

CHAIRMAN'S STATEMENT



Sung Chung Kwun
Chairman

On behalf of the board of directors (the “Board”) of Addchance Holdings Limited (the “Company”), I am pleased to present the first annual report of the Company and its subsidiaries (the “Group”) since listing of the shares of the Company on the Main Board of the Hong Kong Stock Exchange.

2005 is a memorable year for the Group. As a result of the Group’s pragmatic yet aggressive efforts, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange as a company with a prudent business approach and robust operating foundation. It’s a mark of success and is a milestone for the Company’s history. The Group believes that the listing on 5th October, 2005 would give a boost to its brand awareness, as well as strengthen the management’s governance and open up more opportunities for our international expansion, ultimately benefiting the shareholders with generous return.

Dividend

The Board has resolved to recommend the payment of a final dividend of HK\$4.7 cents per share for the year ended 31st December, 2005 to shareholders appearing on the register of members of the Company as at 29th May, 2006, which is subject to approval of the shareholders at the annual general meeting.

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Business Review

The Group started its business in the dyeing industry when it was incepted in 1981. After years of development, the Group diversified its business to knitting and textile trading businesses through vertical integration. In line with its strategy on production origins, the Group has set up production facilities not only in Hong Kong, but also in four provinces in China, namely Guangdong, Guangxi, Jiangsu and Anhui, as well as contracted facilities in Cambodia. As a result of its effective and flexible planning of the management, the finished products of the Group may be exported from Hong Kong, China and Cambodia to Europe and the US, thereby circumventing the

impact of trade disputes on textile products between China, Europe and the US. This series of secured export channels enhanced the Group's reputation among customers in the international market.



Zhangjiagang Addchance Dyeing and Finishing Co., Ltd

Outlook

After the successful listing of the shares of the Company (the "Shares") on The Stock Exchange Hong Kong Limited (the "Stock Exchange"), the Group continues to carry out its vertical integration strategy by and developing a one-stop business portfolio of knitting, dyeing and textile trading, which complement each other and create the synergy that substantially improves the Group's production capacity and competitiveness.

With the successful conclusion of textile negotiations between China, Europe and the US, uncertainties arising from the sustained pressure imposed on China's textile products have been removed. As a result, international merchandisers have been placing huge orders with suppliers possessing robust production capacity and good reputation. In view of such international trend and the market situation, the Group agreed to invest RMB50 million for the construction of a large-scaled knitting mill for sweaters in Wuzhou, Guangxi Province on 13th December, 2005 and US\$10 million in a 50,000-spindle expansion project of Susong Spinning Mill in Anqing on 30th December, 2005. Continual enhancement of production facilities is critical for achieving the Group's overall competitiveness.

Susong Spinning Mill is the spinning arm of the Group and the new investment made in Anqing will allow the Group to enhance its existing production facilities and to produce more high quality cotton yarn to keep abreast of the development of spinning in the PRC. In view of the increasing demand from its overseas and domestic customers for the Group's knitted sweaters and in order to reduce its reliance on subcontractors, the Group made an investment in Wuzhou for the continual expansion of its knitted sweaters production facilities.

The Group believes that the above new facilities will facilitate the development of the Group, regain of momentum in terms of our sales and bring long term benefits to the Group.

Every member of the Group will unite its efforts and strive for satisfactory returns for the shareholders.

Appreciation

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.