases – due within one year		**8,669**	8,669
Taxation payable		**9,192**	7,347
Bank overdrafts		**29,476**	22,877
		888,344	885,226
NET CURRENT ASSETS		**118,104**	33,292
TOTAL ASSETS LESS CURRENT LIABILITIES		**980,511**	894,888

	30.6.2009	31.12.2008
	HK$'000	*HK$'000*
	(unaudited)	(audited)
CAPITAL AND RESERVES		
Share capital	**4,000**	4,000
Reserves	**804,743**	730,675
Equity attributable to owners of the Company	**808,743**	734,675
Minority interests	**1,164**	146
	809,907	734,821
NON-CURRENT LIABILITIES		
Bank borrowings – due after one year	**151,797**	136,184
Obligations under finance leases		
– due after one year	**722**	5,057
Deferred tax liabilities	**18,085**	18,826
	170,604	160,067
	980,511	894,888

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2009

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2008.

In the current interim period, the Group has applied, for the first time, a number of new and revised standards, amendments and interpretations ("new and revised IFRSs") issued by the IASB, which are effective for the Group's financial year beginning 1st January, 2009.

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

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

3. SEGMENT INFORMATION

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

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

The following is an analysis of the Group's revenue and results by operating segments for the period under review.

For the six months ended 30th June, 2009

	Production and sale of cotton yarn *HK$'000*	Production and sale of knitted sweaters *HK$'000*	Production and sale of dyed yarns *HK$'000*	Provision of dyeing services *HK$'000*	Trading of cotton and yarns *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE							
External	52,577	190,005	259,073	9,675	5,696	–	517,026
Inter-segment sales	30,604	162,967	237,153	14,432	65,433	(510,589)	–
	83,181	352,972	496,226	24,107	71,129	(510,589)	517,026
SEGMENT PROFIT (LOSS)	1,507	8,966	13,719	819	(71)	–	24,940
Unallocated corporate income							187
Unallocated corporate expenses							(4,263)
Gain on disposal of assets classified as held for sale							70,017
Finance costs							(14,049)
Profit before tax							76,832
Income tax expense							(1,746)
PROFIT FOR THE PERIOD							75,086

For the six months ended 30th June, 2008

	Production and sale of cotton yarn *HK$'000*	Production and sale of knitted sweaters *HK$'000*	Production and sale of dyed yarns *HK$'000*	Provision of dyeing services *HK$'000*	Trading of cotton and yarns *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE							
External	35,002	201,288	279,579	14,534	26,261	–	556,664
Inter-segment sales	122,127	189,270	242,653	8,014	84,488	(646,552)	–
	157,129	390,558	522,232	22,548	110,749	(646,552)	556,664
SEGMENT PROFIT (LOSS)	818	15,206	26,158	1,470	(846)	–	42,806
Unallocated corporate income							561
Unallocated corporate expenses							(6,112)
Finance costs							(19,554)
Profit before tax							17,701
Income tax expense							(5,913)
PROFIT FOR THE PERIOD							11,788

4. FINANCE COSTS

	For the six months ended 30th June,	
	2009	2008
	HK$'000	*HK$'000*
Interest on:		
Bank borrowings wholly repayable within five years	**13,946**	18,730
Bank borrowings not wholly repayable within five years	**25**	484
Finance leases	**78**	340
	14,049	19,554

5. INCOME TAX EXPENSE

	For the six months ended 30th June,	
	2009	2008
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax	**2,017**	3,118
PRC Enterprise Income Tax	**426**	3,499
Deferred taxation:		
– Current year	**(697)**	(493)
– Attributable to change in tax rate	**–**	(211)
	1,746	5,913

Hong Kong Profits Tax is recognised at 16.5% for the periods under review.

Pursuant to the relevant laws and regulations in the PRC, certain PRC subsidiaries of the Company are exempted from the PRC enterprise income tax for the 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 commenced during the period from 2002 to 2008. Accordingly, the Tax Holiday of these PRC subsidiaries will expire from 2009 to 2012. The Tax Holiday continues to be applicable for the PRC subsidiaries after the Law of the PRC on Enterprise Income Tax was implemented.

6. PROFIT FOR THE PERIOD

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

	For the six months ended 30th June,	
	2009	2008
	HK$'000	*HK$'000*
Depreciation of investment properties	**26**	266
Depreciation of property, plant and equipment	**41,370**	35,147
Impairment loss on available-for-sale investments included in administrative expenses	**–**	1,325
Amortisation of prepaid lease payments	**864**	1,067
Interest income	**(28)**	(461)

7. DIVIDEND

No final dividend was declared to be paid for 2008.

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

The directors do not recommend the payment of an interim dividend for the six months ended 30th June, 2009.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share for the period is based on the profit for the period attributable to owners of the Company of approximately HK$74,068,000 (2008: HK$12,198,000) and on the number of shares in issue of 400,000,000 (2008: 400,000,000).

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

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

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

At 30th June, 2009, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK$228,728,000 and bills receivables of HK$35,194,000 (31.12.2008: trade receivables of HK$160,964,000 and bills receivables of HK$21,441,000 respectively) and their aged analysis, presented based on the invoice date, is as follows:

	30.6.2009	31.12.2008
	HK$'000	HK$'000
Aged:		
0 – 30 days	177,103	115,568
31 – 60 days	45,499	28,969
61 – 90 days	21,074	12,437
91 – 120 days	4,198	7,030
Over 120 days	16,048	18,401
	263,922	182,405
Other receivables, deposits and prepayments	37,244	44,461
	301,166	226,866

10. TRADE AND OTHER PAYABLES/BILLS PAYABLE

At 30th June, 2009, included in trade and other payables are trade payables of HK$100,953,000 (31.12.2008: HK$80,012,000) and their aged analysis, presented based on the invoice date, is as follows:

	30.6.2009	31.12.2008
	HK$'000	HK$'000
Aged:		
0 – 60 days	60,197	38,145
61 – 90 days	10,727	15,450
Over 90 days	30,029	26,417
	100,953	80,012
Other payables and accruals	107,191	165,450
	208,144	245,462

Bills payable are aged within 0 – 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

We are pleased to report to the shareholders the results of the Company and its subsidiaries (the "Group") for the six months ended 30th June, 2009 (the "period under review"). Profit attributable to equity shareholders grew to approximately HK$74.1 million for the period under review.

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

The turnover of the Group during the period under review slightly decreased by approximately 7.1% to approximately HK$517.0 million in this difficult economic environment. Revenue in our dyeing and knitting business segments slightly decreased during the period under review amid the unfavourable market condition. Despite the adverse market conditions, revenue derived from the production and sale of cotton yarn reached approximately HK$52.6 million, representing a growth of about 50.2% as compared with the same period last year.

As a leading textile manufacturer and a niche player in the sweater manufacturing business, we believe that the increasing contribution from the domestic market and investment in the People's Republic of China (the "PRC") bode well for Addchance. The Group has advanced dyeing facilities and enjoys a good reputation in the market. The Group has been equipped with production know-how associated with its strategically located production bases, and it has made persistent efforts in promoting vertical integration. Addchance has actively developed itself into a one-stop service provider for garment customers, engaging in different stages of production of yarn products – from the supply of cotton yarn to the manufacture of well-knitted sweaters, and from the spinning of cotton into yarn to the provision of yarn dyeing service. The vertically-integrated facilities have well positioned the Group for increasing its market share following the consolidation of the textile supply chain and when demand gradually recovers in the coming years.

Prospects

Looking forward, it is expected that the macroeconomic uncertainty triggered by the global financial tsunami will continue to exist. The economic outlook for the rest of 2009 depends largely on the effectiveness of the various economic stimulus plans being implemented in the US and the rest of the world. It is anticipated that the PRC would be the first country to stand out from the dark cloud of the economic recession in the world. The consolidation of the textile industry gave us rooms for increasing our market shares in the domestic markets of the PRC. In the coming half of 2009, the Group will continue to target its new clients in the PRC and try to increase the domestic market share as we believe that the PRC's economic foundation will remain sound in spite of the global financial tsunami. We believe that with our solid foundation, vertically-integrated facilities as well as the well-planned environmental measures and facilities, the Group will maintain its sustainability in the second half of 2009 and the coming years. We do have seen improvements in our orders received in the next few months in the second half of 2009.

Financial Review

Turnover

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarn, the provision of dyeing services and knitting services, and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen, and knitted sweaters including cardigans and pullovers.

During the period under review, the Group's turnover decreased slightly by about 7.1% to approximately HK$517.0 million as compared to the approximately HK$556.7 million in the corresponding period last year.

Turnover of the sweater business dropped by about 5.6%, from approximately HK$201.3 million in the corresponding period last year to about HK$190.0 million, representing approximately 36.8% of the Group's total turnover. In terms of the output quantity of knitted sweaters, revenue decreased by approximately 7.8% whereas the revenue in terms of monetary value decreased by about 5.6%. Amid this unfavourable market environment, we can still maintain our average market price at the similar level when compared with the same last year. Our sweater products were still mainly exported to Europe. New customers were secured at the beginning of 2009 in order to expand our customer base. Sales to international retail chain stores accounted for approximately HK$163.1 million, which represented about 85.8% of the Group's sales proceeds from knitted sweaters for the period under review.

Dyed yarn remains the core product of Addchance. Turnover from the production and sale of dyed yarns for the period under review was approximately HK$259.0 million, which represented a decrease of about 7.4% as compared with the corresponding period in 2008 and accounted for about 50.1% of the Group's total turnover. With our self-owned manufacturing facilities, the Group can provide comprehensive services to our customers with flexible and efficient production schedules as well as diversified product ranges. We continued to exercise tight cost controls and efficient order scheduling and production planning to maintain the net margin at a similar level as last year. Revenue generated from the provision of dyeing services decreased from approximately HK$14.5 million in first half of 2008 to about HK$9.7 million during the period under review, representing a decrease of about 33.1% from the previous period. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the PRC, Hong Kong and Macau accounted for approximately 95.2% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds was from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Following the completion of the acquisition of spinning facilities in Xinjiang and the expansion of the spinning mill in Anqing in 2007, our spinning production scale and capabilities have increased as expected. Production efficiency and the product quality improved through a series of production modification process. Addchance experienced apparent sales growth in the spinning business by approximately 50.3%, from about HK$35.0 million in the first half of 2008 to approximately HK$52.6 million for the period under review. Both the internal and external utilization rates of the cotton yarn increased. Through the dedicated effort of our marketing teams in exploring new customers from the domestic PRC markets, both the revenue and net profit of the spinning business increased continuously and steadily for the period under review.

During the period under review, turnover derived from the trading of cotton and yarns decreased by approximately HK$20.6 million or about 78.3%, from approximately HK$26.3 million to approximately HK$5.7 million. The decrease was mainly attributable to the Group's continuous re-allocation of its resources to those segments with high profit margins in order to strengthen our market position amidst keen competition. Therefore, the Group deliberately started to reduce its trading sales volume that carried a lower profit margin since 2008 and we expect the trading sales volume of cotton and yarns will continue to drop in the coming half-year and thereafter.

The Group recorded approximately HK$105.9 million in gross profit for the period under review, representing a decrease of approximately 27.5% as compared with approximately HK$146.0 million in the previous period. Gross profit margin decreased from about 26.2% for last period to approximately 20.5% for the period under review. Although the Group managed to keep the average selling price of its products at the similar level as that of last period, the delay in the sales orders affected our sales volumes recorded in the period under review, which in turn increased our unit overhead cost and it had brought an adverse impact on the profit margin. Started from the last quarter in 2008, the sluggish export markets affected our downstream customers. The gross profit margin is expected to go higher from the second half of 2009 as some signs of relief with fresh orders from our overseas customers surfaced near the period end. We will continue to exercise stringent cost controls, efficient order scheduling and production planning so as to improve the profit margins in the coming years.

Excluding the effect of the gain on disposal of properties in Hong Kong, the net profit derived from the core business of the Group slightly decreased from approximately HK$11.8 million to about HK$5.1 million for the period under review as a result of the worldwide economic recession.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June, 2009, the Group's cash and cash equivalents amounted to approximately HK$51.6 million, representing an increase of approximately HK$26.0 million compared with that in the corresponding period in 2008. Total assets amounted to approximately HK$1,868.9 million, representing an increase of approximately HK$88.8 million compared with approximately HK$1,780.1 million as at 31st December, 2008. The Group met its funding requirements for its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings.

Net cash inflow in the amount of approximately HK$19.4 million was generated from operating activities, primarily reflecting growth in the Group's core business. Less bank loans were raised during the period under review and therefore the net cash generated in the financing activities decreased apparently. Capital expenditure for the period under review decreased from approximately HK$49.0 million to approximately HK$44.8 million with no material investment and acquisitions being made during the period under review.

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

The Company has not redeemed any of its listed shares during the six months ended 30th June, 2009. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the six months ended 30th June, 2009.

CORPORATE GOVERNANCE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules during the six months ended 30th June, 2009 save that Code provision A.2.1 requires that the roles 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. There is no time schedule to change this structure as the Directors consider that this structure provides the Group with strong and consistent leadership in the Company's decision making and operational efficiency.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all the Directors, all of them have confirmed that they have complied with the required standard as set out in the Model Code during the six months ended 30th June, 2009.

AUDIT COMMITTEE

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group, its internal control, financial reporting matters, interim results and the interim report for the six months ended 30th June, 2009.

PUBLICATION OF INTERIM RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement will be published on the website of the Stock Exchange and the Company's website (http://www.irasia.com/listco/hk/addchance/index.htm). An interim report for the six months ended 30th June, 2009 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

MEMBERS OF THE BOARD

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

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

By Order of the Board
Sung Chung Kwun
Chairman

Hong Kong, 21st September, 2009