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, 2016

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, 2016 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, 2016

	Notes	2016 HK$'000	2015 HK$'000
Revenue	4	**467,138**	961,072
Cost of sales		**(795,684)**	(1,461,004)
Gross loss		**(328,546)**	(499,932)
Other income and other gains and losses	5	**199,181**	(212,222)
Selling and distribution costs		**(35,208)**	(61,559)
Administrative expenses		**(146,631)**	(135,039)
Finance costs		**(38,969)**	(52,902)
Loss before taxation	6	**(350,173)**	(961,654)
Income tax credit	7	**405**	10,525
Loss for the year		**(349,768)**	(951,129)

	Note	2016 HK$'000	2015 HK$'000
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**(56,651)**	(33,247)
Reclassification of translation reserve upon disposal of a subsidiary to profit or loss		**10,986**	–
		(45,665)	(33,247)
Total comprehensive expense for the year		**(395,433)**	(984,376)
(Loss) profit for the year attributable to:			
Owners of the Company		**(349,771)**	(951,129)
Non-controlling interest		**3**	–
		(349,768)	(951,129)
Total comprehensive (expense) income attributable to:			
Owner of the company		**(395,436)**	(984,376)
Non-controlling interest		**3**	–
		(395,433)	(984,376)
Loss per share, in HK dollars			
Basic	*9*	**(0.46)**	(1.55)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2016

	Notes	2016 *HK$'000*	2015 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**334,671**	585,736
Prepaid lease payments		**43,500**	60,992
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**13,309**	14,806
Deposit paid for acquisition of an investment		**–**	40,000
Available-for-sale investments		**97,376**	130,000
Other assets		**16,000**	10,989
		504,856	842,523
CURRENT ASSETS			
Prepaid lease payments		**1,049**	1,533
Inventories		**46,595**	403,149
Trade receivables, bills receivables and other receivables, deposits and prepayments	*10*	**105,274**	211,723
Tax recoverable		**1,572**	983
Pledged bank deposits		**–**	49,125
Bank balances and cash		**107,996**	94,119
		262,486	760,632
Assets classified as held for sale		**114,313**	108,963
		376,799	869,595
CURRENT LIABILITIES			
Trade payables and other payables	*11*	**153,693**	205,935
Deposit received from transfer of the operation rights of a subsidiary		**–**	236,056
Tax liabilities		**783**	4,572
Bank and other borrowings – due within one year		**590,396**	934,171
Bank overdrafts		**68,128**	53,772
		813,000	1,434,506
Liabilities associated with assets classified as held for sale		**133,703**	–
		946,703	1,434,506
NET CURRENT LIABILITIES		**(569,904)**	(564,911)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(65,048)**	277,612

	2016	2015
	HK$'000	*HK$'000*
CAPITAL AND RESERVES		
Share capital	**8,467**	7,057
Reserves	**(98,118)**	256,534
Equity attributable to owners of the company	**(89,651)**	263,591
Non-controlling interest	**(1)**	–
	(89,652)	263,591
NON-CURRENT LIABILITIES		
Bank and other borrowings – due after one year	**20,860**	9,861
Deferred tax liabilities	**3,744**	4,160
	24,604	14,021
	(65,048)	277,612

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.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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 (a) the Group incurred a net loss of approximately HK$349,768,000 for the year ended 31st December, 2016 and as of that date, the Group's current liabilities exceeded its current assets and total assets by approximately HK$569,904,000 and HK$65,048,000, respectively; (b) the Group has breached certain loan covenants and defaulted on repayment of certain banking loans and therefore the relevant banks demanded immediate repayment of an aggregate amount of approximately HK$504,673,000 that was in default as at 31st December, 2016; and (c) the legal proceedings with former related parties were still pending.

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

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

Since the year ended 31st December, 2015, the Group has breached certain loan covenants and defaulted on repayment of certain bank borrowings ("Defaulted Bank Borrowings"). Certain bankers of the Company (the "Banks"). The Banks have therefore demanded immediate repayment of defaulted bank loans of HK$504,673,000 as at 31st December, 2016 by the Group or they may consider commencing legal proceedings against the Group. The Group has been actively negotiating with the Banks for restructuring the relevant borrowings, including rescheduling the terms of repayment 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 former shareholder of the Company, as to 20% by Mr. Sung Kim Ping, a former executive director of the Company, who retired on 7th May, 2016, and as to 20% by an independent third party to the best knowledge of the directors, 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 (the "Addchance Dyeing Property"), in favour of the Banks to secure all the present and future debts owed by the Group to the Banks.

Subsequent to the end of the reporting period, on 9th March, 2017, the Group and each of the Banks entered into a debt restructuring deed (the "Debt Restructuring Deed"), pursuant to which the Banks agree to assign and transfer to the Group all of its rights, title, benefits and interests in the Defaulted Bank Borrowings, including the charge over Addchance Dyeing Property, for a consideration of approximately HK$527 million which is equal to the outstanding balance of the Defaulted Bank Borrowings as at the date of the Debt Restructuring Deed, upon fulfilment of certain conditions. If an aggregate amount of HK$380 million is paid by the Group at any time before the first anniversary of the date of the Debt Restructuring Deed, the consideration of approximately HK$527 million under the Debt Restructuring Deed will be reduced to HK$380 million. Up to the date these consolidated financial statements were authorised for issuance, the Group has paid an amount of HK$50 million to the Banks.

The Group will be assigned with all of its rights, title, benefits and interests in the Defaulted Bank Borrowings upon the payments made by the Group for an aggregate amount of HK$230 million out of the HK$527 million within 180 days from the date of the Debt Restructuring Deed and the Group will undertake to make the final payment of HK$150 million. The directors of the Company are of the view that the Group has sufficient resources to settle the remaining balance of the HK$330 million within one year from the date of the signing the Debt Restructuring Deed, taking into consideration the Group's internal resources, and the gross proceeds of approximately HK$344 million received pursuant to the share subscriptions.

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

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

The directors of the Company have instructed its legal advisers to review the details of these legal proceedings and provide further legal advices. The directors of the Company believe that the Group has sufficient grounds to defend against the legal claims. However, the ultimate outcomes of these legal proceedings could not be assessed at this preliminary stage. As at 31st December, 2016, the aggregate amount involved in these proceedings are included in trade payable and other payables on the consolidated statement of financial position.

(iii) Implementation of active cost-saving measures

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

The directors of the Company consider that after taking into account the internal resources, the proceeds from the subscriptions of new shares by certain subscribers subsequent to the end of the reporting period for HK$344 million up to the date these consolidated financial statements are authorised for issuance, the likelihood of successful execution of the debt restructuring plan, favourable outcomes of the legal proceedings, implementation of cost-saving measures and any further fund raising activities should needs arise, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these consolidated financial statements. However, should the Group be unable to settle the amount of HK$380 million under the Debt Restructuring Deed or any unfavourable outcomes of the legal proceedings emerge, 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 AMENDMENTS TO 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 ("IASB") that are mandatorily effective for an accounting period that begins on or after 1st January, 2016.

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 amendments to IFRSs in the current year has had no material impact on the disclosures or amounts recognised in the Group's consolidated financial statements.

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 7	Disclosure Initiative[4]
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[4]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2014-2016 Cycle[5]

[1] Effective for annual periods beginning on or after 1st January, 2018
[2] Effective for annual periods beginning on or after 1st January, 2019
[3] Effective for annual periods beginning on or after a date to be determined
[4] Effective for annual periods beginning on or after 1st January, 2017
[5] Effective for annual periods beginning on or after 1st January, 2017 or 1st January, 2018, as appropriate

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.

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.

During the year ended 31st December, 2016, the Group has commenced a new operation of "trading of petroleum" after the completion of acquisition of 51% equity interest in Group Profit Holdings Limited ("Group Profit"). Specifically, the Group's six 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
6. Trading of petroleum

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, 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$'000*	Trading of petroleum *HK$'000*	Total for reportable segments *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
REVENUE									
External sales	36,187	229,671	156,170	38,216	6,861	33	467,138	–	467,138
Inter-segment sales	11,380	–	239,191	4,473	38,220	–	293,264	(293,264)	–
Segment revenue	47,567	229,671	395,361	42,689	45,081	33	760,402	(293,264)	467,138
SEGMENT (LOSS) PROFIT	(14,645)	(462,151)	(44,679)	(40,475)	(17,990)	6	(579,934)	–	(579,934)
Unallocated expenses									(18,125)
Other income and other gains and losses									286,855
Finance costs									(38,969)
Loss before taxation									(350,173)

For the year ended 31st December, 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	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 and other gains and losses								(8,628)
Finance costs								(52,902)
Loss before taxation								(961,654)

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 *(note (i))*		**Non-current assets** *(note (ii))*	
	2016	2015	**2016**	2015
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
PRC	**210,972**	315,226	**201,639**	422,384
Hong Kong	**68,211**	89,236	**26,849**	56,334
Other Asian countries	**15,873**	51,753	**178,992**	233,805
Arabian Peninsula	**–**	165,568	**–**	–
Europe	**130,280**	196,060	**–**	–
North America	**41,802**	143,073	**–**	–
Australia	**–**	156	**–**	–
	467,138	961,072	**407,480**	712,523

Notes:

(i) Included in revenue from customers located in Europe, amounts of approximately HK$105,089,000 (2015: HK$42,138,000), HK$3,790,000 (2015: HK$64,662,000) and HK$184,000 (2015: HK$56,242,000) were arising from sales to customers based in United Kingdom, Russia and Spain, respectively.

(ii) Non-current assets excluded financial assets.

5. OTHER INCOME AND OTHER GAINS AND LOSSES

	2016	2015
	HK$'000	*HK$'000*
Bank interest income	**1,291**	3,005
Interest income on other assets	**–**	486
Income from sales of scrap materials	**3,198**	7,914
Income from electricity and steaming charges	**5,964**	925
Sundry income	**7,007**	10,199
Gain (loss) on surrender of insurance policies	**17**	(674)
Gain on disposal of a subsidiary	**328,995**	–
Gain on disposal of assets classified as held for sale *(note (iii))*	**–**	11,853
Gain on disposal of investment properties and prepaid lease payments *(note (i))*	**–**	3,978
Gain on disposal of club debenture	**–**	2,930
Change in fair value of derivative financial instruments	**–**	93
Net exchange (loss) gain	**(10,061)**	3,842
Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments	**(59,110)**	(140,137)
Impairment loss recognised on available-for-sale investment	**(42,124)**	(47,320)
Impairment losses recognised on trade and other receivables *(note (ii))*	**(9,381)**	(67,299)
Loss on disposal/written off of property, plant and equipment and prepaid lease payments *(note (ii))*	**(26,615)**	(2,017)
	199,181	(212,222)

Notes:

(i) During the year ended 31st December, 2015, all of the Group's investment properties (and the associated prepaid lease payments) had been disposed of to an independent third party for a consideration of approximately HK$5,462,000 and a gain on disposal of approximately HK$3,978,000 had been recognised in profit or loss.

(ii) In August 2016, the Group has logged an application for voluntary liquidation of a subsidiary, Great Honour Textile Factory Limited ("Great Honour") which was engaged in production and sale of knitted sweater in Cambodia. The relevant assets of the said subsidiary in Cambodia amounting to HK$15,182,000 have been taken over by the relevant local authority and the ownership of which does not belong to the Group anymore. Accordingly, property, plant and equipment and trade and other receivables amounting to HK$12,733,000 and HK$2,449,000, respectively, were written off or fully impaired during the year ended 31st December, 2016. On 28th October, 2016, a provincial court in Cambodia issued a verdict pursuant to which the Group has to settle the unpaid salaries and other staff benefits to the relevant workers in the manufacturing plant of Great Honour for an aggregate amount of approximately HK$22,454,000. As at 31st December, 2016, no amount has been paid and the relevant provision has been made during the year and included in accrued salary and trade payables and other payables.

(iii) During the year ended 31st December, 2014, the Group entered into a sale agreement to dispose of property, plant and equipment and prepaid lease payments held by a subsidiary, Wu Zhou Addchance Textile Factory Limited, with carrying amounts of HK$16,899,000 and HK$2,498,000, respectively, and deposit of HK$11,538,000 has been received by the Group. The disposal has been completed during the year ended 31st December, 2015 and the gain on disposal of HK$11,853,000 has been recognised in 2015.

6. LOSS BEFORE TAXATION

	2016	2015
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration	**8,485**	7,639
Other staff costs	**212,504**	247,738
Retirement benefits scheme contributions, excluding directors	**6,756**	8,091
Total staff costs	**227,745**	263,468
Auditor's remuneration (including fees for non-audit services)	**4,245**	2,780
Cost of inventories recognised as an expense	**578,144**	1,180,214
Write-down of inventories (included in cost of sales)	**217,540**	280,790
Depreciation of investment properties	**–**	21
Depreciation of property, plant and equipment	**64,805**	79,866
Amortisation of prepaid lease payments	**1,460**	1,533
Amortisation of other assets	**55**	55

7. INCOME TAX CREDIT

	2016	2015
	HK$'000	*HK$'000*
The (credit) charge comprises:		
Hong Kong Profits Tax		
– Current year	**–**	–
– Underprovision in prior years	**11**	223
	11	223
PRC Enterprise Income Tax		
– Current year	**–**	788
	11	1,011
Deferred taxation	**(416)**	(11,536)
	(405)	(10,525)

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.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31st December, 2015 and 2016, nor has any dividend been proposed since the end of the reporting period.

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 HK$349,771,000 (2015: HK$951,129,000) and on the weighted average number of shares in issue during the year of approximately 754,791,000 (2015: 613,416,000).

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 RECEIVABLES AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2016	2015
	HK$'000	*HK$'000*
Trade and bills receivables, net *(note)*	**51,131**	142,300
Prepaid expenses	**1,534**	14,534
VAT receivables	**3,740**	6,722
Refundable deposit paid for acquisition of an investment	**40,000**	–
Deposits	**1,300**	1,686
Amounts due from former related parties/related parties	**1,190**	4,943
Others	**6,379**	41,538
	105,274	211,723

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

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

	2016	2015
	HK$'000	*HK$'000*
Trade and bills receivables (net), aged:		
0-30 days	**17,879**	63,774
31-60 days	**13,943**	21,315
61-90 days	**9,240**	16,028
91-120 days	**7,481**	24,472
Over 120 days	**2,588**	16,711
	51,131	142,300

Before accepting any new customer, the Group will assess and understand the potential customer's credit quality and defines its credit limits. Credit limits attributed to each customer are reviewed regularly.

11. TRADE PAYABLES AND OTHER PAYABLES

	2016	2015
	HK$'000	*HK$'000*
Trade payables *(note)*	**19,576**	62,766
Receipt in advance from customers	**30**	4,667
Accrued expenses	**23,927**	39,069
Accrued salary	**26,304**	11,923
VAT tax payables	**1,175**	3,407
Interest payables	**14,169**	13,614
Amounts due to former related parties/related parties	**50,198**	50,000
Other payables	**18,314**	20,489
Trade payables and other payables shown under current liabilities	**153,693**	205,935

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

	2016	2015
	HK$'000	*HK$'000*
Aged:		
0-60 days	**6,220**	31,993
61-90 days	**722**	11,573
Over 90 days	**12,634**	19,200
	19,576	62,766

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

We are pleased to report the audited results of the Group for the year ended 31st December, 2016. The Group's consolidated revenue continuously decreased by approximately 51.4% to approximately HK$467.1 million, while the net loss decreased by approximately 63.2% from approximately HK$951.1 million in 2015 to approximately HK$349.8 million for the year ended 31st December, 2016. Other than the written down of inventories and the impairment loss recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$217.5 million and HK$59.1 million respectively, the impairment losses recognised on trade and other receivables of approximately HK$9.4 million, the impairment loss recognised on available-for-sale investments of approximately HK$42.1 million and the gain on disposal of a subsidiary of approximately HK$329.0 million, the loss contributed by the core business operations was approximately HK$350.7 million, representing a decrease of the loss contributed by the core business operations by approximately 22.0% compared to the 2015.

Over the past few years, there was a significant increase in loss of the Group due to the decrease in revenue given the unfavourable economic environment of textile industry as the cotton prices showed a volatile and downward trend and the necessity to sell the Group's inventories at low prices as a result of the cash flow problems faced by the Group. The Group's revenue decreased by approximately 51.4% as compared with 2015 was mainly due to the sluggish demand in domestic and overseas markets, as well as diminishing tradition advantages and the declining price of commodities and both the export and import demand of China continued to decrease and further adversely affected by the tight cash flow position of faced by the Group. Coupled with the weak growth in end-user spending, cotton prices showed a volatile trend. The volatile cotton price had accordingly resulted in the reduction of average selling price of the Group's textile products. Substantial fluctuation in exchange rates and the intensified international competition and the rapid development of textile products in the neighbouring countries such as Bangladesh, the market demand from European customers decreased as a whole and orders from Europe continued to decrease during the year.

As mentioned in the Company's announcement dated 10 June 2015 and the interim report of the Company for the six months ended 30 June 2016, the Group has breached certain loan covenants of certain bank facilities and failed to make repayment of certain bank borrowings when they became due. The banks have demanded in writing that the Group shall make immediate repayment of the overdue amounts or they may consider commencing legal proceedings against the Group. As a result of such breach, the banking facilities available to the Group have been reduced substantially and resulted a tight operating cash flow problem during 2016 which further affect the business of the Group.

Furthermore, as a result of further decrease in revenue, the Group was yet to effectively leverage down the average production costs which adversely affected the baseline for our textile business in 2016 and the net gross loss margin further increased in 2016. In order to cope with the decrease in revenue, the Group has reduced the operating cost during 2016 such as reducing the number of employees from approximately 9,600 employees at the beginning of 2016 to approximately 4,000 employees at the end of 2016.

In order to broaden and diversify the business of the Group, an indirect wholly owned subsidiary acquired 51% interest of Group Profit on 4th August, 2016. Group Profit is principally engaged in petroleum trading business in South East Asia. Net revenue contributed by petroleum trading was amounted to approximately HK$33,000 during the year ended 31st December, 2016.

Prospects

The Group has strategically shifted the sales focus on knitting business by utilising the competitive advantages of the low labour cost in the Group's production plants in Cambodia. The Group currently has three operating factories in Cambodia which are all engaged in the manufacturing and trading of knitted products. Two factories in Cambodia had been long established and shall continue to mainly focus on serving traditional textile customers. One factory in Cambodia commenced its operation since 2013 which has incorporated the "green factory" system to produce middle to high-end textile products with environmentally friendly features. With the ever growing sense of environmental protection and social responsibility of customers in development countries, the "green factory" policy and measures adopted by the Group in Cambodia will certainly be one of the attractive factors to those customers in considering to place order with the Group. Together with the extension of products range to high end products and the recruitment of new senior management members, which could bring in new management experience and potential clientele, the Company expects that it could attract more new customers than before. Furthermore, the Directors intend to focus on consolidating its business operations in Cambodia. After the streamlining of the Group's production, it is expected that the operations in Cambodia shall be optimised. The Directors will also continue to adopt cost control measures to further reduce the operating costs in the Cambodia factories, such as to reduce the number of employees during 2017. The Company considers that the restructured operation in Cambodia has the ability to serve as a driving force of the textile business of the Company. In addition, in order to control and further reduce the operating costs and the excessive capacity currently the Group has, the Group has entered into a disposal agreements of two PRC subsidiaries in January 2017.

With the view of the current challenging market environment of textile industry, the Group also intended to diversify its business and stepped into other different businesses. The Group has already acquired 13% equity interest in a company engaged in natural gas business in Shanxi province, the PRC during 2015. On 4th August 2016, an indirect wholly owned subsidiary acquired 51% interest of Group Profit, which is principally engaged in petroleum trading business in South East Asia. On 6 January 2017, a direct wholly-owned subsidiary of the Company has entered into a sale and purchase agreement in relation to the proposed acquisition of 51% equity interest in a PRC company principally engaged in information technology development and consultation, database management, and sale of computer equipment and software where the Directors considered that such proposed acquisition as a good opportunity, i) to reinforce its strategic plan for improving the textile business; ii) to broaden its source of income; and

iii) to diversify into a promising and fast growing industry given that (a) it creates synergy effect with the business of the Group and helps to form part of the Group's plan to rejuvenate its textile business, and (b) its promising business outlook also offers the opportunity to the Group to broaden its business and income stream, which in turn is good for stabilising the operation and business development of the Group.

Looking forward, the global economy will undoubtedly remain uncertain. However, as necessity goods, the rigid demand for textile products will continue to exist. Besides, with a further diversification of the businesses and the successful entering into of the debt restructuring deed with the banks regarding the overdue bank borrowings in March 2017, we believe that we are now in a much better position to grasp any market opportunities, to mitigate the impacts of the market's current volatility and to rejuvenate the performance of the Group so as to pursue a satisfactory return to our shareholders.

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, 2016 was approximately HK$467.1 million. Comparing with the year ended 31st December, 2015, the revenue dropped by approximately 51.4%, representing a decrease from approximately HK$961.1 million to HK$467.1 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 decreased by 60.9%, from approximately HK$587.9 million for the year ended 31st December, 2015 to approximately HK$229.7 million for the year ended 31st December, 2016, representing approximately 49.2% of the Group's total turnover. Similar to previous year, the Group's sales contribution of sweater business was mainly from the orders from Europe and North America. The Group has continued to focus sales to overseas 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 products were still mainly exported to Europe. 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 40.4%, from approximately HK$262.2 million for the year ended 31st December, 2015 to approximately HK$156.2 million for the year ended 31st December, 2016, representing 33.4% of the Group's total turnover. Similar to the year ended 31st December, 2015, the average yarn selling prices in the PRC market continued to drop for the year ended 31st December, 2016 resulting from the pessimistic and cautious approach adopted by those cotton and dyed yarns customers. Besides, the dyed yarn operation in Luoding was suspended during the year ended 31st December 2016 due to the relocation of the factory in Luoding which also affected the sales for the year.

Although the overall dyed yarn business is weak, the revenue generated from the provision of dyeing services increased from approximately HK$33.0 million to HK$38.2 million for the year ended 31st December, 2016. As similar to 2015, most of the Group's dyed yarn was still sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang.

The production and sales of cotton yarns is another core business segment of the Group and it represents approximately 7.7% of the Group's turnover during the year ended 31st December, 2016. 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 relatively low level although it showed a gradual upward trend during the year. Therefore, our selling price of those cotton yarn products remained at a low level. Revenue generated from the sales of cotton yarns therefore decreased by 46.7% to approximately HK$36.2 million.

Cost of Sales

With the decrease in sales of 51.4%, the cost of sales also decreased substantially for the year ended 31st December, 2016. Apart from the write-down of inventories of approximately HK$217.5 million (2015: approximately HK$280.8 million), the drop in cost of sales was approximately 45.5% which is in line with the drop in sales for 2016.

Gross loss and gross loss margin

The Group recorded a gross loss of approximately HK$328.5 million (2015: HK$499.9 million) for the year ended 31st December, 2016. Among the total gross loss, there was write-down of inventories of approximately HK$217.5 million (2015: HK$280.8 million) as at year end. Similar to 2015, the Group made provision on those inventories with age over nine months and those costs above the net realizable value. Although the Group adopted different measures to reduce the cost, with the continuous decrease in sales, the variable and fixed production costs are unable to be leveraged down substantially so as the sales volumes are not optimized in the production cycles. The Group will continuously try to manage the gross profit margin by improving the operating efficiency as well as the factory utilization rate.

Net loss margin

Except for the written-down of inventories as at year end of approximately HK$217.5 million (2015: HK$280.8 million), the impairment losses recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$59.1 million (2015: HK$140.1 million) and impairment losses recognised on trade and other receivables of approximately HK$9.4 million (2015: HK$67.3 million) and the impairment loss recognised on available-for-sale investments of approximately HK$42.1 million (2015: HK$47.3 million), and the gain on disposal of a subsidiary of approximately HK$329.0 million, a net loss of approximately HK$350.7 million (2015: HK$415.6 million) was from the core business of the Group.

With the overall unfavourable economic environment of the textile industry and intense competition from the neighbouring countries and the decreasing of sales orders, the majority of the business segments continuously suffered a loss for the year ended 31st December, 2016.

If the orders from sweaters business can be further increased and resumed to the optimum level, it is anticipated that the overall margin for the year ended 31st December, 2017 will be improved. The Group will continuously strive for orders with better profit margin 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, 2016, the Group's selling and distribution costs was approximately HK$35.2 million (2015: HK$61.6 million), representing a drop by 42.8% as compared to that of 2015 and approximately 7.5% (2015: 6.4%) of the Group's revenue.

Administrative expenses

Administrative expenses of approximately HK$146.6 million (2015: HK$135.0 million) mainly consisted of staff cost, including employees' salary and welfare and redundancy costs, directors' remuneration, professional fees and depreciation. The increase during 2016 was mainly due to the increase in staff cost as a result of redundancy and increase in professional fee as a result of increase of financing and acquisition projects.

Finance costs

Finance costs mainly comprised interests on bank and other borrowings which decreased to approximately HK$39.0 million (2015: HK$52.9 million) representing approximately 8.3% (2015: 5.5%) of the Group's revenue. The finance cost decreased as compared to 2015 as a result of decrease in overall bank and other borrowings of the Group.

Borrowings

As at 31st December, 2016, the Group had outstanding bank and other borrowings of approximately HK$679.4 million (2015: HK$997.8 million), in which approximately HK$20.9 million (2015: HK$9.9 million) was classified as falling due more than one year and the remaining balance of approximately HK$658.5 million (2015: HK$987.9 million) was classified as falling due within one year. The total bank and other borrowings decreased by approximately HK$318.4 million when comparing with the balance as at 31st December, 2015 as a result of repayment during the year.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2016, the Group's cash and cash equivalents have increased slightly from approximately HK$40.3 million to approximately HK$44.6 million. The Group's total assets was approximately HK$881.7 million (2015: HK$1,712.1 million) as at year end.

More net cash was used for operating activities for the year ended 31st December, 2016 with the net effect of the worsening operating profit, the decrease in inventories and trade receivables and more net cash was used for repayment of bank borrowings during the year. However, more cash was generated from investing activities mainly due to the disposal of a subsidiary. In addition, placement of 141,000,000 shares with net proceeds of approximately HK$42.2 million was completed on 26th August 2016. As a result, the net cash and cash equivalents slightly increased to approximately HK$44.6 million as at 31st December, 2016 from HK$40.3 million last year.

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

On 6th January, 2017, the Company entered into four subscription agreements with four independent subscribers respectively, pursuant to which those subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue maximum of 4,550,000,000 shares in total to the subscribers at the price of HK$0.08 per share with gross proceeds of approximately HK$364 million. Up to the date of this announcement, subscriptions of three of the subscribers with total of 4,300,000,000 shares have been completed. Details of which have been disclosed in the announcements of the Company dated 6th January, 2017 and 17th March, 2017 and the circular of the Company dated 28th February, 2017.

The sales and purchases of the Group were denominated in Hong Kong dollar, US dollar and Renminbi. 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 consider to enter into appropriate hedging arrangements from time to time.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2016 was improved to approximately 21 days (2015: 101 days). With the written-down of stocks of approximately HK$217.5 million (2015: 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 decreased to 40 days for the year ended 31st December 2016 from 54 days last year. 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 only when the Company has distributable reserve 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 accumulated loss of the Company, the Board does not recommend the payment of final dividend for the year ended 31st December, 2016.

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

During the year ended 31st December, 2016, 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.

None of the directors of the Company (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") in Appendix 14 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") during the year ended 31st December, 2016, save for those deviations as set out below:

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

(b) the chairman of the Board at the material time did not attend the annual general meeting of the Company.

DIRECTORS' INDEMNITY

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31st December, 2016.

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, 2016.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31st December, 2016. The report includes paragraphs of an emphasis of matter, without qualification.

"Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 1 to the consolidated financial statements, which indicates that (a) the Group incurred a net loss of approximately HK$349,768,000 for the year ended 31st December, 2016 and as of that date, the Group's current liabilities exceeded its current assets and total assets by approximately HK$569,904,000 and HK$65,048,000, respectively; (b) the Group has breached certain loan covenants and defaulted on repayment of certain banking loans and therefore the relevant banks demanded immediate repayment of an aggregate amount of approximately HK$504,673,000 that was in default as at 31st December, 2016; and (c) the legal proceedings with former related parties were still pending. In order to improve its liquidity and financial position, the Group has entered into a debt restructuring deed with the relevant banks to refinance its existing debts subsequent and completed the issue of new shares of the Company by virtue of share subscriptions by certain investors for an aggregate gross proceeds of approximately HK$344 million after the end of the reporting period, and has been implementing certain cost-saving measures.

However, the likelihood of completing the debt restructuring depends on, among others, the ability of the Group to successfully execute the debt restructuring deed. In addition, the ultimate outcomes of the legal proceedings with certain former related parties could not be assessed at the date of our report. As stated in note 1 to the consolidated financial statements, these events or conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's final results for the year ended 31st December, 2016 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, 2016 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, 2016 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 19th May 2017 (Friday) to 23rd May 2017 (Tuesday) (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 18th May 2017 (Thursday).

PUBLICATION OF FURTHER INFORMATION

The 2016 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.irasia.com/listco/hk/addchance/in due course.

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

Hong Kong, 31st March, 2017

As at the date of this announcement, the Board comprises (i) Mr. Cheung Tat Chung (Chief Executive Officer), 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.