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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)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2014

HIGHLIGHTS OF FINAL RESULTS

- **Turnover for the year ended 31st December, 2014 was approximately HK$1,016.3 million, representing a decrease of approximately HK$385.4 million or 27.5% as compared with last year.**

- **Loss for the year was approximately HK$184.3 million for the year ended 31st December, 2014.**

- **The directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2014.**

FINAL RESULTS

The board of directors of the Company (the "Board") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2014 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER, 2014

	NOTES	**2014** *HK$'000*	2013 *HK$'000*
Revenue	*4*	**1,016,283**	1,401,667
Cost of sales		**(944,027)**	(1,078,744)
Gross profit		**72,256**	322,923
Other income		**37,173**	20,400
Other gains and losses		**(16,651)**	(750)
Selling and distribution costs		**(84,182)**	(97,187)
Administrative expenses		**(144,545)**	(141,069)
Finance costs		**(44,782)**	(42,989)
(Loss) profit before tax		**(180,731)**	61,328
Income tax expense	*5*	**(3,527)**	(1,873)
(Loss) profit for the year	*6*	**(184,258)**	59,455
Other comprehensive income that may be subsequently reclassified to profit or loss for the year			
Exchange differences arising on translation of foreign operations		**31,918**	3,119
Total comprehensive (expense) income for the year		**(152,340)**	62,574
(Loss) earnings per share, in HK cents	*8*		
Basic		**(41.76)**	13.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31ST DECEMBER, 2014

	NOTES	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Investment properties		**329**	1,780
Property, plant and equipment		**802,644**	823,026
Prepaid lease payments		**68,412**	46,535
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**15,186**	24,723
Club debenture		**1,070**	1,070
Other assets		**16,095**	15,899
Deferred tax assets		**–**	36
		903,736	913,069
CURRENT ASSETS			
Prepaid lease payments		**1,608**	2,509
Inventories		**1,030,633**	880,723
Trade receivables, bills receivable and other receivables, deposits and prepayments	*9*	**359,277**	654,138
Amounts due from related companies		**4,002**	3,543
Tax recoverable		**913**	218
Pledged bank deposits		**67,487**	46,296
Bank balances and cash		**145,676**	82,513
		1,609,596	1,669,940
Assets classified as held for sale		**128,360**	108,963
		1,737,956	1,778,903
CURRENT LIABILITIES			
Trade and other payables	*10*	**258,405**	175,682
Bills payable		**19,026**	13,072
Deposit received from transfer of the operation rights of a subsidiary		**236,056**	184,774
Derivative financial instruments		**20,042**	19,845
Tax liabilities		**5,393**	3,007
Bank borrowings – due within one year		**1,119,947**	1,153,911
Bank overdrafts		**19,310**	17,564
		1,678,179	1,567,855
NET CURRENT ASSETS		**59,777**	211,048
TOTAL ASSETS LESS CURRENT LIABILITIES		**963,513**	1,124,117

	2014	2013
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**4,413**	4,413
Reserves	**943,404**	1,104,567
	947,817	1,108,980
NON-CURRENT LIABILITY		
Deferred tax liabilities	**15,696**	15,137
	963,513	1,124,117

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2014

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 are 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, a former 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 IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC – Int 21	Levies

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.

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[3]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[5]
Amendments to IAS 1	Disclosure Initiative[5]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[5]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[5]
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[5]
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle[6]
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle[5]

[1] Effective for annual periods beginning on or after 1st January, 2018, with earlier application permitted.

[2] Effective for first annual IFRS financial statements beginning on or after 1st January, 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1st January, 2017, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1st July, 2014, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1st January, 2016, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1st July, 2014, with limited exceptions. Earlier application is permitted.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting 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.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 of financial liabilities attributable to changes in the financial liabilities' 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 fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors anticipate that the adoption of IFRS 9 in the future will have no significant impact on amounts reported in respect of the Group's financial assets and financial liabilities as at 31st December, 2014.

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 (Cap.32).

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, 2014

	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$'000*	**Total for reportable segments** *HK$'000*	**Elimination** *HK$'000*	**Total** *HK$'000*
REVENUE								
External sales	**114,470**	**541,105**	**307,105**	**39,908**	**13,695**	**1,016,283**	**–**	**1,016,283**
Inter – segment sales	**77,443**	**–**	**410,159**	**10,248**	**228,182**	**726,032**	**(726,032)**	**–**
Segment revenue	**191,913**	**541,105**	**717,264**	**50,156**	**241,877**	**1,742,315**	**(726,032)**	**1,016,283**
SEGMENT (LOSS) PROFIT	**(38,885)**	**3,875**	**(65,621)**	**(2,085)**	**(33,007)**	**(135,723)**	**–**	**(135,723)**
Interest income								**2,957**
Rental income								**2,225**
Unallocated expenses								**(5,565)**
Other gains and losses								**157**
Finance costs								**(44,782)**
Loss before tax								**(180,731)**

For the year ended 31st December, 2013

	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$'000*	Total for reportable segments *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE								
External sales	131,486	811,026	403,156	43,113	12,886	1,401,667	–	1,401,667
Inter – segment sales	155,847	–	326,624	22,406	190,431	695,308	(695,308)	–
Segment revenue	287,333	811,026	729,780	65,519	203,317	2,096,975	(695,308)	1,401,667
SEGMENT (LOSS) PROFIT	(7,157)	93,075	31,913	2,608	(17,355)	103,084	–	103,084
Interest income								680
Rental income								1,770
Unallocated expenses								(1,571)
Other gains and losses								354
Finance costs								(42,989)
Profit before tax								61,328

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**	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**377,909**	458,919	**523,154**	568,178
Hong Kong	**130,501**	193,058	**25,480**	26,594
Other Asian countries	**90,572**	147,450	**355,102**	318,261
Australia	**2,049**	2,070	**–**	–
Europe	**385,653**	548,614	**–**	–
North America	**29,599**	51,556	**–**	–
	1,016,283	1,401,667	**903,736**	913,033

Included in revenue for customers located in Europe, amounts of HK$222,171,000 (2013: HK$301,114,000), HK$40,573,000 (2013: HK$37,315,000), HK$36,099,000 (2013: HK$53,674,000), HK$15,250,000 (2013: HK$15,616,000) and HK$15,050,000 (2013: HK$18,335,000) were arising from sales to customers based in United Kingdom, France, Germany, Belgium and Denmark, respectively.

5. INCOME TAX EXPENSE

	2014	2013
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	**971**	618
– Underprovision in prior years	**102**	555
PRC Enterprise Income Tax		
– Current year	**1,950**	1,261
– Overprovisions in prior years	**(91)**	–
	2,932	2,434
Deferred taxation		
– Current year	**595**	(561)
	3,527	1,873

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 years of these PRC subsidiaries range from of 2002 to 2007. Accordingly, the Tax Holiday of these PRC subsidiaries have expired by 2013.

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

6. (LOSS) PROFIT FOR THE YEAR

	2014	2013
	HK$'000	*HK$'000*
(Loss) profit for the year has been arrived at after charging (crediting):		
Directors' remuneration	**8,056**	9,606
Other staff costs	**280,901**	349,724
Retirement benefits scheme contributions, excluding directors	**10,182**	10,611
Total staff costs	**299,139**	369,941
Amortisation of prepaid lease payments	**1,605**	2,996
Auditor's remuneration	**2,300**	2,200
Cost of inventories recognised as an expense	**914,409**	1,078,744
Depreciation of property, plant and equipment	**84,542**	92,044
Depreciation of investment properties	**52**	52
Impairment losses recognised on property, plant and equipment	**10,193**	–
Impairment losses recognised on trade receivables	**5,481**	–
Written off on trade receivables	**6,152**	221
Written off on other receivables	**100**	594
Written off on inventories	**29,618**	–
Gain on disposal of property, plant and equipment and prepaid lease payments	**(3,276)**	(1,883)
Gain on disposal of investment properties and prepaid lease payments	**(15,864)**	–
Interest income (as included in other income)	**2,957**	680
Gross rental income from investment properties (as included in other income)	**2,225**	1,770
Less: direct operating expenses from investment properties that generated rental income during the year	**(256)**	(189)
	1,969	1,581

7 DIVIDENDS

	2014	2013
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year		
– 2013 Final dividend of HK2.0 cents		
(2013: 2012 final dividend of HK2.0 cents) per share	**8,823**	8,823
– 2012 Special dividend of HK3.0 cents per share	**–**	13,240
– 2013 Interim dividend of HK2.0 cents per share	**–**	8,824
	8,823	30,887

During the year ended 31st December, 2014, a final dividend of HK2.0 cents in respect of the year ended 31st December, 2013 (2013: final dividend of HK2.0 cents in respect of the year ended 31st December, 2012) was declared and paid to the owners of the Company. During the year ended 31st December, 2013, an interim dividend of HK2.0 cents per share in respect of the six months ended 30th June, 2013 and a special dividend of HK3.0 cents per share in respect of the year ended 31st December, 2012 were declared and paid to the owners of the Company.

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2014.

8 (LOSS) EARNINGS PER SHARE

The calculation of the basic loss per share for the year is based on the loss for the year attributable to the owners of the Company of HK$184,258,000 (profit for the year ended 31st December, 2013: HK$59,455,000) and on the number of shares in issue during the year of 441,250,000 (2013: 441,250,000).

No diluted (loss) 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, 2014, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK$178,711,000 and bills receivable of HK$63,469,000 (2013: HK$522,108,000 and HK$71,507,000, 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:

	2014	2013
	HK$'000	*HK$'000*
Aged:		
0 – 30 days	**104,704**	327,869
31 – 60 days	**43,395**	85,415
61 – 90 days	**36,751**	81,863
91 – 120 days	**16,797**	20,051
Over 120 days	**49,971**	87,855
	251,618	603,053
Less: Allowance for doubtful debts	**(9,438)**	(9,438)
	242,180	593,615
Prepaid expenses	**49,459**	13,876
VAT receivables	**18,302**	16,876
Deposits	**1,558**	2,166
Others	**47,778**	27,605
	359,277	654,138

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

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

	2014	2013
	HK$'000	*HK$'000*
Aged:		
0 – 60 days	**25,939**	35,957
61 – 90 days	**5,601**	13,195
Over 90 days	**34,356**	21,204
	65,896	70,356
Receipt in advance from customers	**7,933**	9,249
Accrued expenses	**54,680**	74,387
VAT tax payables	**7,417**	788
Deposits received from disposal of property, plant and equipment and prepaid lease payments	**11,538**	–
Deposit received from share subscription	**90,221**	–
Other payables	**20,720**	20,902
Trade and other payables shown under current liabilities	**258,405**	175,682

11. EVENTS AFTER THE REPORTING PERIOD

On 13th March, 2015, an indirect wholly-owned subsidiary of the Company (the "Purchaser") has entered into an agreement, pursuant to which the Purchaser has conditionally agreed to acquire and Hong Jun Global Limited (the "Vendor") has conditionally agree to sell 130 shares in the ordinary share capital of Coulman International Limited (the "Target Company", which is owned as to 54.5% by the Vendor), representing 13% of the equity interest in the Target Company. The Target Company is an investment holding company incorporated in the BVI and its non-wholly owned subsidiaries operate natural gas business including construction of pipelines, selling and distribution of natural gas, operation of fueling stations as well as installation of natural gas equipment. The consideration of the acquisition is HK$177,320,000 and shall be settled by the combination of cash and an aggregate of 86,480,909 new ordinary shares of HK$0.01 each in the share capital of the Company to be allotted and issued. The directors of the Company consider that through the acquisition, the Group can diversify its business and they are optimistic about the prospects of the natural gas distribution industry in the PRC. Completion shall take place within three business days after the conditions precedent to the agreement being fulfilled or waived (as the case may be).

BUSINESS REVIEW

During the year of 2014, the economy of the United States had signs of recovery from its long slowdown, but European countries were not strong enough to carry it on fully due to their economic gap, and the market economy is still in a downturn and uncertainty. Moreover, China was badly affected by the policy of cotton reserve in 2012 and 2013 which was cancelled in 2014, and suffered from overcapacity in real estate across the country, which resulted in poor selling power, inflation, and unstable RMB exchange rate, which put the textile industry under a very tough period. The textile industry still needs time to further recover together with the economy.

2014 is a rather tough year for the Group. Affected by the Luoding's relocation plan of dyeing & finishing plant made in the previous year, the Group must acquire new land and factory building to put into construction, and relocate parts of its production facilities as scheduled. In addition, Luoding sweaters production base has completed the addition of computer loom equipment, and has relocated it to the urban plant for production purpose.

As China's economy has developed rapidly over the past years, such development recently slows down dramatically and the Group is prepared to continue to deepen the reform of the existing production bases in various regions, including streamlining the human resources in each production base, reduction of the production cost, re-allocation and integration of production base in various regions, closure of non-profitable enterprise. With a rosy prospect of the downstream overseas sweater business of the Group, the Group will relocate the remaining sweater equipment to Cambodia, make good use of local advantages in Cambodia, shorten the time of production and delivery, leverage the productive capacity, to respond to overseas customers' expectations.

The Group understands that a weak market, together with the re-allocation and integration of production bases in various regions and relocation of part of the production base in Luoding, certainly will cause its performance back down this year, and record loss, but the directors of the Company are confident that these relocation and deployment, will lay a solid foundation for 2015 upon its completion.

In addition, because of the difficult market condition for the textile industry and the need to diversification, the Company has been seeking business development or investment opportunities from time to time to enhance long-term growth potential.

MANAGEMENT DISCUSSION AND ANALYSIS

We are pleased to report the audited results of the Group for the year ended 31st December, 2014. The Group's consolidated revenue decreased by approximately 27.5% to HK$1,016.3 million and recorded a loss of approximately HK$184.3 million for the year of 2014.

With the cancellation of the PRC government's national cotton temporary reserve policy and the absence of a detailed and full scale direct subsidy policy, the cotton textile trading industry demonstrated a period of uncertainty and sluggish growth in the year of 2014. The yarn textile industry has been undergoing an overall downward trend in the market price and an overall decelerating production. Since the drop in the auction price of the national cotton reserve set by the PRC government in the first quarter of 2014, the average yarn selling prices in the PRC market further declined due to the persimisstic and cautious approach taken by those cotton and dyed yarns customers.

On the other hand, market demands from European customers decreased as a whole as the downstream customers became more cautious in placing orders or otherwise of the products delaying in placing the same, which adversely affected the sales volume and selling prices of the products of the Group. Although our production capacity increased with the expansion of our green factory in Cambodia throughout the year, the decrease in the sales volume cannot effectively leverage down the production costs and therefore the baseline for sweater segment for the year of 2014 was adversely affected.

Sweater business is still the most profitable business of the Group and we continue to increase our production capacity to cope with the recovering export demand. Our first green factory in Cambodia has commenced operation since the first quarter of 2013 and our production capacity was increased as planned in the first half of 2013. According to China National Textile and Apparel Council, China has started working towards building a greener environment in the coming years to develop a sustainable growth strategy for the local textile industry. This, to a large extent, synchronizes with our development plan. Our green factory, which was inspired by our customer, Marks and Spencer, was established under the concept of reuse, reduce and recycle. By using environmental friendly materials and implementing green production process, we aim to achieve better energy conservation and minimize daily waste disposals. We obtained the recognized environmental-related permits as planned. Full operation was commenced in the year of 2013 and the production costs were averaged down. The establishment of the green factory not only increased our production capacity but also strengthened our competitive advantages towards those EU customers. We expect that we can launch new environmental products with higher average selling prices in order to maintain our market share in this competitive environment. Being the pioneer in terms of green textile manufacturing, we will use our best endeavour to optimize the overall production efficiency, to create a greener and more environmental-friendly industry in the future, and to increase the output per head by upgrading the automation of machineries and enhancing the overall production efficiency. We will also endeavour to optimize our value chain and operation efficiency.

On 29th June, 2012, the Group entered into an operation right transfer agreement (the "Transfer Agreement") with third parties to transfer the operating right of our PRC subsidiary, Luoding Addchance Limited, the principal business of which is property development. The consideration of such transfer was approximately HK$554.3 million payable by six instalments within 5 years commencing from July 2012. As of 31st December, 2014, we have received the first 2 instalments and part of the 3rd instalment of payment in the aggregate sum of approximately HK$236.1 million. Such transfer will further strengthen the cash flow position and the net profit of the Group upon completion.

PROSPECTS

The cotton price in the China market is expected to be more market-oriented with the cancellation of the PRC government's national cotton temporary reserve policy which had been implemented for the past three years. A clearer pricing trend on the domestic cotton is expected in the coming years with the upcoming introduction of the detailed regulations on subsidy policy for domestic cotton by the PRC government. Cotton yarn prices are expected to be more stable in the next season.

The market condition for textile industry remained difficult in the year of 2014. The profit of some enterprises slumped and the backlog of franchisees remained heavy, which was mainly due to the increase in the raw material prices, decrease in the purchasing capacity of the end market and the real estate control policies. The growth of major industry players was curbed and sentiment remained sluggish. The upsurge in the production costs in the PRC has become a trend in the coming years which will also bring opportunities to the Group. Our manufacturing plants have been established in Cambodia for years and we can thus enjoy the cost benefits of the human resources in Cambodia and the import tariff concessions offered by EU and Japan. These factors strengthened our bargaining power of receiving orders from EU and Japan. Therefore, further development in Cambodia will be our focus in the coming years. However, with the view of the current challenging market environment, the Group will continue to adopt a cautious approach to the financial resources management and will concentrate its efforts on consolidating existing resources in order to strengthen its established positions in China and Cambodia.

Looking ahead, the global economy will undoubtedly remain uncertain. However, with our focus on the development in Cambodia, we can not only hedge against the difficulties of the ever-rising production costs in the PRC, but also sharpen our competitiveness on procuring orders from EU and Japan. The long-established spinning arms in SuSong and Xinjiang also bode well for the Group on the upstream raw materials supply. The demand for middle and high-end textile products is expected to grow with the growing China domestic consumption. As guided by the 12th Five-year plan of the PRC government, textile industry is believed to undergo significant reorganization and transformation. With a better industrial environment, we believe that China will continue to be one of the largest textile manufacturers and exporters in the world, bringing in huge business opportunities for the market players.

Being a member of Better Cotton Initiative ("BCI"), the Group aimed to diversify the variety of our products by reducing the amount of water and chemicals used in manufacturing cotton and thus improving the social and economic benefits for cotton farmers. Working with this international social care organization, the Group can not only diversify the variety of our products but also take the responsibility for community care. The production of those BCI products has already commenced in the year of 2013 from our spinning production arms. We expect that we can continue to strengthen our production technology on value-added yarns in the coming years.

By combining our expertise in production and efficiency in production through full vertical integration, we are capable of delivering an innovative portfolio of products and services with unsurpassed quality. Specializing in the manufacture of dyed yarns and knitted sweaters, we were recognized by international accreditation organizations for our dedication and commitment to our customers. Further, by leveraging on our new cash flow stream from the Transfer Agreement, we believe that we are in a much better position to grasp the market opportunities, mitigate the impacts of the current volatility in the market and maintain our leading position in the global cotton textile industry.

On 24th December, 2014, the Company entered into a placing agreement with the placing agent, KGI Asia Limited, pursuant to which the placing agent has agreed to place 88,000,000 shares of the Company held by Powerlink Industries Limited to not less than six independent investors at the price of HK$1.05 per share. On the same date, the Company and Powerlink Industries Limited entered into a subscription agreement for the subscription of up to 88,000,000 new shares (the "Subscription Shares") at the subscription price of HK$1.05 per share.

On 29th December, 2014, the placing was completed and 88,000,000 shares, represented approximately 19.94% of the existing issued share capital of the Company, have been placed to not less than six independent investors. The gross proceeds from the placing was approximately HK$92.4 million. The net proceeds from the placing, which amounted to approximately HK$90.6 million, constituted a deposit (the "Deposit") payable by Powerlink Industries Limited to the Company for the subscription of the Subscription Shares.

On 7th January, 2015, the Company allotted and issued 88,000,000 ordinary shares of HK$0.01 each of the Company at the price of HK$1.05 per share, to Powerlink Industries Limited. The Deposit was applied as payment of the subscription price of the Subscription Shares and will be used for general working capital of the Group. The said 88,000,000 shares represented approximately 16.62% of the existing issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

As announced on 13th March, 2015, the Company has entered into an agreement to purchase the 13% equity interest in a company, which in turn holds 89.99% effective interest in a natural gas distribution operation in Shanxi Province, the PRC and the Group considers that this is a good opportunity to gain possible benefits arising from infrastructure project. The Company is still seeking new business development or investment opportunities.

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 a mixture of the above, and knitted sweaters including cardigans and pullovers as well as socks and hosiery products.

The total revenue for the year ended 31st December, 2014 was approximately HK$1,016.3 million. Comparing with that of last year, the revenue dropped by approximately 27.5% for the year under review, decreasing from approximately HK$1,401.7 million to approximately HK$1,016.3 million. Production and sales of knitted sweaters and dyed yarn remain as the principal operation of the Group.

The turnover of the sweater business decreased significantly by approximately 33.3%, from approximately HK$811.0 million for the year ended 31st December, 2013 to approximately HK$541.1 million for the year under review, representing approximately 53.2% of the total turnover of the Group.

Same as the interim period, the decrease in turnover was due to the lengthening of the production lead time from our EU customers and the wait-and-see approach taken by those downstream customers. Some orders were deferred and the shipments were made after the year end and thus the sales will only be recognized after the year end. The average selling price of the knitted sweaters slightly increased by around 4.1% comparing to that of last year despite the stagnant market conditions while the sales volume was decreased by approximately 42.1%. Same as last year, the sales contribution of sweater business of the Group was mainly driven by the increased orders from EU and Japan while the domestic sales from the PRC decreased as expected with the ever-rising labour costs in the PRC. The Group strategically shifted the sales focus from the PRC customers to EU customers by utilizing the competitive advantages of the low labour cost in our Cambodia factories. Such competitive advantages allowed the Group to grasp greater market shares. Our sweater business is vertically benefited from our upstream spinning arms by utilizing the raw material at a controllable and stable costs which in turn improved our profit margins. Our sweater products are still mainly exported to the Europe and we continue to expand our customer base in order to reduce our reliance on certain major customers. With the expansion of our green factory in Cambodia, the Group will focus our products on those middle to high-end textile products with environmental-friendly features. Beside, textile products imported from Cambodia are subject to tax exemption for those European customers and also strengthen the bargaining power of the Group.

Sales generated from the production and sales of dyed yarn decreased substantially by approximately 23.8%, from approximately HK$403.2 million to approximately HK$307.1 million during the year under review, representing approximately 30.2% of the total turnover of the Group. Similar to those happened in the interim period, the average yarn selling price in the PRC market continuously dropped during the year under review due to the persimisstic and cautious approach taken by those cotton and dyed yarns customers. Therefore, less amount of yarn was ordered from third party suppliers with lower average selling prices, and more self-made yarn was utilized. 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 continue to exercise tight cost controls and efficient order scheduling and production planning in order to streamline our existing operations and improve our profit margins in the future.

The production and sales of cotton yarns is another core business segment of the Group and it represents approximately 11.3% of the turnover of the Group. Revenue generated from the sales of cotton yarns decreased by approximately 12.9%, from approximately HK$131.5 million to approximately HK$114.5 million. The sales volume of cotton yarns decreased by approximately 12.2% whereas the average selling price recorded a slight decrease. With the general weak cotton yarn prices in the industry and the change in the procurement strategy and inventory control strategy, less cotton yarns sales were made for the year under review in order to avoid the accumulation of the yarns products. As a result, the external utilization rate of the cotton yarn remained at around 59.6%.

In line with the overall weak dyed yarn business, revenue generated from the provision of dyeing services decreased by approximately 7.4% from approximately HK$43.1 million to approximately HK$39.9 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 provinces. Sales proceeds from the PRC, Hong Kong and Macau accounted for over 95% of the total sales proceeds of the Group from dyed yarn. The remainder of the sales proceeds was generated from the export to overseas countries including Thailand, Taiwan and Indonesia.

Cost of Sales

With the decrease in sales of approximately 27.5%, the cost of sales decreased in a less extent by approximately 12.5% for the year under review. Though the production capacity was enlarged as scheduled, the drop in sales volume affected our production efficiency and therefore the fixed costs per unit were increased during the year under review. Despite (i) the expansion of the production capacity in Cambodia and the resulted decrease in labour costs, (ii) the change in product mix, (iii) the strengthening of our yarns procurement strategies and (iv) the improvement in the wastage percentage during the production cycles, the raw materials consumed per unit of products adversely increased. Direct labour costs and other factory overheads kept increasing but at a controllable level.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately HK$72.3 million for the year under review, with the gross profit margin at approximately 7.1%. The overall gross profit margin decreased significantly comparing with the gross profit ratio for the year ended 31st December 2013. Similar to the situation in the interim period, with the continuous decrease in the sales delivered in the year of 2014, those variables and fixed production costs have not been able to leverage down as the sales volumes are not optimized in the production cycles. The downside expectations for cotton prices and the wait-and-see atmosphere in the downstream textile business further worsened the revenue and borderline of the core business of the Group. However, if the sales orders can recover next year, the Group will be able to leverage on the cost advantage of the production base in Cambodia and optimize the product mix and therefore improving the Group's performance. On the other hand, the Group was still able to pass a portion of the cost to the end-customers by increasing the average selling price of knitted sweaters and focusing on those high-valued products during the year under review. The Group will continuously try to manage the gross profit margin by improving the operating efficiency as well as the factory utilization rate.

Net profit margin

A net loss of approximately HK$184.3 million was incurred from the core business of the Group. Due to the overall weakness of the cotton yarn industry, our dyeing and spinning segments suffered a temporary loss for the whole year of 2014, and our sweater business still remained as our most profitable business segment. Cotton yarn prices are expected to be more stable in the next year and taking into account of those delayed orders from our sweater business, we expect the overall net profit margin will be improved in the next year. The Group will use its best endeavour to overcome the challenges by sharpening its competitive edge.

Other revenue

Other revenue of approximately HK$37.2 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 included mainly transportation costs, accessories and packing expenses. For the year under review, the selling and distribution costs of the Group amounted to approximately HK$84.2 million, representing approximately 8.3% of the turnover of the Group.

Administrative expenses

Administrative expenses of approximately HK$144.5 million mainly consisted of staff costs, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 14.2% of the turnover of the Group.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which remained at approximately HK$44.8 million, representing approximately 4.4% of the turnover of the Group. Such costs remained at a stable level compared with the last year.

Borrowings

As at 31st December, 2014, the Group had outstanding bank borrowings of approximately HK$1,139.3 million, which were classified as falling due within one year. Such amount slightly decreased by approximately HK$32.2 million or 2.7% when comparing with the balance as at 31st December, 2013. Amongst the total bank borrowings, approximately HK$491.2 million was in term loan nature and approximately HK$648.1 million was in trade nature. The amount of trade loan remained at a similar level as the last year end. Such loan would be released upon the delivery of those goods sold. The increase in term loan was mainly due to the acquisitions of the knitting machineries in Cambodia and PRC production bases.

Net gearing ratio, which represents bank borrowings net of bank balances and cash divided by net assets, increased slightly to 1.06 for the year under review.

The transfer of the operating right of Luoding Addchance Limited will strengthen the cash inflow position of approximately HK$554.3 million within 5 years commencing from July 2012. The Group will also focus on reducing the net gearing ratio continuously to a more sustainable level in the coming years by improving the profitability, procuring the disposal of non-core properties as well as implementation of tighter control over costs, working capital and capital expenditure.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2014, the cash and cash equivalents of the Group increased from approximately HK$64.9 million last year to approximately HK$126.4 million. Total assets was approximately HK$2,641.7 million as at this year end.

More net cash was generated from the operating activities for the year under review with the net effect of the worsening of the operating profit and the decrease in trade receivables for the year. Besides, less cash was used in investing activities and no material acquisition plan was made for the year under review. A deposits of HK$90.2 million was received during the year of 2014 for the share subscription which improved the overall cash and cash equivalent position.

The Group met its funding requirements mainly by cash flows generated from its usual course of operations, as well as long-term and short-term borrowings. The Group will focus on reducing the net gearing ratio by improving the profitability, procuring the disposal of non-core assets as well as implementing tighter control over costs, working capital and capital expenditure. Since the last year end, the Group has 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 businesses. This disposal will strengthen the cash inflow position of the Group in the coming years.

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

Stock turnover days

The stock turnover days of the Group for the year ended 31st December, 2014 were approximately 398 days, which lengthened by around 100 days as compared with that of 298 days for the corresponding last year end. Similar to the interim period, the lengthening of the production lead time for our major customers also increased our stock turnover days. The Group will continuously monitor its inventory level to a secured level in the coming years.

Debtors' turnover days

The debtors' turnover days were improved significantly by 68 days from 155 days last year end to 87 days for the year ended 31st December 2014. Credit control on debt collection and new customers selection procedures were implementing in a stringent manner. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the respective creditability of the individual customers.

Dividend Policy

The declaration of dividends is subject to the absolute discretion of the directors and depends on various factors such as the financial results of the Group, shareholders' interests, the general business conditions and strategies, the capital requirements of the Group, the contractual restrictions on the payment of dividends by the Company to its shareholders or by the subsidiaries of the subsidiaries to the Company, taxation considerations, possible effects on the creditworthiness of the Group, statutory and regulatory restrictions and any other factors as the directors may deem relevant. Taking into account the cash flow required for the operation of the Group in 2015, the Board does not recommend the payment of final dividend for the year ended 31st December, 2014.

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

During the year ended 31st December, 2014, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

During the year ended 31st December, 2014, 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 Corporate Governance Code 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 separated 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 27th May, 2015 to 29th May, 2015 (both days inclusive) during which period no transfer of shares will be effected. In order to be qualified 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 4:30 p.m. on 26th May, 2015.

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, 2014.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's final results for the year ended 31st December, 2014. 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, 2014.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2014 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 2014 annual report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company in due course.

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. Wong Chiu Hong
Executive Director

Hong Kong, 27th March, 2015

As at the date of this announcement, (i) the executive Directors are Mr. Sung Kim Wa (Chairman), Mr. Sung Kim Ping, Mr. Wong Chiu Hong, Mr. Tsang Fai and Mr. Lo Ping; (ii) the non-executive Director is Mr. Chui Chi Yun, Robert; and (iii) the independent non-executive Directors are Mr. Chan Tsz Fu, Jacky, Mr. Zhuang Zhongxi and Ms. Huang Yunjie.