ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3344)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2015

HIGHLIGHTS

- Turnover for the year ended 31st December, 2015 was approximately HK$961.1 million representing a decrease of approximately HK$55.2 million or 5.4% as compared with last year.

- Loss for the year was approximately HK$951.1 million for the year ended 31st December, 2015.

- The directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2015.

FINAL RESULTS

The board of directors of the Company ("the Board") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2015 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2015

	Notes	**2015** HK$'000	2014 HK$'000
Revenue	4	**961,072**	1,016,283
Cost of sales	7	**(1,461,004)**	(944,027)
Gross (loss) profit		**(499,932)**	72,256
Other income, gains (losses) and impairment losses	5	**(212,222)**	7,008
Selling and distribution costs		**(61,559)**	(84,182)
Administrative expenses		**(135,039)**	(131,031)
Finance costs		**(52,902)**	(44,782)
Loss before tax		**(961,654)**	(180,731)
Income tax credit (expense)	6	**10,525**	(3,527)
Loss for the year	7	**(951,129)**	(184,258)
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(33,247)**	31,918
Total comprehensive expense for the year		**(984,376)**	(152,340)
Loss per share, in HK cents	9		
Basic		**(155.05)**	(41.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Investment properties		–	329
Property, plant and equipment		**585,736**	802,644
Prepaid lease payments		**60,992**	68,412
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**14,806**	15,186
Deposit paid for acquisition of investment		**40,000**	–
Available-for-sale investment		**130,000**	–
Club debenture		–	1,070
Other assets		**10,989**	16,095
		842,523	903,736
CURRENT ASSETS			
Prepaid lease payments		**1,533**	1,608
Inventories		**403,149**	1,030,633
Trade receivables, bills receivable and other receivables, deposits and prepayments	*10*	**206,780**	359,277
Amounts due from related companies		**4,943**	4,002
Tax recoverable		**983**	913
Pledged bank deposits		**49,125**	67,487
Bank balances and cash		**94,119**	145,676
		760,632	1,609,596
Assets classified as held for sale		**108,963**	128,360
		869,595	1,737,956
CURRENT LIABILITIES			
Trade payable, bills payable and other payables	*11*	**155,935**	277,431
Amount due to a related company		**20,950**	–
Deposit received from transfer of the operation rights of a subsidiary		**236,056**	236,056
Derivative financial instruments		–	20,042
Tax liabilities		**4,572**	5,393
Bank and other borrowings – due within one year		**934,171**	1,119,947
Bank overdrafts		**53,772**	19,310
Amount due to a shareholder of the Company		**29,050**	–
		1,434,506	1,678,179
NET CURRENT (LIABILITIES) ASSETS		**(564,911)**	59,777
TOTAL ASSETS LESS CURRENT LIABILITIES		**277,612**	963,513

	2015	2014
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**7,057**	4,413
Reserves	**256,534**	943,404
	263,591	947,817
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	**9,861**	–
Deferred tax liabilities	**4,160**	15,696
	14,021	15,696
	277,612	963,513

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9th June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are set out in the section headed "Corporate Information" of the annual report.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by approximately HK$564,911,000 as at 31st December, 2015. During the year and subsequent to 31st December 2015, the Group has breached certain of loan covenants of certain bank facilities and defaulted on the repayment of certain banking borrowings. Certain bankers of the Company (the "Banks") have therefore demanded in writing that the Group shall make immediate repayment of the aggregate amount of approximately HK$667,011,000 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, Addchance Dyeing Factory Limited ("Addchance Dyeing"), a company owned as to 60% by Dr. Sung Chung Kwun, the former Chairman and the beneficial owner of a substantial shareholder of the Company, and as to 40% by Mr. Sung Kim Ping, an 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 certain bankers to secure all the present and future debts owed by the Group owed to those bankers.

Up to the date these consolidated financial statements were authorised for issuance, the restructuring of the loans from the Banks is still under negotiation.

On 27th November 2015, the Company and Rongsheng Asset Management Co., Limited (the "Subscriber"), an independent third party of the Group, entered into the conditional subscription agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 2,010,000,000 subscription shares to the Subscriber at the subscription price of HK$0.56 per subscription share (the "Subscription"). The estimated net proceeds from the Subscription is approximately HK$1,098 million.

On the same date, the Company and Qian Hai Securities Limited (the "2015 Placing Agent"), an independent third party of the Group, entered into the conditional placing agreement (as supplemented by a supplemental placing agreement), pursuant to which the Company has conditionally agreed to place through the 2015 Placing Agent, on a best effort basis, up to 1,300,000,000 placing shares at a price of HK$0.56 per placing share (the "Placing"). The estimated net proceeds from the Placing is approximately HK$684 million.

Ordinary resolutions in relation to the Subscription and the Placing have been approved in an extraordinary general meeting of the Company convened on 30th March, 2016.

As at the date these consolidated financial statements were authorised for issuance, the following conditions precedent set out in the conditional subscription agreement have not yet been fulfilled or waived by the relevant parties (if so allowed) under the agreement:

- the approval from the Stock Exchange for the listing of shares to be issued under the Subscription;
- the Company is not rendered to be unable to meet the minimum public float requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") by reason of the Subscription;
- there being no suspension on the trading of shares of the Company on the Stock Exchange for more than five consecutive business days prior to the completion of the Subscription, other than suspension due to the execution of the subscription agreement or as agreed by the Subscriber;
- the obtaining of all approval and consent for the transactions contemplated under the subscription agreement, the compliance of all applicable laws and regulations relevant to the Subscription by the parties involved and the performance of all necessary legal procedures;
- no order, judgement, limitations nor decision has been made, issued or ordered by any judicial governmental or regulatory authorities to restrict or prohibit the transactions contemplated under the subscription agreement;
- no application made by any third party to any court or governmental authorities claiming or threatening to claim for material compensation, to restrict or prohibit the transactions contemplated under the subscription agreement, or to declare the transactions to be illegal;
- the representations, warranties and undertakings given by the Company in relation to the Subscription is not materially misleading up to the completion of the Subscription;
- the performance of all the relevant obligations and undertakings under the subscription agreement by the Company and the Subscriber, respectively;
- the satisfaction of the Subscriber for no material adverse change in the prospects, operation, financial and other aspects of the Company (and any development or event leading thereto) up to the completion of the Subscription;
- the satisfaction of the Subscriber for the due diligence results on the legal and financial aspects of the Group; and
- the provision of legal opinions by the Company in relation to the Group in Hong Kong, Macau and the Cayman Islands, to the Subscriber, in such form and substance to the satisfaction of the Subscriber.

As at the date these consolidated financial statements were authorised for issuance, the following conditions precedent set out in the conditional placing agreement have not yet been fulfilled:

- the approval from the Stock Exchange for the listing of shares to be issued under the Placing; and
- the obtaining by all parties involved of all necessary consents or approvals (if any) from the relevant authorities in respect of the entry and consummation of the placing agreement and the transactions contemplated thereunder.

The directors of the Company consider that, upon completion of the Subscription and/or the Placing, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Based on the facts and circumstances as made available thereto, the directors of the Company are of the opinion that the both the Subscription and the Placing will be completed. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis at least in the coming twelve months taking into consideration the estimated maximum net proceeds of approximately HK$1,782 million from the share subscription and share placements expected to be completed on or before 30th June, 2016. However, should neither the Subscription nor the Placing be completed and the Group is unable to find alternative sources of funding, the Group may be unable to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and to reclassify its non-current assets and non-current liabilities to current assets and current liabilities, respectively.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board.

Amendments to 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 amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

IFRS 9	Financial Instruments[1]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[3]
Amendments to IAS 1	Disclosure Initiative[4]
Amendments to IAS 7	Disclosure Initiative[6]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[6]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants[4]
Amendments to IAS 27	Equity Method in Separate Financial Statements[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception[4]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[4]
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle[4]

1 Effective for annual periods beginning on or after 1st January, 2018
2 Effective for first annual IFRS financial statements beginning on or after 1st January, 2016
3 Effective for annual periods beginning on or after 1st January, 2019
4 Effective for annual periods beginning on or after 1st January, 2016
5 Effective for annual periods beginning on or after a date to be determined
6 Effective for annual periods beginning on or after 1st January, 2017

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance ("HKCO").

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

Specifically, the Group's operating and reportable segments under IFRS 8 are as follows:

1. Production and sale of cotton yarn

2. Production and sale of knitted sweaters

3. Production and sale of dyed yarns

4. Provision of dyeing services

5. Trading of cotton and yarns

Segment revenue and results

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

For the year ended 31st December, 2015

	Production and sale of cotton yarn	Production and sale of knitted sweaters	Production and sale of dyed yarns	Provision of dyeing services	Trading of cotton and yarns	Total for reportable segments	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	67,932	587,942	262,245	33,017	9,936	961,072	–	961,072
Inter-segment sales	23,722	–	269,335	8,969	140,353	442,379	(442,379)	–
Segment revenue	91,654	587,942	531,580	41,986	150,289	1,403,451	(442,379)	961,072
SEGMENT LOSS	(94,338)	(654,701)	(86,484)	(4,579)	(43,213)	(883,315)	–	(883,315)
Unallocated expenses								(16,809)
Other income, gains (losses) and impairment losses								(8,628)
Finance costs								(52,902)
Loss before tax								(961,654)

For the year ended 31st December, 2014

	Production and sale of cotton yarn	Production and sale of knitted sweaters	Production and sale of dyed yarns	Provision of dyeing services	Trading of cotton and yarns	Total for reportable segments	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE								
External sales	114,470	541,105	307,105	39,908	13,695	1,016,283	–	1,016,283
Inter-segment sales	77,443	–	410,159	10,248	228,182	726,032	(726,032)	–
Segment revenue	191,913	541,105	717,264	50,156	241,877	1,742,315	(726,032)	1,016,283
SEGMENT (LOSS) PROFIT	(38,885)	3,875	(65,621)	(2,085)	(33,007)	(135,723)	–	(135,723)
Unallocated expenses								(12,033)
Other income and gains (losses)								11,807
Finance costs								(44,782)
Loss before tax								(180,731)

Geographical information

Information about the Group's revenue from external customers is presented based on the location of customers and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets	
	2015	2014	**2015**	2014
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**315,226**	377,909	**422,384**	523,154
Hong Kong	**89,236**	130,501	**56,334**	25,480
Other Asian countries	**51,753**	90,572	**233,805**	355,102
Arabian Peninsula	**165,568**	1,023	**–**	–
Europe	**196,060**	384,630	**–**	–
North America	**143,073**	29,599	**–**	–
Australia	**156**	2,049	**–**	–
	961,072	1,016,283	**712,523**	903,736

Note: Non-current assets excluded financial assets.

Included in revenue for customers located in Europe, amounts of approximately HK$64,662,000 (2014: HK$7,940,000), HK$56,242,000 (2014: HK$6,421,000) and HK$42,138,000 (2014: HK$222,171,000) were arising from sales to customers based in Russia, Spain and United Kingdom, respectively.

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

	2015	2014
	HK$'000	*HK$'000*
Gain on disposal on investment properties and prepaid lease payments	**3,978**	15,864
Gain on disposal of club debenture	**2,930**	–
Change in fair value of derivative financial instruments	**93**	(197)
Gain on disposal of assets classified as held for sale	**11,853**	–
Net exchange gains (losses)	**3,842**	(6,615)
Bank interest income	**3,005**	2,957
Interest income on other assets	**486**	354
Rental income	**2,580**	2,225
Income from sales of scrap materials	**7,914**	7,878
Sundry income	**8,544**	3,190
Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments	**(140,137)**	(10,193)
Impairment loss recognised on available-for-sale investment	**(47,320)**	–
Impairment losses recognised on trade and other receivables	**(67,299)**	(11,733)
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	**(2,017)**	3,278
Loss on partial surrender of an insurance policy	**(674)**	–
	(212,222)	7,008

6. INCOME TAX (CREDIT) EXPENSE

	2015	2014
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	**–**	971
– Underprovision in prior years	**223**	102
PRC Enterprise Income Tax		
– Current year	**788**	1,950
– Overprovision in prior years	**–**	(91)
	1,011	2,932
Deferred taxation		
– Current year	**(11,536)**	595
	(10,525)	3,527

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

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1st January, 2008 onwards.

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

7. LOSS FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration	**7,639**	8,056
Other staff costs	**247,738**	280,901
Retirement benefits scheme contributions, excluding directors	**8,091**	10,182
Total staff costs	**263,468**	299,139
Auditor's remuneration	**2,780**	2,300
Cost of inventories recognised as an expense	**1,180,214**	914,409
Write-down of inventories (included in cost of sales) *(Note)*	**280,790**	29,618
Depreciation of investment properties	**21**	52
Depreciation of property, plant and equipment	**79,866**	84,542
Amortisation of prepaid lease payments	**1,533**	1,605
Gross rental income from investment properties (as included in other income, gains (loss) and impairment losses)	**(2,580)**	(2,225)
Less: direct operating expenses from investment properties that generated rental income during the year	**262**	256
	(2,318)	(1,969)

Note: The unfavourable economic environments of the textile industry continued to put strong downward pressures on the selling prices of the Group's textile products and the customers' tendency to minimise stocks reduced their orders placed with the Group. The aged and obsolete inventories of the Group has therefore be written down to their net realisable value and recognised as an expense in the year ended 31st December, 2015.

8. DIVIDENDS

	2015	2014
	HK$'000	*HK$'000*
Dividend recognised as distribution during the year – nil (2014: 2013 Final dividend of HK2.0 cents per share)	**–**	8,823

The directors of the Company do not recommend the payment of a final dividend for the year ended 31st December, 2015 or the year ended 31st December, 2014.

9. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the loss for the year attributable to the owners of the Company of approximately HK$951,129,000 (2014: HK$184,258,000) and on the weighted average number of shares in issue during the year of 613,416,000 (2014: 441,250,000).

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

10. TRADE RECEIVABLES, BILLS RECEIVABLE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

Trade receivables of approximately HK$138,054,000 and bills receivable of approximately HK$4,246,000 (2014: HK$178,711,000 and HK$63,469,000, 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:

	2015	2014
	HK$'000	*HK$'000*
Trade and bills receivables (gross), aged:		
0-30 days	**63,774**	104,704
31-60 days	**21,315**	43,395
61-90 days	**16,028**	36,751
91-120 days	**24,472**	16,797
Over 120 days	**16,711**	49,971
	142,300	251,618
Less: Allowance for doubtful debts	**–**	(9,438)
Trade and bills receivables, net	**142,300**	242,180
Prepaid expenses	**14,534**	49,459
VAT receivables	**6,722**	18,302
Deposits	**1,686**	1,558
Others	**41,538**	47,778
	206,780	359,277

11. TRADE PAYABLES, BILLS PAYABLE AND OTHER PAYABLES

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

	2015	2014
	HK$'000	*HK$'000*
Aged:		
0-60 days	**31,993**	41,119
61-90 days	**11,573**	5,601
Over 90 days	**19,200**	38,202
	62,766	84,922
Receipt in advance from customers	**4,667**	7,933
Accrued expenses	**50,992**	54,680
VAT tax payables	**3,407**	7,417
Deposits received from disposal of assets classified as held for sale	**–**	11,538
Deposit received from share subscription	**–**	90,221
Other payables	**34,103**	20,720
Trade payables, bills payable and other payables shown under current liabilities	**155,935**	277,431

The average credit period on purchases of goods is 60 days to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

We are pleased to report the audited results of the Group for the year ended 31st December, 2015. The Group's consolidated revenue continuously decreased by 5.4% to approximately HK$961.1 million, representing a net loss of approximately HK$951.1 million for the year ended 31st December, 2015. Other than the written down on the inventories and the impairment loss on property, plant and equipment and prepaid lease payments of approximately HK$280.8 million and HK$140.1 million respectively, the provision made on trade and other receivables of approximately HK$67.3 million and the impairment loss made on available-for-sale investment of HK$47.3 million, the loss contributed by the core business operations was approximately HK$415.6 million.

From the beginning of the year of 2015, in response to the termination of the reserve cotton policy in China and the absence of a comprehensive nationwide policy on full-scale direct subsidies, the cotton textile industry continued to experience a highly uncertain and sluggish growth. The persistent gap between China and overseas cotton prices and 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. Affected by the weak macro economic environment, China's textile industry continued its sluggish performance throughout the year of 2015. The utilization of the inventory purchased at a higher price diminished the gross profit margin of the industry.

On the other hand, as a result of the sluggish demand in the 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. Although the orders from Europe started to recover when compared with the year ended 31st December, 2014, the size and volume of orders still failed to resume to the optimum level in the past. Furthermore, despite 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 year of 2015.

Sweater business remains as the most potential business in the Group and we have been continuing to increase our production capacity to cope with the recovering export demand. Our first green factory in Cambodia has commenced its operation since the first quarter of 2013 and the production capacity has increased as planned since the first half of 2013. 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 processes, we aim to achieve better energy conservation and to minimize daily disposals. We have obtained the recognized environmental-related permits as planned. Full operation has taken place in the year of 2013 and the production costs were averaged down. The establishment of the green factory not only increased our production capacity but also strengthened our competitive advantages towards the customers from the European Union ("EU"). We expect to 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 terms of green textile manufacturing, we will use our best endeavour to optimize the overall production efficiency as well as making contributions to the creation of a greener and more environmental-friendly industry in the future. Further, 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

With the implementation of the strategy of "One Belt and One Road" and the direct subsidy policy in Xinjiang with a target price of cotton since the year end of 2014, the cotton industry is expecting to be more market-oriented and therefore the cotton price in the PRC market is expected to be more stable. Nevertheless, the cotton prices in the PRC and overseas markets fluctuated at a low level and the gap between the PRC and overseas cotton prices is narrowed.

The market condition for textile industry remained difficult in the year of 2015. The profit of some enterprises slumped and the backlog of franchisees remained heavy, mainly due to the rising raw material costs, reduced purchasing power of the end market as well as the 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. Given that our manufacturing plants have been established in Cambodia for a number of years, we can enjoy the cost benefits of the human resources in Cambodia and the import tariff concessions from EU and Japan. These factors will strengthen our bargaining power of orders received from EU and Japan. Therefore, further development in Cambodia will be our focus in the coming years. However, with the view of the current challenging market environment, the Group will continue to adopt a cautious approach in finance resources management and will concentrate its efforts on consolidating existing resources to strengthen its established positions in China and Cambodia.

Looking forward, the global economy will undoubtedly remain uncertain. However, as necessity goods, the rigid demand for textile products will continue to exist. Also, with our continuous focus on the Cambodia development, we can, not only hedge against the difficulties of the 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 domestic consumption in China.

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 high 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. Furthermore, by leveraging on our new cash flow stream from the Operation Right Transfer Agreement, we believe that we are in a much better position to grasp 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.

In order to diversify the business of the Group, the Group stepped into the natural gas business during the year ended 31st December 2015. As disclosed in the announcement of the Company dated 13th March 2015, Endless Rich Limited ("Endless Rich"), an indirect wholly-owned subsidiary of the Company, had entered into an agreement to acquire 13% equity interest in Coulman International Limited ("Coulman") which, through its non-wholly-owned subsidiaries, operates natural gas business in Shanxi province, the PRC and the acquisition was completed in 2015. As disclosed in the announcement of the Company dated 23rd October 2015, Endless Rich, entered into a memorandum of understanding in respect of the possible acquisition of further 38% equity interest in Coulman with the intention to increase the equity interest in Coulman to 51% in order to become the controlling shareholder of Coulman and the acquisition is not yet completed as at the date of this announcement. The Company considers that the above acquisition and the possible acquisition would broaden the sources of income of the Group.

Despite the difficulties and challenges we have encountered, the Group will continue to look for the operation efficiency, business development and investment opportunities.

FINANCIAL REVIEW

Turnover

The Group is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarns, the provision of dyeing services and knitting services and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen and a mixture of the above, and knitted sweaters including cardigans and pullovers as well as socks and hosiery products.

The Group's total revenue for the year ended 31st December, 2015 was approximately HK$961.1 million. Comparing with the year ended 31st December, 2014, the revenue dropped by 5.4%, representing a decrease from approximately HK$1,016.3 million to HK$961.1 million. Production and sales of knitted sweaters and dyed yarn remained as the principal operation of the Group.

The Group's turnover of the sweater business increased slightly by 8.7%, from approximately HK$541.1 million for the year ended 31st December, 2014 to approximately HK$587.9 million for the year ended 31st December, 2015, representing 61.2% of the Group's total turnover. Although the number of orders has increased, the size and volume of the orders still failed to resume to the level in the past. Average selling price of the knitted sweaters cannot be raised while the sales volume increased by 12%. 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 in the PRC continued to decreased as expected due to the continuous increase in the labour costs in the PRC. The Group has strategically shifted the sales focus from the PRC to EU customers by utilizing the competitive advantages of low labour cost in our production plants in Cambodia. Such competitive advantages allowed the Group to grasp larger market shares. Our sweater business is being vertically benefited from our upstream spinning arms by utilizing the raw materials 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 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, this has strengthened the bargaining power of the Group.

Sales generated from the dyed yarn continued to decrease by 14.6%, from approximately HK$307.1 million to approximately HK$262.2 million for the year ended 31st December, 2015, representing 27.3% of the Group's total turnover. Similar to the year ended 31st December, 2014, the average yarn selling prices in the PRC market continued to drop for the year ended 31st December, 2015 resulting from the pessimistic and cautious approach adopted by those cotton and dyed yarns customers. The average selling price for the year ended 31st December, 2015 dropped further by 10.0%. Therefore, less amount of yarns were 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 a 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.

The production and sales of cotton yarns is another core business segment of the Group and it represents 7.1% of the Group's turnover during the year ended 31st December, 2015. As a result of the termination of the cotton temporary reserve policy, the PRC cotton price has dropped rapidly since 2014 and has remained at a low level. Therefore, the selling price of those cotton yarn products has dropped to a low level. Revenue generated from the sales of cotton yarns therefore decreased by 40.7% to approximately HK$67.9 million. The sales volume of cotton yarns decreased by 33.2% whereas the average selling price recorded a significant drop. With the general weak cotton yarn prices in the industry and the changes in the procurement strategy and inventory control strategy, less cotton yarns sales were made for the year ended 31st December, 2015 in order to avoid the accumulation of inventories. As a result, there is a significant decrease in the external utilization rate of the cotton yarn when compared with the year ended 31st December, 2014.

In line with overall weaknesses of the dyed yarn business, the revenue generated from the provision of dyeing services decreased from approximately HK$39.9 million to HK$33.0 million for the year ended 31st December, 2015. 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 remaining sales proceeds were from the exports to overseas countries including Thailand, Taiwan, and Indonesia.

Cost of Sales

With the slight decrease in sales of 5.4%, the cost of sales adversely increased substantially for the year ended 31st December, 2015. Apart from the exceptional write-down of inventory of approximately HK$280.8 million, same as those happened in interim period, there was an increase in the consumption of raw materials used for production and the fixed costs per unit sold since the year ended 31st December, 2014. Despite the expansion of the production capacity in Cambodia resulting in a decrease in labour costs, the change in product mix, the strengthening of our yarns procurement strategies and the improvement in the wastage percentage during the production cycles, the raw materials consumed per unit of products adversely increased. Direct labour costs and other factory overheads kept increasing but at a controllable level.

Gross profit and gross profit margin

The Group recorded a gross loss of approximately HK$499.9 million for the year ended 31st December, 2015. Among the total gross loss, there was inventory write-off of approximately HK$280.8 million as at year end. The Group made provision on those inventory with age over nine months and those costs above the net realizable value. The utilization of the inventory of cotton purchased at a higher price diminished the gross profit margin of the textile enterprises. Same as the interim period, with the continuous decrease in sales, the variable and fixed production costs are unable to be leveraged down so as the sales volumes are not optimized in the production cycles. The overall selling price in each segment cannot be raised but even decreased where the cost of sales apparently increased for the year ended 31st December, 2015. 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 the factory utilization rate.

Net profit margin

Except for the provision made on inventory as at year end of approximately HK$280.8 million, the impairment loss made on property, plant and equipment and prepaid lease payments of approximately HK$140.1 million and impairment loss recognized on trade and other receivables of approximately HK$67.3 million and the impairment loss made on available-for-sale investment of HK$47.3 million, a net loss of approximately HK$415.6 million was from the core 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 year ended 31st December, 2015. On the other hand, with the intense competition from the neighbouring countries and the resulting decrease in the sales orders of sweaters, the net profit of the sweaters business has also decreased.

If the orders from sweaters business can be further increased and resumed to the optimum level, it is anticipated that the overall net profit margin for the year ended 31st December, 2016 will be improved. The Group will continuously strive for orders and use its best endeavours to overcome the challenges by sharpening its competitive edge.

Selling and distribution costs

Selling and distribution costs mainly included transportation costs, accessories and packing expenses. For the year ended 31st December, 2015, the Group's selling and distribution costs was approximately HK$61.6 million, representing 6.4% of the Group's turnover, which improved from that of last year of 8.3% of turnover.

Administrative expenses

Administrative expenses of approximately HK$135.0 million mainly consisted of staff cost, including employees' salary and welfare, directors' remuneration, bank charges and depreciation. It represented 14.1% of the Group's turnover.

Finance costs

Finance costs mainly comprised interests on bank borrowings and obligations under finance leases which increased to approximately HK$52.9 million representing 5.5% of the Group's turnover. The finance cost increased significantly as compared with that of last year with the occurrence of event of default under the facilities advenced by banks to the Group in 2015.

Borrowings

As at 31st December, 2015, the Group had outstanding bank borrowings of approximately HK$997.8 million, in which approximately HK$9.9 million was classified as falling due more than one year and the remaining HK$987.9 million was classified as falling due within one year The amount decreased by approximately HK$141.5 million when comparing with the balance as at 31st December, 2014.

In the second half of 2015, certain bankers have demanded the Group for immediate repayment of the aggregate amount of approximately HK$667.0 million. The Group has been actively re-negotiating with the banks for the terms of repayments. Up to the date of this announcement, the negotiation was still in progress.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2015, the Group's cash and cash equivalents have decreased from approximately HK$126.4 million to approximately HK$40.3 million. The Group's total assets was approximately HK$1,712.1 million as at year end.

More net cash was generated from the operating activities for the year ended 31st December, 2015 with the net effect of the worsening operating profit, the decrease in inventories and trade receivables and the settlement of the derivative financial instruments for the year. However, more cash was used in investing activities with the acquisition of the available-for-sale investment. With the decrease in net cash generated from financing activities, the net cash and cash equivalents decreased to approximately HK$40.3 million as at year end.

The Group mainly met its funding requirements in its usual course of operation by cash flows generated from operations, as well as long-term and short-term borrowings. The Group will continue to focus on reducing the net gearing ratio by improving profitability, procuring the disposal of non-core properties and implementing tighter control over costs, working capital and capital expenditure.

On 27th November, 2015, the Company entered into a subscription agreement, pursuant to which the subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 2,010,000,000 shares to the subscriber at the price of HK$0.56 per share with gross proceeds of approximately HK$1,125.60 million. On 27th November, 2015, the Company also entered into a placing agreement with a placing agent, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 1,300,000,000 shares at a price of HK$0.56 per share with gross proceeds of approximately HK$728 million. As at the date of this announcement, some conditions precedent to the subscription and the placing remain outstanding and both transactions have not yet been completed. Details of which have been disclosed in the announcements of the Company dated 5th January, 2016, 30th March, 2016 and 31st March 2016 and the circular of the Company dated 11th March, 2016.

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

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2015 was improved to 101 days. With the written-down of stocks of approximately HK$280.8 million as at year end, those aged stocks were excluded and therefore resulted in the significant improvement on the stock turnover days. The Group will continuously monitor its inventory level to a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days was shorten by 33 days from 87 days last year to 54 days for the year ended 31st December, 2015. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the 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 final dividend for the year ended 31st December, 2015.

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

During the year ended 31st December, 2015, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company is committed to the implementations of good corporate governance practices and procedures.

Deviation from Corporate Governance Code

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions as set out in the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules during the year ended 31st December, 2015 (the "Relevant Period"), save for those deviations as set out below:

(a) the roles of chairman of the Board and chief executive officer of the Group were not separate;

(b) certain non-executive Director and independent non-executive Directors did not attend the general meeting of the Company;

(c) the chairman of the Board did not attend the annual general meeting of the Company;

(d) the composition of the Board, the audit committee, the remuneration committee and the nomination committee did not satisfy the requirements under the Listing Rules and Code Provision during certain period in the year ended 31st December, 2015.

Code provision A.2.1

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 Board during the period between 1st January, 2015 and 8th July, 2015 and Mr. Sung Kim Ping was the chairman of the Board during the period between 9th July, 2015 and 31st December, 2015 and thereafter. 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 and Mr. Sung Kim Ping during the Reporting Period. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group and strong and consistent leadership in the Company's decision making process and operational efficiency. The Board will, nevertheless, review the business growth of the Group and locate suitable candidate to fill the vacancy of chief executive officer when considered essential.

Code provision A.5.1

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 Tsz Fu, Jacky 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 annual general meeting. 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 annual general meeting, 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 Zhongxi 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 the Board shall have an independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise.

On 9th July, 2015, Dr. Tse Kwok Sang 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 fulfilled the minimum number as required under Rules 3.10(1), 3.10A and 3.21 of the Listing Rules, and the remuneration committee and the 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.

Code provision A.6.7

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. Zhuang Zhongxi 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 and Mr. Zhuang (both being the independent non-executive directors of the Company) 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 due to other business commitments.

Code provision E.1.2

Under Code Provision E.1.2, the chairman of the Board should attend the annual general meeting.

Mr. Sung Kim Wa, the chairman of the Board at the material time, did not attend the annual general meeting 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 annual general meeting. The Company considers that their presence is sufficient for addressing the queries from, and maintaining effective communication with, the shareholders attending the annual general meeting.

DIRECTORS' INDEMNITY

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31st December, 2015.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code for the year ended 31st December, 2015.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is the extract of the Independent Auditor's Report from the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, who included a paragraph of emphasis of matter in the auditor's report:

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31st December, 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the applicable disclosure requirements of the Hong Kong Companies Ordinance.

Emphasis of Matter

Without qualifying our opinion, we draw attention to notes 1 and 32 to the consolidated financial statements which indicate that during the year, and as at 31st December, 2015, the Group has breached certain terms and defaulted on the repayment of certain banking facilities. Certain bankers of the Company have therefore demanded in writing that the Group shall make immediate payment of an aggregate amount of approximately HK$667,011,000 that has been defaulted for repayment. Furthermore, the Group incurred a loss of approximately HK$951,129,000 for the year ended 31st December, 2015 and as at that date, the Group's current liabilities exceeded its current assets by approximately HK$564,911,000. In order to improve the liquidity and financial position of the Group, the Group has entered into a conditional subscription agreement and a conditional placing agreement pursuant to which the estimated maximum net proceeds of approximately HK$1,098 million and HK$684 million are expected to be received by the Group from the subscriber and the placees, respectively, on or before 30th June, 2016 upon completion of the subscription and the placing. However, the completion of the subscription and the placing is subject to the completion of the conditions as set out in note 1 to the consolidated financial statements, which have not yet been completed at the date of this report, and accordingly, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern."

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's final results for the year ended 31st December, 2015 and the internal control review report of the Company. 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, the annual results for the year ended 31st December, 2015 and the internal control review report of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 4th May 2016 (Wednesday) to 7th May 2016 (Saturday) (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 3rd May 2016 (Tuesday).

PUBLICATION OF FURTHER INFORMATION

The 2015 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.addchance.com.hk in due course.

By Order of the Board
Mr. Sung Kim Ping
Chairman

Hong Kong, 31st March, 2016

As at the date of this announcement, the Board comprises (i) Mr. Sung Kim Ping, Mr. Wong Chiu Hong, Mr. Tsang Fai, Mr. Lo Ping, Mr. Yeung Choi Yee and Mr. Zheng Jun as executive Directors; (ii) Mr. Chui Chi Yun, Robert and Mr. Wu Kehao as non-executive Directors; and (iii) Ms. Huang Yunjie, Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu as independent non-executive Directors.