

CHAIRMAN'S STATEMENT



DR. 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 2006 annual report of the Company and its subsidiaries (the "Group").

Dividend

The Board has resolved to recommend the payment of a final dividend of HK3.3 cents per share for the year ended 31st December, 2006 to shareholders appearing on the register of members of the Company as at 8th May, 2007, which is subject to approval of the shareholders at the annual general meeting.

Business Review and Outlook

In 2006, the Group closely monitored the prevailing international conditions for expansion of its existing cotton yarn and sweater businesses. The resolution regarding trade disputes on textile products between the PRC, Europe and the United States provided a relatively steady environment for the export of Chinese textile products. Although the trade agreements between the PRC, and each of Europe and the United States will be expired at the end of 2007 and 2008 respectively, quota speculation and buildup still occur under the quota system of the PRC and export restrictions on Chinese sweaters products that may be imposed by Europe and the United States. Also, the PRC's rapidly growing economy is under pressure from rising wages, declining export tax rate and the continuous appreciation of the Renminbi.

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The Group focuses on enhancing and expanding the production capacity of sweaters products through business integration assessment. To protect its sweater exports from the PRC quota system in the long term and from the possibility of another trade dispute arising between the PRC, Europe and the United States, the Group has successfully acquired two large Cambodia-based sweater manufacturing companies, namely River Rich Textile Ltd. ("River Rich") and Winner Knitting Factory Limited ("Winner Knitting") at US\$6,190,000 and US\$5,050,000 respectively. Moreover, the Group now enjoys the competitive advantage of the import tax waiver of Cambodia. Through the development focus and efforts of the management, sweaters sales volume increased

from approximately 7.7 million pieces in 2005 to approximately 13,300,000 pieces in 2006, which was in line with the expected results. In addition to expanding the existing sweaters production capacity, the Group also acquired 500 automatic computerised sock weaving machines in Cambodia to support the diversified development of the Group in the textile industry.

During the year under review, a new 50,000-spindle spinning mill in Anqing, Anhui Province, the PRC owned by An Qing Su Song Addchance Spinning Company Limited, a wholly-owned subsidiary of the Company in which the Group has invested US\$10,000,000, is under construction and is expected to commence operation in the second or third quarter of 2007. With the rapid growth of the Yangtze Delta region, various foreign companies have established there. Shanghai, as the economic hub, drives the surrounding developments while the domestic market remains strong. The Group captures the opportunity to utilise its Zhangjiagang base in Jiangsu Province to establish computerised knitting machines department in Phase II textile production base, and plans to subscribe automatic computerised knitting machines from a West Germany company STOLL. The investment budget amounted to US\$7,800,000, which enables the Group to expand its sweater production base to the Yangtze Delta region. On 13th December, 2005, the Group also agreed to invest RMB50,000,000 in acquiring a piece of land with 90 mu in Wu Zhou, Guangxi to establish Wu Zhou Addchance Textile Factory Limited. The operation of the knitting mill has commenced in December 2006. It utilises the human resources in Guangxi to cope with the labour shortage problem in Guangdong and enables the Group to focus on developing sweaters accessories.

With the efforts of the management, we expect a better result in 2007.

Appreciation

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

Chairman

DR. SUNG CHUNG KWUN

Hong Kong, 3rd April, 2007

Winner Knitting Factory Limited

