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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, 2017

HIGHLIGHTS

- Turnover decreased by around 11.6% to approximately HK$206.2 million.
- Loss for the period was approximately HK$80.2 million for the period under review.
- The directors did not recommend the payment of an interim dividend for the period under review.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2017

The board (the "Board") of directors (the "Directors") of Addchance Holdings Limited (the "Company") hereby announces the unaudited results of the Company and its subsidiaries for the six months ended 30th June, 2017, together with the unaudited comparative figures for the corresponding period of the year 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2017

	NOTES	For the six months ended 30th June, 2017 HK$'000 (unaudited)	2016 HK$'000 (unaudited)
Revenue	3	**206,223**	233,234
Cost of sales		**(244,314)**	(272,364)
Gross loss		**(38,091)**	(39,130)
Other income and other gains and losses	4	**51,696**	(12,576)
Selling and distribution costs		**(8,518)**	(16,409)
Administrative expenses		**(63,514)**	(58,624)
Finance costs	5	**(21,771)**	(17,934)
Loss before tax		**(80,198)**	(144,673)
Income tax expense	6	**–**	(141)
Loss for the period	7	**(80,198)**	(144,814)
Other comprehensive income (expense) that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**5,960**	(38,340)
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		**(43,712)**	–
		(37,752)	(38,340)
Total comprehensive expense for the period		**(117,950)**	(183,154)
Loss for the period attributable to:			
Owners of the Company		**(79,716)**	(144,814)
Non-controlling interests		**(482)**	–
		(80,198)	(144,814)
Total comprehensive expense attributable to:			
Owners of the Company		**(117,468)**	(183,154)
Non-controlling interests		**(482)**	–
		(117,950)	(183,154)
Loss per share, in HK cents			
Basic	9	**(2.55)**	(20.52)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2017

	NOTES	**30.6.2017**	31.12.2016
		HK$'000	*HK$'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**315,404**	334,671
Prepaid lease payments		**42,976**	43,500
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**13,309**	13,309
Available-for-sale investments		**81,956**	97,376
Goodwill	*13*	**23,453**	–
Other assets	*13*	**–**	16,000
		477,098	504,856
CURRENT ASSETS			
Prepaid lease payments		**1,049**	1,049
Inventories		**74,117**	46,595
Loan receivables		**42,000**	–
Trade receivables and other receivables, deposits and prepayments	*10*	**144,763**	105,274
Tax recoverable		**1,572**	1,572
Bank balances and cash		**133,795**	107,996
		397,296	262,486
Assets classified as held for sale	*14*	**–**	114,313
		397,296	376,799

	NOTES	30.6.2017 HK$'000 (unaudited)	31.12.2016 HK$'000 (audited)
CURRENT LIABILITIES			
Trade payables, bills payable and other payables	11	**185,706**	153,693
Tax liabilities		**783**	783
Bank and other borrowings – due within one year		**461,143**	590,396
Bank overdrafts		**48,308**	68,128
		695,940	813,000
Liabilities associated with assets classified as held for sale	14	**–**	133,703
		695,940	946,703
NET CURRENT LIABILITIES		**(298,644)**	(569,904)
TOTAL ASSETS LESS CURRENT LIABILITIES		**178,454**	(65,048)
CAPITAL AND RESERVES			
Share capital	12	**53,967**	8,467
Reserves		**97,593**	(98,118)
		151,560	(89,651)
Non-controlling interests		**1,483**	(1)
		153,043	(89,652)
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		**21,660**	20,860
Deferred tax liabilities		**3,751**	3,744
		25,411	24,604
		178,454	(65,048)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2017

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") as well as 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"). The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that (a) the Group incurred a net loss attributable to owners of the Company of approximately HK$79,716,000 for the six months ended 30th June, 2017 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$298,644,000; (b) a debt restructuring deed entered into by the Group and each of certain bankers of the Company (the "Banks") on 9th March, 2017 (the "Debt Restructuring Deed") was still under execution and the likelihood of the successful completion of which is depending on the sufficiency of the Group's resources to settle the relevant amount under the Debt Restructuring Deed; and (c) the legal proceedings with former related parties were still pending.

The directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant matters:

(i) Likelihood of successful execution of the debt restructuring plan

On 9th March, 2017, the Group and each of the Banks entered into the Debt Restructuring Deed, as set out in details in note 1 to the Group's consolidated financial statements for the year ended 31st December, 2016 approved by the Board of Directors on 31st March, 2017. Up to the date these condensed consolidated financial statements were authorised for issuance, the Group has paid an aggregate amount of approximately HK$90 million to the Banks.

The Group will be assigned with all of its rights, title, benefits and interests in certain defaulted bank borrowings upon the payments made by the Group for an aggregate amount of HK$230 million out of the HK$527 million within 180 days from the date of the Debt Restructuring Deed and the Group will undertake to make the final payment of HK$150 million. The directors of the Company are of the view that the Group has sufficient resources to settle the remaining balance of HK$290 million within one year from the date of the signing the Debt Restructuring Deed, taking into consideration the Group's internal resources and any further fund raising activities shall needs arise.

(ii) Outcomes of the legal proceedings with former related parties

During the current interim period, the Group received a winding-up petition presented by a former related party for winding up Addchance Limited, an indirect wholly-owned subsidiary of the Company. The Group has also received a writ of summons from an entity, to the best knowledge of the directors of the Company, beneficially owned by a former director of the Company. The aggregate amount claimed by these related parties is approximately HK$50 million.

The directors of the Company have instructed its legal advisers to review the details of these legal proceedings and provide further legal advices. The directors of the Company believe that the Group has sufficient grounds to defend against the legal claims. Besides, Addchance Limited has issued a writ of summons under separate action and claims against the former related party and his associates for certain debts. However, the ultimate outcomes of these legal proceedings could not be assessed at this preliminary stage. As at 30th June, 2017, the aggregate amount involved in these proceedings are included in trade payables, bills payable and other payables on the condensed consolidated statement of financial position.

(iii) Implementation of active cost-saving measures

The Group is implementing actively cost-saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group's business will be significantly improved in the forthcoming year.

The directors of the Company consider that after taking into account the internal resources, the likelihood of successful execution of the debt restructuring plan, favourable outcomes of the legal proceedings, implementation of cost-saving measures and any further fund raising activities should needs arise, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these condensed consolidated financial statements. Accordingly, the directors of the Company consider that it is appropriate to prepare these financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2017 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2016.

(i) The Company adopts the following new accounting policies in this interim period.

Business combinations

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the relevant accounting policy in the Group's annual consolidated financial statements for the year ended 31st December, 2016 and above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

(ii) In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRSs 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The application of the above new amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments to IAS 7 will be provided in the consolidated financial statements for the year ending 31st December, 2017.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM") of the Group, for the purposes of resources allocation and assessment of performance focuses on the types of goods or services delivered or provided.

The Group had five operating and reportable segments under IFRS 8 for the six months ended 30th June, 2016, when the Group's operation included principally the production and sale of cotton yarn, production and sale of knitted sweater, production and sale of dyed yarns, provision of dyed service and trading of cotton yarns. During the six months ended 30th June, 2017, the Group has determined to broaden and diversify its business by engaging in the business of trading of petroleum, provision of financial service and big data solutions.

To better reflect the diversification of the businesses now engaged by the Group and assessment of performance across difference business lines for allocation of resources, the Group's internal reports have been revised such as all of the five previous operating and reporting segments under the business of production, sale and trading of textile products have been combined into one single reportable segment. Accordingly, the Group's reportable segments have been modified as four from a business perspective, namely (i) Production, sale and trading of textile products, (ii) Trading of petroleum, (iii) Provision of financial service and (iv) Provision of big data solutions. Comparatives have been restated accordingly.

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

Six months ended 30th June, 2017

	Production, sale and trading of textile products *HK$'000*	**Trading of petroleum** *HK$'000*	**Provision of financial service** *HK$'000*	**Provision of big data solutions** *HK$'000*	**Total** *HK$'000*
REVENUE	**104,979**	**101,112**	**132**	**–**	**206,223**
SEGMENT (LOSS) PROFIT	**(22,199)**	**229**	**(1,719)**	**(1,867)**	**(25,556)**
Unallocated expenses					**(17,975)**
Other income and other gains and losses					**(14,896)**
Finance costs					**(21,771)**
Loss before tax					**(80,198)**

Six months ended 30th June, 2016 (restated)

	Production, sale and trading of textile products and total *HK$'000*
REVENUE	233,234
SEGMENT LOSS	(90,258)
Unallocated expenses	(7,516)
Other income and other gains and losses	(28,965)
Finance costs	(17,934)
Loss before tax	(144,673)

Segment (loss) profit represents the (loss) profit before tax of each segment without allocation of central administration costs, directors' salaries, change in fair value of an available-for-sale investment, other income and other gains and losses not attributable to segment loss (profit) and finance costs. This is the measure reported to the CODM, for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by reportable segments:

As at 30th June, 2017

	Production, sale and trading of textile products *HK$'000*	**Trading of petroleum** *HK$'000*	**Provision of financial service** *HK$'000*	**Provision of big data solutions** *HK$'000*	**Total** *HK$'000*
ASSETS					
Segment assets	**528,945**	**41,670**	**22,695**	**23,628**	**616,938**
Available-for-sale investments					**81,956**
Unallocated corporate assets					**175,500**
CONSOLIDATED TOTAL ASSETS					**874,394**

As at 31st December, 2016

	Production, sale and trading of textile products *HK$'000*	Trading of petroleum *HK$'000*	Total *HK$'000*
ASSETS			
Segment assets	503,328	–	503,328
Available-for-sale investment			97,376
Assets classified as held for sale			114,313
Unallocated corporate assets			166,638
CONSOLIDATED TOTAL ASSETS			881,655

For the purposes of monitoring segment performances and allocating resources among segments, all assets are allocated to reportable and operating segments other than other assets, loan receivables, tax recoverable, available-for-sale investments, assets classified as held for sale, bank balances and cash and assets of non-core businesses on the basis of the revenue earned by individual reportable segments. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	For the six months ended 30th June,	
	2017	2016
	HK$'000	*HK$'000*
Other income and other gains (losses) comprises:		
Bank interest income	**28**	8
Interest income on loan receivables	**1,482**	–
Interest income on other assets	**–**	183
Income from scrap materials	**1,794**	966
Income from electricity and streaming charges	**24**	61
Rental income	**1,454**	2,154
Sundry income	**1,212**	3,114
Gain on disposal of subsidiaries *(note 14)*	**67,244**	–
Gain on disposal of property, plant and equipment	**56**	4
Net exchange (loss) gains	**(652)**	18,390
Loss on early redemption of bonds	**(5,526)**	–
Impairment loss recognised on available-for-sale investment	**(15,420)**	(35,455)
Impairment losses recognised on other receivables	**–**	(2,001)
	51,696	(12,576)

5. FINANCE COSTS

	For the six months ended 30th June,	
	2017	2016
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**21,771**	17,934

6. INCOME TAX EXPENSE

	For the six months ended 30th June,	
	2017	2016
	HK$'000	*HK$'000*
The income tax expense comprises:		
Hong Kong Profits Tax		
– Current period	**–**	44
Deferred taxation		
– Current period	**–**	97
	–	141

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30th June, 2016. No provision for Hong Kong Profits tax has been made for the six months ended 30th June, 2017 as the Group had no assessable profit.

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. No provision for EIT has been made for both periods as the Group had no assessable profit.

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

7. LOSS FOR THE PERIOD

	For the six months ended 30th June,	
	2017	2016
	HK$'000	*HK$'000*
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	**22,940**	27,335
Amortisation of prepaid lease payments	**524**	730

8. DIVIDEND

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30th June, 2017 (six months ended 30th June 2016: nil).

9. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the loss for the period attributable to the owners of the Company of HK$79,716,000 (six months ended 30th June, 2016: HK$144,814,000) and on the weighted average number of shares in issue of 3,120,764,058 (six months ended 30th June, 2016: 705,730,909).

No diluted loss per share is presented as the Company had no potential ordinary shares outstanding during any time in both periods.

10. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Aged analysis of trade receivables is presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
Aged:		
0 – 30 days	**24,367**	17,879
31 – 60 days	**6,175**	13,943
61 – 90 days	**2,488**	9,240
91 – 120 days	**12,758**	7,481
Over 120 days	**1,109**	2,588
	46,897	51,131

11. TRADE AND OTHER PAYABLES

Aged analysis of trade payables is presented based on the invoice dates, at the end of the reporting period is as follows:

	30.6.2017	31.12.2016
	HK$'000	*HK$'000*
Aged:		
0 – 60 days	**24,108**	6,220
61 – 90 days	**6,358**	722
Over 90 days	**22,115**	12,634
	52,581	19,576

12. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January 2016, 31st December 2016 and 30th June 2017	**10,000,000,000**	100,000
Issued and fully paid:		
At 1st January 2017	**846,730,909**	8,467
Issuance of new shares (Note)	**4,550,000,000**	45,500
At 30th June 2017	**5,396,730,909**	53,967

Note: On 6th January 2017, the Group entered into subscription agreements with four subscribers, Gold Train Investments Limited (the "First Subscriber"), Mr. Yuan Dongjie (the "Second Subscriber"), Mr. Chen Chiquan (the "Third Subscriber") and Ms. Li Shuanghui (the "Forth Subscriber"), pursuant to which the First Subscriber has agreed to subscribe no less than 2,500,000,000 new shares and no more than 3,800,000,000 new shares and each of the remaining subscribers have agreed to subscribe 250,000,000 new shares. The ultimate beneficial owner of First Subscriber is Mr. Poon Sum (who has been appointed as an executive director and chairman of the board of directors of the Company on 19th April, 2017) and the remaining Subscribers are independent third parties. All new shares under subscription agreement would be at HK$0.08 each. All of these subscriptions have been completed and an aggregate of 4,550,000,000 shares have been issued by the Company. The gross and net proceeds from these subscriptions are approximately HK$364 million and HK$359 million, respectively. The net proceeds from the subscriptions were arrived after deduction of commission and other related expenses.

13. ACQUISITION OF SUBSIDIARIES

During the current interim period, the Group completed the following acquisitions.

(a) Acquisition of 深圳市易簡行數據技術有限公司 Shenzhen Eastone Data Technology Co. Ltd. ("Shenzhen Eastone")

On 15th May, 2017, an indirect wholly-owned subsidiary of the Company, Addchance International Limited acquired 51% equity interest in Shenzhen Eastone at a consideration of HK$9,530,000. Shenzhen Eastone is principally engaged in provision of big data services. The acquisition has been accounted for using acquisition method.

(b) Acquisition of LW Asset Management Advisors Limited ("LW Asset") and its subsidiary (collectively referred as "LW Asset Group")

On 7th March, 2017, an indirect wholly-owned subsidiary of the Company, Diamond Forest International Limited acquired 70.83% equity interest in LW Asset at a consideration of HK$17,000,000. LW Asset Group is principally engaged in provision of asset management service. The acquisition has been accounted for using the acquisition method.

	Shenzhen Eastone	LW Asset Group	Total
	HK$'000	*HK$'000*	*HK$'000*
Consideration comprises of:			
Promissory note (Note i)	9,530	–	9,530
Cash paid during the current period	–	1,000	1,000
Deposit paid during the year ended 31st December, 2016	–	16,000	16,000
	9,530	17,000	26,530
Provisional fair value of assets acquired and liabilities recognised at the date of acquisition (Note ii)			
Property, plant and equipment	1,557	96	1,653
Trade receivables and other receivables, deposits and prepayment	12,411	617	13,028
Bank balances and cash	22	2,810	2,832
Trade payables, bill payable and other payables	(12,753)	(61)	(12,814)
Deferred tax liabilities	–	(8)	(8)
	1,237	3,454	4,691
Goodwill on acquisition (Note ii)			
Consideration transferred	9,530	17,000	26,530
Add: non-controlling interests	606	1,008	1,614
Less: net assets acquired	(1,237)	(3,454)	(4,691)
	8,899	14,554	23,453
Cash inflow arising on acquisition for the current period			
Bank balances and cash acquired	22	2,810	2,832
Less: cash consideration paid during current period	–	(1,000)	(1,000)
	22	1,810	1,832

Notes:

(i) The promissory note is unsecured, interest-bearing at 2% and repayable within one year. It is issued by Addchance International Limited with a principal amount of HK$10 million and an effective interest rate of 12.24% per annum.

(ii) The initial accounting for the acquisition of subsidiaries has been determined provisionally for the intangible assets to be identified and recognised awaiting the receipt of professional valuation in relation to the respective fair values.

(iii) Pursuant to the sales and purchases agreement for the acquisition of Shenzhen Eastone, Addchance international Limited is required to pay the vendor an amount calculated with reference to the audited net profit of Shenzhen Eastone for the year ending 31st December, 2017 of no more than HK$10,400,000. Based on the best estimate of the directors of the Company as at the date of this report, the profit target of Shenzhen Eastone as specified in the sale and purchase agreement will not be met and no provision for contingent consideration is made as at 30th June, 2017.

14. DISPOSAL OF SUBSIDIARIES

On 6th January, 2017, an indirect wholly-owned subsidiary of the Company, Addchance Limited, entered into a sale and purchase agreement with an independent third party (the "Buyer"), pursuant to which, Addchance Limited will dispose of all of its equity interests in Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. and Zhangjiagang Addchance Spinnery Co., Ltd. (collectively referred as the "Disposal Group"), which are indirectly wholly-owned subsidiaries of the Company, at an aggregate cash consideration of HK$1,000,000.

The disposal of the Disposal Group was completed on 22nd February, 2017.

	HK$'000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	67,675
Prepaid lease payments	12,344
Inventories	17,346
Trade and other receivables	10,910
Bank balances and cash	7,704
Trade and other payables	(44,716)
Tax liabilities	(5,368)
Bank borrowings	(88,427)
Net liabilities disposed of	(22,532)
Gain on disposal of the Disposal Group:	
Consideration received	1,000
Release of translation reserve	43,712
Net liabilities disposed of	22,532
Gain on disposals	67,244
Net cash outflow arising on the disposal:	
Cash consideration	1,000
Less: bank balances and cash disposed of	(7,704)
	(6,704)

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's consolidated revenue for the six months ended 30th June, 2017 decreased by approximately 11.6% from approximately HK$233,234,000 in the corresponding period last year to HK$206,223,000.

Textile business remained the principal business of the Group. The revenue of the Group's textile business significantly decreased by approximately 55.0% to HK$104,979,000 as compared with the corresponding period last year. During the current interim period, as the textile business was restructured and has shifted its focus, the largest revenue source of textile business changed to production and sale of knitted sweaters from production and sale of dyed yarns in the corresponding period last year. Due to disposal of subsidiaries in the PRC engaging in dyeing and production and sale of dyed yarns and suspension of the dyeing factory due to restructuring, the revenue from production and sale of dyed yarns fell significantly from approximately HK$102,192,000 in the corresponding period last year to approximately HK$19,118,000, representing approximately 18.2% of the total revenue of the textile business, down from approximately 43.8% in the corresponding period last year. Revenue from production and sale of knitted sweaters decreased from approximately HK$92,523,000 in the corresponding period last year to approximately HK$61,400,000, representing approximately 58.5% of the total revenue of the textile business.

Although cotton prices in the market were relatively stable during the period, the textile business was still full of challenges due to sluggish demand for textile products both in domestic and foreign markets. The size and volume of orders for the first half of the year were further affected due to the sluggish demand in overseas markets, sustained rise in production costs, intensified international competition and rapid development of textile industry in neighbouring countries such as Bangladesh, and market demands from European customers decreased as a whole and orders decreased. In addition, since the cash flow of the Group was tight last year and early this year, its competitiveness was weakened, which, in turn, severely affected the orders and operating performance of the textile business in the first half of the year. Although the Group has started business restructuring since the second half of last year, including disposing some PRC subsidiaries early this year and strictly implementing cost control measures to reduce operating costs, the abovementioned causes led to an overall decrease in orders which negatively affected the Group's textile business in terms of revenue and profitability in the first half of the year.

Besides taking a series of measures to control costs, the Group started feasibility studies on developing high-end products in the first half of the year. Meanwhile, the Group recruited some new production management personnel to enhance management quality. The Group further shifted its production focus from the PRC to Cambodia to capitalize on the advantage of its lower production costs and preferential tax treatment in the European market, so as to enhance the competitiveness of the Group's textile business.

In view of the current challenging market environment of the textile industry, the management further diversified business into various industries last year to reduce business risks of the Group, which included the Group's starting to engage in petroleum trading in Southeast Asia last year. For the first half of the year, revenue from trading of petroleum amounted to HK$101,112,000. In addition, the Group acquired an asset management company in Hong Kong and formally commenced asset management business in the first half of the year. Meanwhile, the Group planned to carry out asset management business in the PRC through an indirectly-owned fund management company in the PRC which is a qualified foreign limited partner. For the first half of the year, revenue from provision of financial service was approximately HK$132,000. During the period under review, the Group was also preparing for the development of securities brokerage services so as to expand the scope of its financial services business. Furthermore, the Group completed the acquisition of 51% interests in a Chinese company engaging in big data industry with the aim of developing big data business.

Prospects

Looking forward, the global economy is expected to be surrounded by the uncertainties of softening consumer sentiments. We remained cautiously optimistic on the outlook of the textile and garment industry. However, as necessity goods, the rigid demand for textile products will continue to exist. In order to address the severe business environment of the textile business, the Group intends to improve the performance of its textile business through strategically shifting the production focus further to its production plants in Cambodia to capitalize on the advantages of comparable lower labour cost, optimizing production procedures and upgrading the effectiveness and efficiency of the production facilities, strictly controlling costs, increasing diversity of products and securing more new customers. At the same time, the Group will actively consider introducing more high-caliber personnel or partners of the textile industry for further market development and enhancing performance of the textile business. Demand for middle and high-end textile products is expected to grow with the growing China domestic consumption. Furthermore, by combining expertise in production and efficiencies in production capability through full vertical integration, we planned to deliver a portfolio of products and services with unsurpassed quality to increase the sales of the Group.

The Group began entering into different business areas and diversified its business last year in order to diversify the business risks and increase the revenue. Petroleum is the main source of energy in the world, and petroleum trading is capable of providing the Group with different business scope and a more stable source of income. Currently, international oil prices and demand are relatively stable. It is expected that petroleum trading will become one of the major sources of income for the Group in the future as such business develops. On the other hand, given that Hong Kong is a metropolis for the financial industry, the Group has entered the asset management market through the acquisition of an asset management company. With the aim of providing more diversified and comprehensive financial services to attract customers and widen the source of income, the Group is preparing for commencing securities brokerage and lending business in the second half of the year. In addition, as business environment undergoes dramatic changes, the Group, though being a long-standing operator in traditional industries, also seeks to follow the tides and has formally entered the big data industry. The world is changing rapidly and we have entered an era of big data. As a new hotspot of technology, a development trend of big data commercialization is formed which is showing explosive growth. The development momentum of big data is fast and strong and it has just taken two to three years for it to penetrate into various industries and sectors and become a key factor of production. It is a powerful tool that will bring about industrial upgrading and restructuring and new industrial landscape, and expected to have significant and profound impact on production and people's lives. After careful studies, the Group has decided to look for opportunities to utilize big data technology to develop diversified businesses which have good prospects. The Group is a leader of the textile industry with years of experience and business across the world. It is expected that big data technology will enhance the value of the Group's traditional business and enhance the level of operational control and precision marketing, improve operating efficiency, optimize financial structure and significantly improve profitability. Moreover, the Group also intends to enter the big data sector of the financial industry, expand industrial resource network, accumulate cross-industrial business experience, capture new opportunities and gain competitive advantages to further improve the overall business performance of the Group.

FINANCIAL REVIEW

Textile Business

For the period ended 30th June, 2017, our textile business 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 cotton yarns and knitted sweaters including cardigans and pullovers as well as socks and hosiery products.

Total revenue from textile business for the period ended 30th June, 2017 was approximately HK$105.0 million. Comparing with the corresponding period last year, the revenue drop apparently by around 55.0% for the period under review, decreased from HK$233.2 million to approximately HK$105.0 million for the period under review. Production and sales of knitted sweaters remained as the principal operation in the textile business of the Group which accounted for 58.5% of total revenue from textile business.

With the sluggish overseas market demand, the increasing competition from the competitors in neighbouring countries and the cash flow issues faced by the Group, the orders received from our overseas customers apparently decreased substantially. The Group's turnover of the sweater business substantially decreased by approximately 33.6%, from approximately HK$92.5 million for the last period end to approximately HK$61.4 million for the reporting period.

Due to the restructuring of the operation and disposal of some of our PRC subsidiaries, the turnover from production and sale of dyed yarns dropped significantly during the period from approximately HK$102.2 million in corresponding period last year to HK$19.1 million during the period under review.

Due to the decreasing sales orders during the period under review as a result of the above, the factory utilization rate was far from the full capacity. On the other hand, the increase in cost components including the average cost of raw materials and average labour cost as a result of increased minimum wages in the PRC and Cambodia during the period under review further adversely affected the financial performance of the textile business. As a result, the textile business thus suffered a significant loss during the period under review.

Trading of Petroleum Business

The Group commenced the petroleum trading business during the second half of last year. During the period under review, the turnover of petroleum trading business reached HK$101.1 million. A total of approximately 27,000 tons of petroleum products were traded in China and in other Asia Pacific countries during the period.

Financial Services Business

During the period, the Group has commenced the asset management business through the acquisition of a Hong Kong company holding the license granted by the Securities and Futures Commission for carrying out Type 9 (asset management) regulated activity under the Securities and Futures Ordinance. As the financial services business is in initial stage, the turnover contributed from financial services business during the period was approximately HK$132,000.

Other income and other gains and losses

During the period under review, the Group recorded a gain on disposal of subsidiaries of approximately HK$67.2 million. Other gains mainly comprised those income derived from the disposal of scrapped materials and interest income and other losses mainly included the loss on early redemption of bonds.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the period under review, as a result of drop in turnover of textile business, the Group's selling and distribution costs dropped by 48.1% to approximately HK$8.5 million, representing approximately 4.1% of the Group's turnover.

Administrative expenses

Administrative expenses increased by 8.3% to approximately HK$63.5 million during the period under review. It mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, depreciation and legal and professional fees. The increase mainly was due to the substantial increase in legal and professional fee as a result of litigation and increase in professional services on business during the period. It represented approximately 30.8% of the Group's turnover.

Finance costs

Finance costs mainly comprised interests on bank and other borrowings which increased to approximately HK$21,8 million for the period under review. The increase was mainly due to the higher borrowing rate for some short term borrowings raised during the period under review.

Net loss margin

Except for the impairment loss recognised on available-for-sale investment of approximately HK$15.4 million and gain on disposal of the subsidiaries of approximately HK$67.2 million, a net loss of the Group was approximately HK$132.0 million.

Borrowings

As at 30th June, 2017, the Group had outstanding bank and other borrowings of approximately HK$482.8 million, in which approximately HK$21.7 million was classified as falling due more than one year and the remaining balance of approximately HK$461.1 million was classified as falling due within one year. The total bank and other borrowings decreased by approximately HK$128.5 million when comparing with the balance as at 31st December, 2016 as a result of repayment during the period.

In the second half of 2015, certain bankers have demanded the Group for immediate repayment of the aggregate amount of approximately HK$667.0 million. In March 2017, the Group finally entered into a debt restructuring deed for the then outstanding amount of HK$527 million of defaulted bank borrowings where the repayment of bank borrowings could be reduced to HK$380 million subject to certain terms and conditions. During the period under review, the Group had already repaid HK$90 million in accordance with the debt restructuring deed.

Liquidity and financial resources

As at 30th June, 2017, the Group's bank balances and cash have increased from approximately HK$108.0 million as at 31st December, 2016 to HK$133.8 million as at 30th June, 2017. 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 and equity financing. The Group will continue to focus on reducing the net gearing ratio by improving profitability, procuring the disposal of non-core or idle assets and implementing tighter control over costs, working capital and capital expenditure. The Group's bank balances and cash were mostly held in Hong Kong dollar and US Dollars.

On 6th January, 2017, the Company entered into four subscription agreements (the "Subscriptions") with four subscribers (save and except Mr. Poon Sum, the ultimate beneficial owner of one of the subscribers, has been appointed as the executive director and chairman of the board of directors of the Company on 19th April 2017, the other subscribers being independent third parties) respectively, pursuant to which those subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a maximum of 4,550,000,000 shares in total to the subscribers at the price of HK$0.08 per share with gross proceeds of approximately HK$364 million. The Subscriptions have been completed during the period under review and an aggregate of 4,550,000,000 shares have been issued and allotted to the subscribers under specific mandate granted to the Directors by the shareholders of the Company at the extraordinary general meeting held on 17th March, 2017. The net proceeds from the Subscription amounted to approximately HK$359 million.

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. Taking into account the cash required for the Group's operation and repayment of borrowings in the second half of 2017, the Board of Directors of the Company does not recommend the payment of interim dividend for the six months ended 30th June, 2017.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

On 6th January, 2017, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which, the Group agreed to dispose of all its equity interests in Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. and Zhangjiagang Addchance Spinnery Co., Ltd. (the "Disposal") at an aggregate cash consideration of HK$1,000,000. The Disposal was completed on 22nd February 2017.

On 7th March, 2017, the Group acquired 70.83% equity interest in LW Asset Management Advisors Limited, which is principally engaged in provision of financial service, at a consideration of HK$17,000,000.

On 15th May, 2017, the Group acquired 51% equity interest in Shenzhen Eastone Data Technology Co. Ltd, which is principally engaged in the provision of big data solutions, at a consideration of HK$9,530,000.

Save as aforesaid, the Group did not have any significant acquisition or disposal of subsidiaries during the period under review.

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

The Company had not redeemed any of its listed shares during the period under review. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the period under review.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, except for deviation from Code E.1.2. Code E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 23rd May, 2017.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30th June 2017 (six months ended 30th June, 2016: Nil) to the shareholders.

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 six months ended 30th June, 2017.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited interim results for the six months ended 30th June, 2017. 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 interim results for the six months ended 30th June, 2017.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement will be published on both the websites of the Company (www.addchance.com.hk) and of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30th June 2017 will be dispatched to shareholders and published on the aforesaid websites in due course.

By Order of the Board
Addchance Holdings Limited
Poon Sum
Chairman & Executive Director

Hong Kong, 31st August, 2017

As at the date of this announcement, the Board comprises (i) Mr. Poon Sum (Chairman) and Mr. Cheung Tat Chung (Chief Executive Officer) as executive Directors; and (ii) Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu as independent non-executive Directors.