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, 2015

HIGHLIGHTS

- **Revenue slightly decreased by around 2.0% to approximately HK$409.9 million.**
- **Loss for the period under review was approximately HK$61.6 million.**
- **The Board of directors did not recommend the payment of an interim dividend for the period under review.**

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

The board (the "Board") of directors (the "Directors") of Addchance Holdings Limited (the "Company") announces the unaudited results of the Company and its subsidiaries for the six months ended 30th June, 2015, together with the unaudited comparative figures for the corresponding period of the year 2014, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

		For the six months ended 30th June,	
		2015	2014
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**409,865**	418,326
Cost of sales		**(394,654)**	(324,325)
Gross profit		**15,211**	94,001
Other income		**10,409**	5,517
Other gains and losses	*4*	**17,307**	(16,829)
Selling and distribution costs		**(30,672)**	(41,166)
Administrative expenses		**(54,837)**	(63,146)
Finance costs	*5*	**(16,907)**	(21,440)
Loss before tax		**(59,489)**	(43,063)
Income tax expense (credit)	*6*	**(2,109)**	191
Loss for the period	*7*	**(61,598)**	(42,872)
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(42,761)**	37,779
Total comprehensive expense for the period		**(104,359)**	(5,093)
Loss per share, in HK cents			
Basic	*9*	**(11.02)**	(9.72)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2015

	NOTES	**30.6.2015** ***HK$'000*** **(unaudited)**	31.12.2014 *HK$'000* (audited)
NON-CURRENT ASSETS			
Investment properties		**308**	329
Property, plant and equipment	*10*	**751,157**	802,644
Prepaid lease payments		**67,237**	68,412
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**16,045**	15,186
Available for sale investment	*11*	**177,320**	–
Club debenture		**–**	1,070
Other assets		**16,579**	16,095
		1,028,646	903,736
CURRENT ASSETS			
Prepaid lease payments		**1,568**	1,608
Inventories		**1,066,214**	1,030,633
Trade receivables, bills receivables and other receivables, deposits and prepayments	*12*	**301,005**	359,277
Amounts due from related companies		**145**	4,002
Derivative financial instruments		**1,165**	–
Tax recoverable		**–**	913
Pledged bank deposits		**54,908**	67,487
Bank balances and cash		**73,361**	145,676
		1,498,366	1,609,596
Assets classified as held for sale	*13*	**108,963**	128,360
		1,607,329	1,737,956
CURRENT LIABILITIES			
Trade and other payables	*14*	**184,734**	258,405
Bills payable	*14*	**25,562**	19,026
Deposit received from transfer of the operation right of a subsidiary	*13*	**236,056**	236,056
Derivative financial instruments		**–**	20,042
Tax liabilities		**8,502**	5,393
Bank borrowings – due within one year		**1,020,644**	1,119,947
Bank overdrafts		**41,170**	19,310
Loan from a shareholder		**50,968**	–
		1,567,636	1,678,179
NET CURRENT ASSETS		**39,693**	59,777
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,068,339**	963,513

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
	(unaudited)	(audited)
CAPITAL AND RESERVES		
Share capital	**6,157**	4,413
Reserves	**1,047,019**	943,404
	1,053,176	947,817
NON-CURRENT LIABILITY		
Deferred tax liabilities	**15,163**	15,696
	1,068,339	963,513

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2015

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard 34 ("IAS 34") *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB"). 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 of the Company, the directors of the Company have given full consideration to the future liquidity of the Company and its subsidiaries (the "Group") in the light of fact that certain bankers of the Company ("Banks") have demanded in writing that the Group shall make immediate payment of the aggregate amount of HK$528,310,000 then outstanding or they may consider commencing legal proceedings against the Group. The Group has been actively re-negotiating with the Banks for the terms of repayments and the demand notice for immediate repayment has subsequently been withdrawn. Up to the date these condensed consolidated financial statements were authorised for issuance, the restructuring of the loans from the Banks is still under negotiations.

In the view of the directors of the Company, the Group is able to continue as a going concern at least in the coming twelve months taking into consideration including, but are not limited to the following:

(a) the Banks have agreed to withdraw the repayment demand;

(b) the Banks have agreed to provide a new banking facility in the principal sum of HK$100 million to the Group to support the short-term cash flow requirements of the Group;

(c) the Banks have agreed to continue their discussion with the Group on the restructuring of the loans advanced to the Group;

(d) Addchance Dyeing Factory Limited (the "Addchance Dyeing"), a company which is owned as to 60% by Dr. Sung Chung Kwun, a substantial shareholder of the Company, and 40% by Mr. Sung Kim Ping, an executive director of the Company, has arranged the execution of second mortgage in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong in favour of the Banks to secure all the present and future debts owed by the Group to the Banks; and

(e) the estimated operating cash inflows of the Group for the next twelve months from the end of the reporting period.

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.

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, 2015 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2014.

In the current interim period, the Group has applied, for the first time, the following new Interpretation and 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 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle

The application of the above new Interpretation and 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.

3. 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.

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

Six months ended 30th June, 2015

	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	40,578	181,314	165,884	17,603	4,486	409,865	–	409,865
Inter-segment sales	14,564	141,558	181,452	2,971	88,012	428,557	(428,557)	–
	55,142	322,872	347,336	20,574	92,498	838,422	(428,557)	409,865
SEGMENT PROFIT (LOSS)	(7,501)	2,409	(30,675)	822	(7,948)	(42,893)	–	(42,893)
Interest income								24
Rental income								961
Unallocated expenses								(3,901)
Other gains and losses								3,227
Finance costs								(16,907)
Group's loss before tax								(59,489)

Six months ended 30th June, 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	34,047	164,877	194,844	16,295	8,263	418,326	–	418,326
Inter-segment sales	38,368	263,896	279,398	5,107	146,654	733,423	(733,423)	–
	72,415	428,773	474,242	21,402	154,917	1,151,749	(733,423)	418,326
SEGMENT (LOSS) PROFIT	(3,486)	27,287	(8,486)	(361)	(22,510)	(7,556)	–	(7,556)
Interest income								24
Rental income								882
Unallocated expenses								(4,807)
Other gains and losses								(10,166)
Finance costs								(21,440)
Group's loss before tax								(43,063)

Inter-segment sales were charged at cost plus margin basis.

Segment profit (loss) represents the profit (loss) before tax of each segment without allocation of central administrative costs, directors' salaries, change in fair value of derivative financial instruments, other income and other gains/losses not attributable to segment profit/loss and finance costs. This is the measure reported to the chief operating decision maker, the executive directors, for the purposes of reasonable allocation and performance assessment.

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

	30.6.2015 ***HK$'000***	31.12.2014 *HK$'000*
Production and sale of cotton yarn	**347,569**	378,580
Production and sale of knitted sweaters	**1,396,565**	1,414,376
Production and sale of dyed yarns	**215,516**	282,989
Provision of dyeing services	**41,492**	39,121
Trading of cotton and yarns	**137,039**	162,694
Assets classified as held or sale	**108,963**	128,360
Unallocated corporate assets	**388,831**	235,572
	2,635,975	2,641,692

4. OTHER GAINS AND LOSSES

	For the six months ended 30th June, 2015	2014
	HK$'000	*HK$'000*
Gain on disposal of assets classified as held for sale	**11,853**	–
Gain on disposal of club debenture	**2,930**	–
Change in fair value of other assets	**551**	90
Change in fair value of derivative financial instruments	**(254)**	(10,256)
Net exchange gains (losses)	**2,227**	(6,663)
	17,307	(16,829)

5. FINANCE COSTS

	For the six months ended 30th June, 2015	2014
	HK$'000	*HK$'000*
Interest on bank borrowings wholly repayable within five years	**16,907**	21,440

6. INCOME TAX EXPENSE (CREDIT)

	For the six months ended 30th June, 2015	2014
	HK$'000	*HK$'000*
The income tax expense (credit) comprises:		
Hong Kong Profits Tax		
– Current period	**366**	241
– (Over)underprovision in prior years	**(280)**	40
PRC Enterprise Income Tax – current period	**2,556**	163
	2,642	444
Deferred taxation		
– Current period	**(533)**	(635)
	2,109	(191)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

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 Cambodia, the profit generated from subsidiaries of the Company are entitled to exemption from Cambodian Income Tax until 2018.

7. LOSS FOR THE PERIOD

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

	For the six months ended 30th June,	
	2015	2014
	HK$'000	*HK$'000*
Depreciation of investment properties	**21**	26
Depreciation of property, plant and equipment	**36,769**	47,646
Amortisation of prepaid lease payments	**784**	730
Interest income	**(24)**	(24)

8. DIVIDEND

	For the six months ended 30th June,	
	2015	2014
	HK$'000	*HK$'000*
Dividend recognised as distribution during the period ended 30th June, 2014: 2013 final dividend of HK2.0 cents per share (2015: nil)	**–**	8,823

During the six months ended 30th June, 2014, a final dividend of HK2.0 cents per share in respect of the year ended 31st December, 2013 was declared and subsequently paid to the owners of the Company in August 2014.

The directors of the Company have determined that no interim dividend will be paid for the six months ended 30th June, 2015 (six months ended 30th June, 2014: 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 owners of the Company of HK$61,598,000 (six months ended 30th June, 2014: HK$42,872,000) and on the weighted average number of shares in issue of 558,822,938 (six months ended 30th June, 2014: 441,250,000).

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

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred capital expenditure of HK$15,286,000 (six months ended 30th June, 2014: HK$56,737,000).

11. AVAILABLE FOR SALE INVESTMENT

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
Unlisted, equity security	**177,320**	–

On 13th March, 2015, an indirect wholly-owned subsidiary of the Company (the "Purchaser") entered into an agreement, pursuant to which the Purchaser has conditionally agreed to acquire and Hong Jun Global Limited, an independent third party of the Group (the "Vendor"), has conditionally agreed 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 British Virgin Islands and its non wholly owned subsidiaries operate in 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 has been settled by the combination of cash of HK$60,000,000 and an aggregate of 86,480,909 new ordinary shares of HK$0.01 each in the share capital of the Company issued. The acquisition was completed on 24th April, 2015 and the new ordinary shares were issued, allotted and fully paid. The above unlisted equity investments are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

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

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

At 30th June, 2015, included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$220,459,000 and bills receivables of HK$4,266,000 (31st December, 2014: trade receivables of HK$178,711,000 and bills receivables of HK$63,469,000), respectively, and their aged analysis, net of allowance for doubtful debts presented based on the invoice date, which approximated the revenue recognition date, at the end of reporting period is as follows:

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
Aged:		
Within 30 days	**141,367**	104,704
31 – 60 days	**37,744**	43,395
61 – 90 days	**19,667**	36,751
91 – 120 days	**6,614**	16,797
Over 120 days	**28,771**	49,971
	234,163	251,618
Less: Allowance for doubtful debts	**(9,438)**	(9,438)
	224,725	242,180
Others	**76,280**	117,097
	301,005	359,277

13. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHT OF A SUBSIDIARY

(i) As disclosed in the announcement published by the Company dated 25th September, 2012 (the "Announcement"), the Group entered into an operation right transfer agreement (the "Agreement") with an independent third party (the "Acquirer"), for the transfer of the operation rights of 100% interest in a subsidiary, Good Spread Industrial Limited ("Good Spread"), the immediate holding company of Luoding Addchance Limited for a cash consideration of HK$554,321,000 which will be payable in six instalments within 5 years from 31st December, 2012, with the first two instalments of HK$184,774,000 in total being received as at 31st December, 2013 and the remaining four instalments with an aggregate amount of HK$369,547,000 will be received from 30th January, 2014 to 30th July, 2016.

Subject to fulfilment of the pre-requisite conditions precedent set out in the Agreement, the Acquirer can, within 60 days from the date when the Group has received the full amount of the first three instalments of the consideration which should originally take place on 30th January, 2014 in accordance with the Agreement, subscribe for 99.999% of the enlarged issued share capital of news shares of Good Spread with an exercise price of HK$1 per share.

During the year ended 31st December, 2013, the Company borrowed a sum of HK$184,774,000, which is equivalent to the third and the fourth instalments in total, from a bank and the Acquirer agreed to transfer fund to the Company to repay the loans when they fall due in December 2014. This arrangement of fund transfer will replace the third and the fourth instalments which should originally be payable from 30th January, 2014 and 30th November, 2014, respectively. Due to the above arrangement, the pre-requisite conditions precedent set out in the Agreement is considered not to be fulfilled on 30th January, 2014.

During the year ended 31st December, 2014, a sum of HK$51,282,000 of the above bank loans was repaid while the remaining bank loans were extended to December 2015. The Acquirer can only subscribe for 99.999% of the enlarged issued share capital of new shares of Good Spread with an exercise price of HK$1 per share within 60 days from the date when it has transferred fund to the Company to repay the remaining HK$41,105,000 of the third instalment of HK$92,387,000 included in the bank loans in December 2015.

The directors of the Company expect that the disposal will take place within twelve months from the end of the current reporting period. Accordingly, the assets of Good Spread and Luoding Addchance Limited have been classified as assets held for sale as at 30th June, 2015 and are separately presented in the condensed consolidated statement of financial position. The consideration (i.e. deposit received from transfer of the operation rights of a subsidiary) of HK$236,056,000 (31st December, 2014: HK$236,056,000) in total received as at 30th June, 2015 has been classified as current liabilities.

(ii) During the year ended 31st December, 2014, the Group entered into a sale agreement to dispose of property, plant and equipment and prepaid lease payment held by a subsidiary, Wu Zhou Addchance Textile Factory Limited, with carrying amounts of HK$16,899,000 and HK$2,498,000 respectively. The sale was completed in June 2015 at a total consideration of HK$31,250,000.

Assets related to disposal of the subsidiary as at the end of the reporting period are as follows:

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
Prepaid lease payments	**75,555**	78,053
Property, plant and equipment	**33,408**	50,307
	108,963	128,360

14. TRADE AND OTHER PAYABLES/BILLS PAYABLE

At 30th June, 2015, included in trade and other payables are trade payables of HK$56,950,000 (31st December, 2014: HK$65,896,000) and their aged analysis, presented based on the invoice date, at the end of reporting period is as follows:

	30.6.2015	31.12.2014
	HK$'000	*HK$'000*
Aged:		
Within 60 days	**17,085**	25,939
61 – 90 days	**5,125**	5,601
Over 90 days	**34,740**	34,356
	56,950	65,896
Other payables and accruals	**127,784**	192,509
	184,734	258,405

All bills payable at 30th June, 2015 and 31st December, 2014 are aged within 0 to 120 days.

15. EVENT AFTER THE REPORTING PERIOD

(i) On 31st July, 2015, Dynamic Regal Limited, an indirect wholly-owned subsidiary of the Company (the "Investor"), entered into a non-legally binding memorandum with Anterra Energy Inc. (the "Investee"), in relation to a cash investment and share investment to be made by the Investor in the Investee as contemplated under the memorandum (the "Possible Investment"). The aggregate consideration for the Possible Investment is approximately CAD$23,418,009 (equivalent to approximately HK$147,533,457). The consideration for the cash investment, being CAD$10,000,000 (equivalent to approximately HK$63,000,000) shall be satisfied by the Company in cash. The consideration for the share investment, being CAD$13,418,009 (equivalent to approximately HK$84,533,457) shall be satisfied by the Company by way of allotment and issue of 45,693,761 offer shares, credited as fully paid, at the offer price of HK$1.85 per offer share to the Investee. Upon completion, the Group will indirectly own 70% of the equity interest of the Investee. The directors of the Company are in the progress of assessing the financial impact of the Possible Investment.

The Investee is a public Canadian company listed on the TSX Venture Exchange under the stock code AE.A-V and is principally engaged in the exploration, development and production on the use of advanced exploration technologies including 3D imaging, horizontal drilling and multi-stage completions to systematically develop its portfolio of conventional and non-conventional oil and gas projects.

(ii) On 21st August, 2015, the Company entered into a placing agreement with KGI Asia Limited (the "Placing Agent"), pursuant to which the Placing Agent agrees, as agent of the Company, to procure on a best effort basis not less than six individuals, who will be independent third parties, to subscribe for up to 122,000,000 placing shares at the placing price of HK$1.05 per placing share.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the six months ended 30th June, 2015 (the "Reporting Period"), the global economic conditions continued to suffer from the aftermath of the global financial crisis. Although the US economy experienced a mild recovery, the rest of the world, especially Europe, was still struggling to stay away from the threat of an imminent recession. The socio-political-economic uncertainty in Europe coupled with a weakening Euro had also inflicted a distressing blow to the European importers. During the Reporting Period, the Group's consolidated revenue decreased slightly by around 2.0% to approximately HK$409.9 million, and the Group's textile business recorded a loss of approximately HK$61.6 million.

With China's termination of the reserve cotton policy since 2014 and the absence of a comprehensive nationwide policy on full-scale direct subsidies, the cotton textile trade and industry continued to experience a highly uncertain and sluggish growth during the Reporting Period. As a result, the yarn textile industry was facing a downward trend in market price and the overall production was decelerating. Moreover, the existing cotton policy in China had also led to a continuous drop in the domestic cotton price, which in turn put a downward pressure on the average selling price of our textile products. Furthermore, the drop in the auction price of the national cotton reserve set by the PRC Government had also caused further decline in the average yarn selling price in the China market which was already clouded by the prevailing pessimistic sentiment of the cotton and dyed yarns customers.

During the Reporting Period, orders from Europe started to pick up, but the size and volume still did not return to the optimum level in the past. Although the order book for the Group's sweater business remained satisfactory, the Group was yet to effectively leverage down the production costs which adversely affected the baseline for our textile business in the first six months of 2015.

Sweater business is still the most profitable business of the Group and we have been continuing to increase our production capacity to cope with the recovering export demand. Subsequent to the commencement of the operation of our first green factory in Cambodia in 2013, the production capacity was increased as planned. 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 pretty much 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 disposals. We have received the recognized environmental-related permits as planned. 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-friendly products with higher average selling price in order to maintain our market share in this competitive environment. As the pioneer in term of green textile manufacturing, we will use our best endeavour to optimize the overall production efficiency as well as making contributions to create a greener and more environmental-friendly industry in the future and to increase the output per person by upgrading the automation of machineries and enhancing the overall production efficiency. We will endeavour to optimize our value chain and operation efficiency.

PROSPECTS

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

The market condition for textile industry remained difficult in the first six months of 2015. The profit of some enterprises declined and the accumulation of inventories by franchisees remained heavy which was mainly due to the rising raw material prices, reduced purchasing power of the end market as well as real estate control policies. 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 and this also brings opportunities to the Group. Our manufacturing plants established in Cambodia can enjoy the cost benefits of the human resources in Cambodia and the import tariff concessions from EU and Japan. These factors strengthened our bargaining power of orders received from EU and Japan. Therefore, further development in Cambodia will be our focus in the coming years. However, in light of the current challenging market environment, the Group will continue to take a cautious approach in finance resources management and will concentrate its efforts on consolidating existing resources 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 continuously 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 benefits the Group on the upstream raw materials supply. 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 the better industry 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 players.

By combining expertise in production and efficiencies in production capability 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 have been recognized by international accreditation organizations for our dedication and commitment to our customers. Further, by leveraging on our new cash flow stream from the Operation Right Transfer Agreement, we believe that we are in a better position to capture any market opportunities, to mitigate the impacts of the market's current volatility and to maintain our leading position in the global cotton textile industry.

Despite the operating difficulties, the Group will continue to look for the operation efficiency, business development and investment opportunities.

As announced on 21st August 2015, the Company entered into a placing agreement with the placing agent, KGI Asia Limited, pursuant to which the placing agent agreed, on a best effort basis, to place 122,000,000 new shares of the Company at a price of HK$1.05 per share, intending to raise a net proceeds of HK$125.3 million as general working capital and/or for future investment of the Group.

FINANCIAL REVIEW

Textile Business

Turnover

During the Reporting Period, 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 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.

Total revenue for the Reporting Period was approximately HK$409.9 million. Comparing with the corresponding period last year, the revenue dropped slightly by around 2.0%, decreasing from HK$418.3 million to approximately HK$409.9 million for the Reporting Period. Production and sales of knitted sweaters and dyed yarn remained as the principal operation in the textile business of the Group.

Comparing with the same last corresponding period, the turnover of the sweater business increased by around 10.0% from approximately HK$164.9 million to approximately HK$181.3 million during the Reporting Period, representing about 44.2% of the total turnover of the Group. However, most of the shipments were delayed and sales will be recorded in the second half of the year 2015. Average selling price of the knitted sweaters can be slightly raised by around 2.9% despite the stagnant market conditions while the sales volume also increased by around 5.3%. Same as last year, the textile's sales contribution of sweater business was mainly driven by the increased orders from EU and Japan while the domestic sales from the PRC continuously dropped as expected with the rising labour costs in the PRC. The Group strategically shifted the sales focus from 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 being 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 were still mainly exported to Europe and the Group continues to expand our customer base to reduce its reliance on certain customers. With the expansion of our green factory in Cambodia, the Group will focus our products to those middle to high-end textile products with environmental-friendly features. Beside, textile products imported from Cambodia are entitled to tax exemption for those European customers and again strengthen the bargaining power of the Group.

Sales generated from the production and sales of dyed yarn continuously decreased by approximately 14.9%, from approximately HK$194.8 million to approximately HK$165.9 million during the Reporting Period, representing approximately 40.5% of the Group's total turnover. Similar to last year, the average yarn selling prices in the PRC market continuously dropped in the Reporting Period with the persmisstic and cautious approach adopted 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 on those yarn products for the production of dyed yarns and we continued 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.

Production and sales of cotton yarns is another core business segment of the textile business and it represents approximately 9.9% of the Group's turnover. Revenue generated from sales of cotton yarns increased slightly by approximately 19.2% to approximately HK$40.6 million. Sales volume of cotton yarns decreased by approximately 8.0% whereas the average selling price recorded a decrease of 12.8% with the general weak cotton yarn prices in the industry. The external utilization rate of the cotton yarn remained at around 73.6% for the Reporting Period.

Revenue generated from the provision of dyeing services slightly increased from HK$16.3 million to approximately HK$17.6 million during the Reporting Period. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the PRC, Hong Kong and Macau accounted for over 95% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds was derived from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Gross profit and gross profit margin

The Group recorded gross profit of approximately HK$15.2 million for the Reporting Period, with gross profit margin at approximately 3.7%. The overall gross margin decreased apparently comparing with the gross profit margin during the corresponding period last year. Similar to last year, with the continuous decrease in sales, those variable and fixed production costs are not able to leverage down so as the sales volumes are not optimized in the production cycles. The downward expectations for cotton prices and the wait-and-see atmosphere in the downstream textile business further adversely affected the revenue and borderline of the textile business of the Group. However, if the sales orders can be recovered in the second half of 2015, the Group is 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 part of the cost to the end-customers by raising the average selling price of knitted sweaters products by focusing on those high-valued products during the Reporting Period. The Group will continuously try to manage the gross profit margin by improving the operating efficiency as well as factory utilization rate.

Net profit margin

A net loss of approximately HK$61.6 million was derived from the textile business of the Group. With the overall weak trend of the cotton yarn industry, our dyeing and spinning segments continuously suffered a loss for the first six months of 2015, while sweater business continued to remain as our profitable segment. Cotton yarn prices are expected to be more stable in the second half of 2015 and with the recovery of those delayed orders from sweater business, we expected that the overall net profit margin will be improved. The Group will continuously overcome the challenges by sharpening its competitive edge.

Other investment

The Company has completed the purchases of the 13% equity interest in a company, which in turn holds 89.99% effective interest in a natural gas distributor with operation in Shanxi Province, the PRC at a total consideration of approximately HK$177 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30th June, 2015, the Group's cash and cash equivalents decreased to approximately HK$32.2 million from HK$52.1 million as at last period end. Total assets was approximately HK$2,636.0 million as at period end.

More net cash was generated from the operating activities for the Reporting Period with the net effect of the worsening operating result and the decrease in trade receivables for the Reporting Period. Besides, less cash used in investing activities this period and no material acquisition plan was noted for the Reporting Period. With the decrease in net cash generated from financing activities, the net cash and cash equivalents decreased to approximately HK$32.2 million as at period end.

The Group met its funding requirements in its usual course of operation mainly by cash flows generated from operations, as well as long-term and short-term borrowings. The Group will focus on reducing the net gearing ratio continuously by improving profitability, procuring the disposal of non-core properties as well as the implementation of tighter control over costs, working capital and capital expenditure. Since the last year end, the Group transferred the operating right of one of its PRC subsidiaries at a consideration of about HK$554.3 million in order to dispose of those non-core business. Such disposal will strengthen the cash inflow position of the Group in the coming years.

As disclosed in the announcement of the Company dated 10th June, 2015, the Company has conducted discussion with certain banks on the restructuring of the loans advanced to the Group. As at the date of this announcement, the loan restructuring was still under negotiations.

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

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

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

CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied 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 for the following deviations:

1. Under Code Provision A.2.1, the role of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Sung Kim Wa was the chairman of the Company during the Reporting Period 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 during the Reporting Period. 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. Mr. Sung Kim Wa subsequently resigned as the chairman of the Company on 9th July, 2015 and Mr. Sung Kim Ping has taken up the chairmanship.

2. Under Code Provision A.6.7, independent non-executive Directors and other non-executive Directors should attend the general meetings and develop a balanced understanding of the views of the shareholders.

   Mr. Chan Tsz Fu, Jacky ("Mr. Chan"), Mr. Zhuang Zhongxi ("Mr. Zhuang") and Ms. Huang Yunjie (all being the independent non-executive Directors at the material time) were unable to attend the extraordinary general meeting of the Company held on 10th March, 2015 due to their other business engagements. Mr. Chan, Mr. Zhuang (both being the independent non-executive Directors) and Mr. Chui Chi Yun, Robert (being the non-executive Director) were unable to attend the annual general meeting of the Company held on 29th May, 2015 ("AGM") due to other business commitments.

3. Under Code Provision E.1.2, the chairman of the Board should attend the AGM.

   Mr. Sung Kim Wa, the chairman of the Board at the material time, did not attend the AGM due to his other prior business engagement. Three (out of five) executive Directors and a member of each of the audit, remuneration and nomination committees attended the AGM. The Company considers that their presence is sufficient for addressing the queries from, and maintaining effective communication with, the shareholders attending the AGM.

4. Pursuant to Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code, (i) the Board is required to have at least three independent non-executive directors; (ii) at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise; (iii) the Board is required to have independent non-executive directors representing at least one third of the Board; (iv) the audit committee must comprise a minimum of three members, at least one of whom is an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise; (v) the remuneration committee is required to be chaired by an independent non-executive director and (vi) the nomination committee is required to be chaired by the chairman of the board or an independent non-executive director.

   Mr. Chan has retired as an independent non-executive Director and the chairman of each of the audit committee, remuneration committee and nomination committee upon the conclusion of the AGM. Since the Company was still in the course of identifying suitable candidate at the material time to take up the vacancy left by Mr. Chan, upon conclusion of the AGM, the Company temporarily did not satisfy the requirements prescribed under Rules 3.10(1), 3.10(2), 3.10A, 3.21 and 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code.

   On 15th June, 2015, Mr. Chan Shu Kin was appointed as an independent non-executive Director as well as the chairman of the audit committee and a member of each of the remuneration committee and nomination committee. However, Mr. Zhuang has resigned as an independent non-executive Director as well as a member of each of the audit committee, remuneration committee and nomination committee on the same date. Following the appointment of Mr. Chan Shu Kin, the Company satisfy the requirement prescribed under Rule 3.10(2) of the Listing Rules that an independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

On 9th July, 2015, Dr. Tse Kwok Sang ("Dr. Tse") was appointed as an independent non-executive Director as well as the chairman of each of the remuneration committee and nomination committee and a member of audit committee. Following the appointment of Dr. Tse, the number of independent non-executive Directors and audit committee members fulfills the minimum number as required under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules, and remuneration committee and nomination committee of the Company was also chaired by an independent non-executive director as required under Rule 3.25 of the Listing Rules and Code Provision A.5.1 of the Corporate Governance Code.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30th June, 2015 (six months ended 30th June, 2014: 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, 2015.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's interim results for the six months ended 30th June, 2015. 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, 2015.

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

This announcement is published on the websites of the Stock Exchange and the Company (http://www.irasia.com/listco/hk/addchance/index.htm). An interim report for the six months ended 30th June, 2015 containing all the information required by Appendix 16 to the Listing Rules will be despatched to shareholders of the Company and published on the websites of the Stock Exchange and the Company in due course.

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

By Order of the Board
Addchance Holdings Limited
Sung Kim Ping
Chairman

Hong Kong, 28th August, 2015

As at the date of this announcement, (i) the executive Directors are Mr. Sung Kim Ping (Chairman), Mr. Wong Chiu Hong, Mr. Tsang Fai, Mr. Lo Ping and Mr. Yeung Choi Yee; (ii) the non-executive Director is Mr. Chui Chi Yun, Robert; and (iii) the independent non-executive Directors are Ms. Huang Yunjie, Mr. Chan Shu Kin and Dr. Tse Kwok Sang.