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, 2016

HIGHLIGHTS

- Turnover significantly decreased by around 43.1 % to approximately HK$233.2 million.
- Loss for the period was approximately HK$144.8 million for the period under review.
- The directors did not recommend the payment of an interim dividend for the period under review.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

The board (the "Board") of directors (the "Directors") of Addchance Holdings Limited (the "Company") hereby announces the unaudited results of the Company and its subsidiaries for the six months ended 30th June, 2016, together with the unaudited comparative figures for the corresponding period of the year 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2016

		For the six months ended 30th June,	
		2016	2015
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**233,234**	409,865
Cost of sales		**(272,364)**	(394,654)
Gross (loss) profit		**(39,130)**	15,211
Other income, gains (losses) and impairment losses	*4*	**(12,576)**	26,385
Selling and distribution costs		**(16,409)**	(30,672)
Administrative expenses		**(58,624)**	(53,506)
Finance costs	*5*	**(17,934)**	(16,907)
Loss before tax		**(144,673)**	(59,489)
Income tax expense	*6*	**(141)**	(2,109)
Loss for the period	*7*	**(144,814)**	(61,598)
Other comprehensive expense that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(38,340)**	(42,761)
Total comprehensive expense for the period		**(183,154)**	(104,359)
Loss per share, in HK cents			
Basic	*9*	**(20.52)**	(11.02)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2016

	NOTES	**30.6.2016**	31.12.2015
		HK$'000	*HK$'000*
		(unaudited)	(audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**540,791**	585,736
Prepaid lease payments		**57,854**	60,992
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**14,101**	14,806
Deposit paid for acquisition of investment		**40,000**	40,000
Available-for-sale investment		**94,545**	130,000
Other assets		**11,160**	10,989
		758,451	842,523
CURRENT ASSETS			
Prepaid lease payments		**1,460**	1,533
Inventories		**389,676**	403,149
Trade receivables, bills receivables and other receivables, deposits and prepayments	*10*	**149,458**	206,780
Amounts due from related companies		**4,943**	4,943
Tax recoverable		**983**	983
Pledged bank deposits		**45,395**	49,125
Bank balances and cash		**64,231**	94,119
		656,146	760,632
Assets classified as held for sale	*11*	**108,963**	108,963
		765,109	869,595

	NOTES	30.6.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (audited)
CURRENT LIABILITIES			
Trade payables, bills payables and other payables	12	**177,824**	155,935
Amount due to a related party		**20,950**	20,950
Deposit received from transfer of the operation rights of a subsidiary	11	**236,056**	236,056
Tax liabilities		**4,616**	4,572
Bank and other borrowings-due within one year		**894,894**	934,171
Bank overdrafts		**64,601**	53,772
Amount due to a shareholder of the Company		**29,224**	29,050
		1,428,165	1,434,506
NET CURRENT LIABILITIES		**(663,056)**	(564,911)
TOTAL ASSETS LESS CURRENT LIABILITIES		**95,395**	277,612
CAPITAL AND RESERVES			
Share capital		**7,057**	7,057
Reserves		**73,380**	256,534
		80,437	263,591
NON-CURRENT LIABILITIES			
Bank and other borrowings-due after one year		**10,701**	9,861
Deferred tax liabilities		**4,257**	4,160
		14,958	14,021
		95,395	277,612

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34") Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that the Group incurred a loss of approximately HK$144,814,000 for the six months ended 30th June, 2016 and the Group's current liabilities exceeded its current assets by approximately HK$663,056,000 as at 30th June, 2016. During the period and subsequent to 30th June, 2016, the Group has breached certain loan covenants of a number of banking facilities and defaulted on the repayment of certain bank borrowings. Certain banks of the Company (the "Banks") have therefore demanded in writing that the Group shall make immediate repayment of the aggregate amount of approximately HK$672,208,000 or they may consider commencing legal proceedings against the Group. The Group has been actively negotiating with the Banks for restructuring of the relevant borrowings, including rescheduling of the terms of repayments and/or the extension or revision of the relevant banking facilities.

As part of the negotiations, on 8th June, 2015, Addchance Dyeing Factory Limited ("Addchance Dyeing"), a company owned as to 60% by Dr. Sung Chung Kwun, the former Chairman and the sole shareholder of Powerlink Industries Limited, which was a substantial shareholder of the Company at the material time, and as to 40% by Mr. Sung Kim Ping at the material time, a former executive director of the Company, has arranged the execution of second mortgage on its own property 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 owed to those banks.

Up to the date these financial statements were authorised for issuance, the directors of the Company have performed an assessment of the Group's future liquidity and cash flows, taking into account the following relevant measures:

(i) the Group is negotiating with the Banks for the terms of repayments in order to avoid immediate repayment and legal actions to be taken by the Banks;

(ii) the Group is expected to receive an amount of approximately HK$53 million representing the estimated residual net proceeds upon the completion of the transfer of entire equity interest of Luoding Addchance Limited, an indirectly wholly-owned subsidiary of the Group to an independent third party which is subject to fulfillment of certain requirements under the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") in connection with this transfer (including but not limited to the obtaining of shareholders' approval), with the details as set out in the announcements made by the Company dated 25th July, 2016 and 15th August, 2016;

(iii) on 26th August, 2016, Yuanta Securities (Hong Kong) Company (the "2016 Placing Agent"), an independent third party of the Group has successfully placed an aggregate of 141,000,000 placing shares of the Company at a price of HK$0.315 per placing share (the "Placing"). The net proceeds from the Placing were approximately HK$42,115,000, with the details as set out in the announcement made by the Company dated 26th August, 2016; and

(iv) other fund raising activities conducted by the Group.

The directors of the Company considered that after taking into account the above, the Group's liquidity and financial position will be improved and will have sufficient funds to pay its financial obligations as and when they fall due in the foreseeable future. Accordingly, the directors of the Company consider that it is appropriate to prepare these financial statements on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2016 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2015.

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

Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle

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

3. SEGMENT INFORMATION

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

Six months ended 30th June, 2016

	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	**14,999**	**92,523**	**102,192**	**18,697**	**4,823**	**233,234**	**–**	**233,234**
Inter-segment sales	**11,122**	**53,708**	**106,369**	**400**	**30,005**	**201,604**	**(201,604)**	**–**
	26,121	**146,231**	**208,561**	**19,097**	**34,828**	**434,838**	**(201,604)**	**233,234**
SEGMENT (LOSS) PROFIT	**(40,264)**	**(5,452)**	**(51,148)**	**626**	**5,980**	**(90,258)**	**–**	**(90,258)**
Unallocated expenses								**(7,516)**
Other income, gains (losses) and impairment losses								**(28,965)**
Finance costs								**(17,934)**
Loss before tax								**(144,673)**

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 (LOSS) PROFIT	(7,501)	2,409	(30,675)	822	(7,948)	(42,893)	–	(42,893)
Unallocated expenses								(3,901)
Other income, gains (losses) and impairment losses								4,212
Finance costs								(16,907)
Loss before tax								(59,489)

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

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

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

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
Production and sale of cotton yarn	**244,547**	281,534
Production and sale of knitted sweaters	**616,752**	704,359
Production and sale of dyed yarns	**209,938**	191,318
Provision of dyeing services	**38,659**	34,993
Trading of cotton and yarns	**41,445**	60,792
Available-for-sale investment	**94,545**	130,000
Assets classified as held for sale	**108,963**	108,963
Deposit paid for acquisition of investment	**40,000**	40,000
Unallocated corporate assets	**128,711**	160,159
	1,523,560	1,712,118

4. OTHER INCOME, GAINS (LOSSES) AND IMPAIRMENT LOSSES

Other income, gains (losses) and (impairment losses) comprises:

	For the six months ended 30th June,	
	2016	2015
	HK$'000	*HK$'000*
Gain on disposal of assets classified as held for sale	**–**	11,853
Gain on disposal of club debenture	**–**	2,930
Interest income on other assets	**183**	551
Impairment loss recognised on available-for-sale investment	**(35,455)**	–
Change in fair value of derivative financial instruments	**–**	(254)
Net exchange gains	**18,390**	2,227
Gain (loss) on disposal of property, plant and equipment	**4**	(1,331)
Impairment losses recognised on other receivables	**(2,001)**	–
Bank interest income	**8**	24
Rental income	**2,154**	961
Sundry income	**4,141**	10,755
	(12,576)	27,716

5. FINANCE COSTS

	For the six months ended 30th June, 2016 *HK$'000*	2015 *HK$'000*
Interest on bank and other borrowings	**17,934**	16,907

6. INCOME TAX EXPENSE

	For the six months ended 30th June, 2016 *HK$'000*	2015 *HK$'000*
The income tax expense comprises:		
Hong Kong Profits Tax		
– Current period	**44**	366
– Overprovision in prior years	**–**	(280)
PRC Enterprise Income Tax-current period	**–**	2,556
	44	2,642
Deferred taxation		
– Current period	**97**	(533)
	141	2,109

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 profits generated from Cambodian 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, 2016 *HK$'000*	2015 *HK$'000*
Depreciation of investment properties	**–**	21
Depreciation of property, plant and equipment	**27,335**	36,769
Amortisation of prepaid lease payments	**730**	784

8. DIVIDEND

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30th June, 2016 or the six months ended 30th June, 2015.

9. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the loss for the period attributable to the owners of the Company of approximately HK$144,814,000 (six months ended 30th June, 2015: HK$61,598,000) and on the weighted average number of shares in issue of 705,730,909 (six months ended 30th June, 2015: 558,822,938).

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

10. TRADE RECEIVABLES, 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, 2016, included in trade receivables, bills receivables and other receivables, deposits and prepayments are trade receivables of HK$99,185,000 and bills receivables of HK$833,000 (31st December, 2015: trade receivables of HK$138,054,000 and bills receivables of HK$4,246,000), 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, are as follows:

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
Aged:		
0-30 days	**51,899**	63,774
31-60 days	**16,869**	21,315
61-90 days	**4,787**	16,028
91-120 days	**6,514**	24,472
Over 120 days	**19,949**	16,711
	100,018	142,300
Others	**49,440**	64,480
	149,458	206,780

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

As disclosed in the announcement made 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 "Original 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 approximately HK$554,321,000 which will be payable in six installments within five years from 31st December, 2012, with the first two installments of approximately HK$184,774,000 in total being received in 2012 and 2013 and the remaining four installments with an aggregate amount of approximately HK$369,547,000 schedule to be received from 30th January, 2014 to 30th July, 2016.

Subject to fulfilment of all conditions precedent set out in the Agreement, the Original Acquirer can, within 60 days from the date when the Group has received the full amount of the first three installments of the consideration which should have taken 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 approximately HK$184,774,000, amount equal to the third and the fourth installments in total, from a bank and the Original Acquirer agreed to transfer fund to the Company to repay the loans when they fall due in December 2014. This arrangement of fund transfer would replace the third and the fourth installments which should originally be payable on 30th January, 2014 and 30th November, 2015, respectively. Due to the above arrangement, the third installments was considered not yet have been received and the pre-requisite conditions precedent set out in the Agreement (the "Conditions") was considered not yet have been fulfilled on 30th January, 2014.

During the year ended 31st December, 2014, the Original Acquirer failed to transfer the agreed fund to the Company and transferred only approximately HK$51,282,000 to the Company for the settlement of the bank loan while the maturity date of the remaining bank loan of approximately HK$134,492,000 was agreed by the Company and the bank, to be extended to December 2015 and the Conditions was considered not yet have been fulfilled on 31st December, 2014.

During the year ended 31st December, 2015, no amount of the above bank loan was repaid and the maturity date of the outstanding bank loan of approximately HK$134,492,000 was agreed by the Company and the bank, to be further extended to December 2016. The Company is actively negotiating with the Original Acquirer for, among others, the repayment of bank loan, reduction of the total consideration to the settled and the schedules for settlements of the above sums. Based on these circumstances, the directors of the Company consider 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 continued to be classified as assets held for sale as at 30th June, 2016 and are separately presented in the condensed consolidated statement of financial position. The deposits and monies received so far from the Original Acquirer of approximately HK$236,056,000 (31st December, 2015: HK$236,056,000) in total received as at 30th June, 2016 have been classified as current liabilities.

On 30th June, 2016, the Group and the Original Acquirer entered into a supplemental agreement to the Agreement and agreed to adjust the structure of the deal and offered the 100% of the registered capital in Luoding Addchance Limited (the "Equity Interest") for public auction (the "Auction").

On 23rd July, 2016, an independent third party (the "New Acquirer") won the bid for the Auction. As disclosed in the announcement of the Company dated 15th August, 2016, Good Spread entered into another equity transfer agreement with the New Acquirer on 15th August, 2016 for the transfer of the Equity Interest for a consideration of approximately RMB370 million (equivalent to approximately HK$429 million), which comprised the auction price of approximately RMB45 million (equivalent to approximately HK$53 million), repayment of outstanding bank loans by the New Acquirer on behalf of the Group of approximately RMB155 million (equivalent to approximately HK$180 million) and refund of part of the deposits received from the Original Acquirer on behalf of the Group of approximately RMB170 million (equivalent to approximately HK$196 million). The completion of the Auction is subject to the relevant requirements under the Listing Rules issued by the Stock Exchange in connection with this transfer (including but not limited to the obtaining of shareholders' approval). The directors of the Company expect that, upon the completion of the transfer, a gain before tax of approximately HK$320 million, calculated on the basis of the consideration to be received after deduction of the carrying amount of assets classified as held for sale.

12. TRADE PAYABLES, BILLS PAYABLES AND OTHER PAYABLES

At 30th June, 2016, included in trade and other payables are trade payables of HK$76,802,000 and bills payables of HK$9,440,000 (31st December, 2015: trade payables of HK$62,766,000 and bills payables of nil) and their aged analysis, presented based on the invoice dates, at the end of the reporting period is as follows:

	30.6.2016	31.12.2015
	HK$'000	*HK$'000*
Aged:		
0-60 days	**28,302**	31,993
61-90 days	**12,161**	11,573
Over 90 days	**45,779**	19,200
	86,242	62,766
Other payables and accruals	**91,582**	93,169
	177,824	155,935

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's consolidated revenue for the six months ended 30th June, 2016 decreased apparently by approximately 43.1% to HK$233.2 million. During the reporting period, the Group continuously recorded a loss of approximately HK$144.8 million from its textile business.

The reporting period was still challenging for the textile industry as the cotton prices showed a volatile and downward trend. With the combined effect of the sluggish demand in domestic and overseas markets, as well as diminishing traditional advantages and the declining price of commodities, both the export and import demand of China continued to decrease. Coupled with the weak growth in end-user spending, cotton prices showed a volatile and downward trend. The average global market price for cotton also decreased. The decrease in cotton price had accordingly resulted in the reduction of the average selling price of our textile products. Further, the drop in the auction price of the national cotton reserve set by the PRC government also led the average yarn selling prices in the PRC market further declined with the pessimistic and cautious approach from those cotton and dyed yarns customers.

On the other hand, as a result of the sluggish demand in overseas markets, the substantial fluctuation in exchange rates, the intensified international competition and the rapid development of textile products in neighboring countries, such as Bangladesh, the market demands from European customers decreased as a whole. The orders from Europe continuously decreased when compared with the period last year. The size and volume of orders still failed to resume to the optimum level and the textile business of the Group still yet to effectively leverage down the production costs which adversely affected the baseline for our textile business in the year of 2016. The unfavourable market conditions together with the continuously surging production costs adversely affected the Group's textile business both in terms of the revenue and profitability.

Sweater business remains the most profitable business of the Group. Our first green factory in Cambodia has commenced its operation since 2013 and the production capacity can be increased as planned. 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 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 product 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. We will also try to increase the output per person by upgrading the automation of machineries and enhancing the overall production efficiency and we will endeavour to optimize our value chain and operation efficiency.

PROSPECTS

The implementation of the strategy of "One Belt and One Road" and the direct subsidy policy in Xinjiang are expected to bring a stabilizing effect on the cotton price in the PRC market and the cotton industry is expecting to be more market-oriented. The cotton price in the PRC and overseas markets fluctuated at a low level and the gap between the PRC and overseas cotton prices is narrowed.

Looking forward, the global economy is expected to surround with uncertainties of the softening of consumer sentiments. We remained cautiously optimistic on the outlook of the textile and garment industry. However, as necessity goods, we consider that the rigid demand for textile products will continue to exist. Further, with our focus on Cambodia development, 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 bode well for 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.

The market condition for textile industry remained difficult for the six months ended 30 June 2016. The profit of some enterprises slumped and the backlog of franchisees remained heavy, 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 have been established in Cambodia for a number of years and we can enjoy the cost benefits of the human resources in Cambodia and the import tariff concessions granted by EU and Japan. These factors strengthened our bargaining power of orders received from EU and Japan. Therefore, further development in Cambodia would be our focus in the coming years. However, with the view of the current challenging market environment, the Group will continue to take a cautious approach on finance resources management and will concentrate its efforts on consolidating existing resources to strengthen its established positions in China and Cambodia.

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 we are in a much better position to grasp any market opportunities, to mitigate the impacts of the market's current volatility and maintain our leading position in the global cotton textile industry.

With the view of the current challenging market environment of textile industry, in order to diversify the business of the Group, the Group stepped into the natural gas business in 2015 through the acquisition of 13% equity interest in Coulman International Limited ("Coulman") which, through its non-wholly owned subsidiaries, operates natural gas business in Shanxi province, the PRC. According to the National Bureau of Statistics of the PRC, the consumption of natural gas portraits an increasing trend and annual consumption has increased by more than six times from approximately 27 billion cubic metre (bcm) in 2002 to approximately 168 bcm in 2013. The PRC government continuously encourages fuel switching from coal and oil to natural gas in order to reduce pollution. Based on the Energy Development Strategic Action Plan (2014-2020) (the "EDSA Plan") issued by the State Council of the PRC in November 2014, the country's energy policies are continuously leaning towards the adoption and development of cleaner energy, the EDSA Plan outlines the country's target to enlarge the share in the consumption of natural gas to over 10% by 2020 while reducing the consumption of coal to under 62%.

The PRC's natural gas demand expanded by 3.3% in 2015, and currently accounts for approximately 6% to 7% of the PRC's energy demand. The 13th Five-Year Plan (2016-2020) reiterates the position of the EDSA Plan, encouraging the development of clean energy including but not limited to, natural gas as one of the key for the PRC's energy planning, and aiming to increase the demand for natural gas to over 10% by 2020.

As disclosed in the announcement of the Company dated 30th June, 2016, Endless Rich Limited ("Endless Rich"), an indirectly wholly-owned subsidiary of the Company, entered into a sale and purchase agreement for the possible further acquisition of 22% of the issued share capital of Coulman. We considered that the possible acquisition would broaden the sources of the income, improve the financial performance of the Group as well as provide better return to the shareholders of the Company in future. Despite the difficulties and challenges we have encountered, the Group will continue to look for the operation efficiency, business development and further investment opportunities.

FINANCIAL REVIEW

TEXTILE BUSINESS

Turnover

For the period ended 30th June, 2016, 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 period ended 30th June, 2016 was about HK$233.2 million. Comparing with the corresponding period last year, the revenue drop apparently by around 43.1% for the period under review, decreased from HK$409.9 million to approximately HK$233.2 million for the period under review. Production and sales of knitted sweaters and dyed yarn remained as the principal operation in the textile business of the Group.

The Group's turnover of the sweater business substantially decreased by approximately 49.0%, from approximately HK$181.3 million for the last period end to about HK$92.5 million for the reporting period. It represented approximately 39.7% of the total turnover of the Group.

With the sluggish overseas market demand, the orders received from our European customers apparently decreased by approximately 63.2% whilst the average selling price per unit sold can be bargained at a slightly higher price by around 12.1% despite the stagnant market conditions. Similar to previous year, the Group'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 to EU customers by utilizing the competitive advantages of the low labour cost in our production plants in Cambodia. 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 and in turn improving 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 the European customers. With the expansion of our green factory in Cambodia, the group will focus our production products to those middle to high-end textile products with environmental-friendly features. Besides, textile products imported from Cambodia are subject 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 38.4%, from approximately HK$165.9 million to about HK$102.2 million during the period under review, representing approximately 43.8% of the Group's total turnover. Similar to those happened last year, the average yarn selling prices in the PRC market continuously dropped in the period under review with the pessimistic and cautious approach by those cotton and dyed yarns customers. The average selling price for the period under review dropped further by 11.0%. 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.

Sales generated from the production and sales of cotton yarns also continued to decrease by 63.0%, from approximately HK$40.5 million to approximately HK$15.0 million, represented only 6.4% of the Group's total turnover. This business was started to be scaled down with the persistent gap between the PRC and overseas cotton prices and the rising production costs in the PRC. Sales volume of cotton yarns decreased by around 57.9% whereas the average selling price recorded a decrease of 12.1% with the general weak cotton yarn prices in the industry. The external utilization rate of the cotton yarn was decreased to at around 57.4% for the period under review.

Revenue generated from the provision of dyeing services slightly increased from HK$17.6 million to about HK$18.7 million for the period 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. 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 from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Cost of Sales

The cost of sales from the core operation for the period under review was approximately HK$272.4 million. With the apparent decrease in sales of approximately 43.1%, the cost of sales from the core operation decreased by about 31.0% accordingly. All the cost components including the raw materials consumed, direct labour and all other factory overheads decreased accordingly. The continuously strengthening of the yarns procurement strategies and the improvement in the wastage percentage during the production cycles will keep those production costs at a controllable level.

Gross loss

During the reporting period, the Group continuously recorded a gross loss of approximately HK$144.8 milllion. With the apparent decrease in sales of approximately 43.1%, the fixed production overheads are unable to be leveraged down and the sales volumes are far to optimize in the production cycles. Besides, the overall selling price in various segments apparently dropped. The downward expectations for cotton prices and the wait-and-see atmosphere in the downstream textile business further adversely affected the Group's revenue and the borderline of the textile business.

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

Except for the impairment loss recognised on available-for-sale investment of about HK$35.5 million, a net loss of approximately HK$109.4 million was from derived from the core textile business of the Group.

With the overall unfavourable economic environment of the cotton yarn industry, our dyeing and spinning segments continuously suffered a loss for the first half of 2016. On the other hand, with the intense competition from the neighbouring countries and the resulting significant decrease in the sales orders of sweater, the net loss of the Group enlarged for the period under review. The Group will continuously overcome the challenges by sharpening its competitive edge.

Other income, gains (losses) and impairment losses

Other losses of approximately HK$12.6 million mainly comprised those income derived from the disposal of scrapped materials, exchange gains and interest income less the impairment loss on available-for-sale investment and other receivables.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. For the period under review, the Group's selling and distribution costs amounted to approximately HK$16.4 million, representing approximately 7.0% of the Group's turnover.

Administrative expenses

Administrative expenses of approximately HK$58.6 million mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented approximately 25.1% of the Group's turnover.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which were kept at approximately 7.7% of the Group's turnover. Amount increased to HK$17.9 million for the period under review.

Borrowings

As at 30th June, 2016, the Group had outstanding bank borrowings of approximately HK$970.2 million, in which approximately HK$10.7 million was classified as falling due more than one year and the remaining HK$959.5 million was classified as falling due within one year.

The Group has breached certain loan covenants of certain bank facilities and defaulted on the repayment of certain banking borrowings since last year. Certain bankers of the Company (the "Bank") have therefore demanded in writing that the Group shall make immediate repayment of the aggregate amount of approximately HK$672,208,000 or they may consider commencing legal proceedings against the Group. The Group has been actively negotiating with the Banks for restructuring of the relevant borrowings, including rescheduling of the terms of repayments and/or the extension or revision of the relevant banking facilities.

As part of the negotiations, on 8th June, 2015, Addchance Dyeing Factory Limited ("Addchance Dyeing"), a company owned as to 60% by Dr. Sung Chung Kwun, the former Chairman and the sole shareholder of Powerlink Industries Limited, which was a substantial shareholder of the Company at the material time, and as to 40% by Mr. Sung Kim Ping at the material time, a former executive director of the Company, has arranged the execution of second mortgage on its own property 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 owed to those banks.

Stock turnover days

Stock turnover days of the Group for the period under review was approximately 259 days, which was improved continuously comparing with the corresponding period last year. The Group will continuously monitor its inventory level to a secure level in the future.

Debtors' turnover days

The debtors' turnover days was improved apparently to 78 days for the period end. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner continuously. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and is expected to take into account various factors such as the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to its shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the cash required for the Group's operation in the second half of 2016, the Board of Directors of the Company does not recommend the payment of interim dividend for the six months ended 30th June, 2016.

SHARE OPTION SCHEME

As at 30th June 2016, the Company did not have any effective share option scheme and there is no outstanding share option under the former share option scheme.

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

During the six months ended 30th June 2016, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE AND LISTING RULES

The Company has complied with the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Listing Rules, except for deviations from Code A.6.7 and E.1.2. Code provision A.6.7 stipulates that independent non-executive directors should attend general meetings. Due to certain important business engagements at the relevant time, not all independent non-executive directors attended the extraordinary general meeting of the Company held on 30th March 2016. Code E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 7th May 2016.

COMPLIANCE WITH THE MODEL CODE

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 period ended 30th June, 2016.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited interim results for the six months ended 30th June, 2016. 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, 2016.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement will be published on both the websites of the Company (www.addchance.com.hk) and of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30th June 2016 will be dispatched to shareholders and published on the aforesaid websites in due course.

By Order of the Board
Addchance Holdings Limited
Lo Ping
Executive Director

Hong Kong, 30th August, 2016

As at the date of this announcement, the Board comprises (i) Mr. Cheung Tat Chung (Chief Executive Officer), Mr. Wong Chiu Hong, Mr. Lo Ping and Mr. Zheng Jun as executive Directors; (ii) Mr. Chui Chi Yun, Robert and Mr. Zhao Xu as non-executive Directors; and (iii) Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu as independent non-executive Directors.