



Addchance Holdings Limited 互益集團有限公司

(a company incorporated in the Cayman Islands with limited liability)
(Stock Code: 3344)



Interim Report **2016**

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EXECUTIVE DIRECTORS

Mr. SUNG Kim Ping (*Chairman*)
(retired on 7 May 2016)
Mr. WONG Chiu Hong
Mr. LO Ping
Mr. YEUNG Choi Yee
(retired on 7 May 2016)
Mr. TSANG Fai (resigned on 1 June 2016)
Mr. ZHENG Jun
Mr. CHEUNG Tat Chung
(*Chief Executive Officer*)
(appointed on 13 August 2016)

NON-EXECUTIVE DIRECTORS

Mr. CHUI Chi Yun, Robert
Mr. WU Kehao (retired on 7 May 2016)
Mr. ZHAO Xu
(appointed on 13 August 2016)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. HUANG Yunjie (retired on 7 May 2016)
Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

COMPANY SECRETARY

Ms. HUI Wai Man, Shirley

MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE AND NOMINATION COMMITTEE

Ms. HUANG Yunjie (retired on 7 May 2016)
Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

AUTHORIZED REPRESENTATIVES

Mr. CHUI Chi Yun, Robert
Ms. HUI Wai Man, Shirley

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1118, 11/F
Peninsula Centre
67 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

REGISTERED OFFICE

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Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Standard Chartered Bank (Hong Kong)
Limited
Shanghai Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Royal Bank of Canada Trust
Company (Cayman) Limited
4th Floor, Royal Bank House,
24 Shedden Road,
George Town,
Grand Cayman KY1-1110,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor
Services Limited
Shops 1712-16, 17/F
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu

LEGAL ADVISOR AS TO HONG KONG LAWS

F. Zimmern & Co.

WEBSITE

www.addchance.com.hk
www.irasia.com/listco/hk/addchance/index.htm

STOCK CODE

3344

FINANCIAL HIGHLIGHTS

Key Financial Results

	Six months ended 30 June,		Changes +/-%
	2016 HK\$000	2015 HK\$000	
Turnover	233,234	409,865	-43.1%
Gross (Loss) Profit	(39,130)	15,211	-357.2%
Loss for the period	(144,814)	(61,598)	135.1%
Loss per share (in HK cents)	(20.5)	(11.0)	86.4%

Financial Ratios

	Six months ended 30 June,	
	2016	2015
Profitability ratios:		
Gross margin (%)	-16.8%	3.7%
Net margin (%)	-62.1%	-15.0%
Liquidity ratios:		
Current ratio (times)	0.54	1.03
Stock turnover (days) <i>(Note 1)</i>	259	489
Debtors turnover (days) <i>(Note 2)</i>	78	99
Creditors turnover (days) <i>(Note 3)</i>	57	38
Capital adequacy ratio		
Gearing ratio (%) <i>(Note 4)</i>	63.7%	41.3%

Notes:

1. The number of stock turnover days is equal to inventory at the end of period divided by the cost of sales for the period and then multiplied by 181 days.
2. The number of debtors' turnover days is equal to trade and bills receivables at the end of period divided by the sales of the period and then multiplied by 181 days.
3. The number of creditors' turnover days is equal to trade and bills payable at the end of period divided by the cost of sales for the period and then multiplied by 181 days.
4. The gearing ratio is equal to total bank and other borrowings at the end of the period divided by total assets at the end of the period.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2016

	NOTES	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	540,791	585,736
Prepaid lease payments		57,854	60,992
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		14,101	14,806
Deposit paid for acquisition of investment	11	40,000	40,000
Available-for-sale investment	11	94,545	130,000
Other assets		11,160	10,989
		<u>758,451</u>	<u>842,523</u>
6 CURRENT ASSETS			
Prepaid lease payments		1,460	1,533
Inventories		389,676	403,149
Trade receivables, bills receivable and other receivables, deposits and prepayments	12	149,458	206,780
Amounts due from related companies		4,943	4,943
Tax recoverable		983	983
Pledged bank deposits		45,395	49,125
Bank balances and cash		64,231	94,119
		<u>656,146</u>	<u>760,632</u>
Assets classified as held for sale	13	108,963	108,963
		<u>765,109</u>	<u>869,595</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2016

	NOTES	30.6.2016 HK\$'000 (unaudited)	31.12.2015 HK\$'000 (audited)
CURRENT LIABILITIES			
Trade payables, bills payable and other payables	14	177,824	155,935
Amount due to a related party		20,950	20,950
Deposit received from transfer of the operation rights of a subsidiary	13	236,056	236,056
Tax liabilities		4,616	4,572
Bank and other borrowings – due within one year	15	894,894	934,171
Bank overdrafts		64,601	53,772
Amount due to a shareholder of the Company		29,224	29,050
		<u>1,428,165</u>	<u>1,434,506</u>
NET CURRENT LIABILITIES		<u>(663,056)</u>	<u>(564,911)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>95,395</u>	<u>277,612</u>
CAPITAL AND RESERVES			
Share capital	16	7,057	7,057
Reserves		<u>73,380</u>	<u>256,534</u>
		80,437	263,591
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	15	10,701	9,861
Deferred tax liabilities		<u>4,257</u>	<u>4,160</u>
		<u>14,958</u>	<u>14,021</u>
		<u>95,395</u>	<u>277,612</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 <i>(Note a)</i>	Special reserves HK\$'000 <i>(Note b)</i>	Statutory reserves HK\$'000 <i>(Note c)</i>	Translation reserve HK\$'000 <i>(Note c)</i>	Retained profits HK\$'000	
At 1st January, 2015 (audited)	4,413	134,054	69,447	24,673	14,273	213,066	487,891	947,817
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(42,761)	-	(42,761)
Loss for the period	-	-	-	-	-	-	(61,598)	(61,598)
Total comprehensive expense for the period	-	-	-	-	-	(42,761)	(61,598)	(104,359)
Issue of new shares, net of transaction costs	880	91,520	-	-	-	-	-	92,400
Issue of consideration shares in an acquisition of interest in an available-for-sale investment, net of transaction costs	864	116,454	-	-	-	-	-	117,318
	1,744	207,974	-	-	-	-	-	209,718
Transfer to statutory reserves	-	-	-	-	628	-	(628)	-
At 30th June, 2015 (unaudited)	6,157	342,028	69,447	24,673	14,901	170,305	425,665	1,053,176
At 1st January, 2016 (audited)	7,057	431,560	69,447	24,673	15,127	179,819	(464,092)	263,591
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(38,340)	-	(38,340)
Loss for the period	-	-	-	-	-	-	(144,814)	(144,814)
Total comprehensive expense for the period	-	-	-	-	-	(38,340)	(144,814)	(183,154)
At 30th June, 2016 (unaudited)	7,057	431,560	69,447	24,673	15,127	141,479	(608,906)	80,437

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

Notes:

- (a) The contributed surplus of the Group represent (i) the excess of the combined net assets of the subsidiaries acquired and the acquisition of amount due to a shareholder from Interlink Atlantic Limited (being the holding company of companies comprising the group before group reorganisation carried out in 2005), over the nominal value of the share capital of the Company issued in exchange thereof pursuant to the group reorganisation; and less (ii) dividend paid approved by shareholders pursuant to the memorandum and articles of association of the Company.
- (b) Special reserves of the Group represent (i) the difference between the nominal value of share capital issued by Interlink Atlantic Limited, the Company's subsidiary, and the nominal value of the share capital of subsidiaries acquired by Interlink Atlantic Limited on 23rd September, 2005; and (ii) the contribution from non-controlling interests of net assets value shared by them to Dr. Sung Chung Kwun, the shareholder of Interlink Atlantic Limited.
- (c) The Group's statutory reserves represent reserves required to be appropriated from profit after taxation of the Company's subsidiaries established in the People's Republic of China ("PRC") and Macau under PRC or Macau laws and regulations. In accordance with relevant PRC and Macau Company Laws and regulations, the PRC and Macau companies are required to transfer 10% to 25% of their profit after taxation computed in their statutory financial statements presented under the relevant accounting principles and financial regulations applicable to the enterprises established in the PRC/Macau to the statutory surplus reserves until the reserve balance reaches 50% of their paid-in capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

	For the six months ended 30th June,	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Net cash from operating activities	10,367	4,848
Net cash used in investing activities:		
Purchase of property, plant and equipment	(553)	(14,427)
Proceed on disposal of property, plant and equipment	4	17,505
Proceed on disposal of assets classified as held for sale	–	20,000
Proceed on disposal of club debenture	–	4,000
Acquisition of available-for-sale investment	–	(60,000)
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment	–	(859)
	(549)	(33,781)
Net cash used in financing activities:		
New bank borrowings raised	16,944	586,390
Repayment of bank borrowings	(50,559)	(685,693)
Advance from a shareholder of the Company	174	50,968
Interest paid	(17,094)	(16,907)
	(50,535)	(65,242)
Net decrease in cash and cash equivalents	(40,717)	(94,175)
Cash and cash equivalents at 1st January	40,347	126,366
Cash and cash equivalents at 30th June	(370)	32,191
Cash and cash equivalents at 30th June, represented by		
Bank balances and cash	64,231	73,361
Bank overdrafts	(64,601)	(41,170)
	(370)	32,191

1. BASIS OF PREPARATION

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

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

As part of the negotiations, 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 at the material time, has arranged the execution of second mortgage on its own property in respect of the Sung’s Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong, in favour of the Banks to secure all the present and future debts owed by the Group to those banks.

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

1. BASIS OF PREPARATION *(Continued)*

- (ii) the Group is expected to receive an amount of approximately HK\$53 million representing the estimated residual net proceeds upon the completion of the transfer of entire equity interest of Luoding Addchance Limited, an indirectly wholly-owned subsidiary of the Group to an independent third party which is subject to fulfillment of certain requirements under the Listing Rules issued by The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) in connection with this transfer (including but not limited to the obtaining of shareholders’ approval), with the details as set out in the announcements made by the Company dated 25th July, 2016 and 15th August, 2016;
- (iii) on 26th August, 2016, Yuanta Securities (Hong Kong) Company Limited (the “2016 Placing Agent”), an independent third party of the Group, has successfully placed an aggregate of 141,000,000 placing shares of the Company at a price of HK\$0.315 per placing share (the “Placing”). The net proceeds from the Placing were approximately HK\$42,115,000, with the details as set out in the announcement made by the Company dated 26th August, 2016; and
- (iv) other fund raising activities conducted by the Group.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

3. SEGMENT INFORMATION

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

Six months ended 30th June, 2016

	Production and sale of cotton yarn HK\$'000	Production and sale of knitted sweaters HK\$'000	Production and sale of dyed yarns HK\$'000	Provision of dyeing services HK\$'000	Trading of cotton and yarns HK\$'000	Total for reportable segments HK\$'000	Elimination HK\$'000	Total HK\$'000
REVENUE								
External sales	14,999	92,523	102,192	18,697	4,823	233,234	-	233,234
Inter-segment sales	11,122	53,708	106,369	400	30,005	201,604	(201,604)	-
	<u>26,121</u>	<u>146,231</u>	<u>208,561</u>	<u>19,097</u>	<u>34,828</u>	<u>434,838</u>	<u>(201,604)</u>	<u>233,234</u>
SEGMENT (LOSS) PROFIT	<u>(40,264)</u>	<u>(5,452)</u>	<u>(51,148)</u>	<u>626</u>	<u>5,980</u>	<u>(90,258)</u>	<u>-</u>	<u>(90,258)</u>
Unallocated expenses								(7,516)
Other income, gains (losses) and impairment losses								(28,965)
Finance costs								(17,934)
Loss before tax								<u>(144,673)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

3. SEGMENT INFORMATION (Continued)

Six months ended 30th June, 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	40,578	181,314	165,884	17,603	4,486	409,865	-	409,865
Inter-segment sales	14,564	141,558	181,452	2,971	88,012	428,557	(428,557)	-
	<u>55,142</u>	<u>322,872</u>	<u>347,336</u>	<u>20,574</u>	<u>92,498</u>	<u>838,422</u>	<u>(428,557)</u>	<u>409,865</u>
SEGMENT (LOSS) PROFIT	<u>(7,501)</u>	<u>2,409</u>	<u>(30,675)</u>	<u>822</u>	<u>(7,948)</u>	<u>(42,893)</u>	<u>-</u>	<u>(42,893)</u>
Unallocated expenses								(3,901)
Other income, gains (losses) and impairment losses								4,212
Finance costs								<u>(16,907)</u>
Loss before tax								<u>(59,489)</u>

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

3. SEGMENT INFORMATION *(Continued)*

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

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

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

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

	For the six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Gain on disposal of assets classified as held for sale	–	11,853
Gain on disposal of club debenture	–	2,930
Interest income on other assets	183	551
Impairment loss recognised on available-for-sale investment	(35,455)	–
Change in fair value of derivative financial instruments	–	(254)
Net exchange gains	18,390	2,227
Gain (loss) on disposal of property, plant and equipment	4	(1,331)
Impairment losses recognised on other receivables	(2,001)	–
Bank interest income	8	24
Rental income	2,154	961
Sundry income	4,141	9,424
	<u>(12,576)</u>	<u>26,385</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

7. LOSS FOR THE PERIOD

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

	For the six months ended 30th June,	
	2016 HK\$'000	2015 HK\$'000
Depreciation of investment properties	–	21
Depreciation of property, plant and equipment	27,335	36,769
Amortisation of prepaid lease payments	730	784
	<u>730</u>	<u>784</u>

8. DIVIDEND

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

9. LOSS PER SHARE

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

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

10. MOVEMENT IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group incurred capital expenditure of approximately HK\$553,000 (six months ended 30th June, 2015: HK\$15,286,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

11. AVAILABLE-FOR-SALE INVESTMENT

	30.6.2016 HK\$'000	31.12.2015 HK\$'000
Unlisted, equity security, at fair value	<u>94,545</u>	<u>130,000</u>

At 30th June, 2016, the balance represents 13% of the equity interest in Coulman International Limited ("Coulman"). Coulman is an investment holding company incorporated in the British Virgin Islands and its non wholly-owned subsidiaries operate in natural gas business, including construction of pipelines, selling and distribution of natural gas, operation of fueling stations as well as installation of natural gas equipment in the PRC.

During the current interim period, an indirect wholly-owned subsidiary of the Company (the "Purchaser") entered into an agreement, pursuant to which the Purchaser has conditionally agreed to acquire and Kai Lian Group Limited ("Kai Lian"), an independent third party of the Group, has conditionally agreed to sell 220 shares in the share capital of Coulman, representing 22% of the equity interest in Coulman. The consideration of the acquisition is HK\$160,000,000, of which HK\$40,000,000 has been paid during the year ended 31st December, 2015 and classified as deposit paid for acquisition of investment and is separately presented in the condensed consolidated statement of financial position as at 30th June, 2016 and 31st December, 2015. The completion of the acquisition is subject to the conditions precedent set out in the relevant agreement with the details as set out in the announcement made by the Company dated 30th June, 2016.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

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

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

At 30th June, 2016, included in trade receivables, bills receivable and other receivables, deposits and prepayments are trade receivables of HK\$99,185,000 and bills receivable of HK\$833,000 (31st December, 2015: trade receivables of HK\$138,054,000 and bills receivable of HK\$4,246,000), respectively, and their aged analysis, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

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

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

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

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

During the year ended 31st December, 2013, the Company borrowed approximately HK\$184,774,000, the amount equal to the third and the fourth installments in total, from a bank and the Original Acquirer agreed to transfer fund to the Company to repay the loans when they fall due in December 2014. This arrangement of fund transfer would replace the third and the fourth installments which should originally be payable on 30th January, 2014 and 30th November, 2014, respectively. Due to the above arrangement, the third installments was considered not yet have been received and the pre-requisite conditions precedent set out in the Agreement (the “Conditions”) was considered not yet have been fulfilled on 30th January, 2014.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

13. ASSETS CLASSIFIED AS HELD FOR SALE AND DEPOSIT RECEIVED FROM TRANSFER OF THE OPERATION RIGHTS OF A SUBSIDIARY (Continued)

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

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

On 23rd July, 2016, an independent third party (the "New Acquirer") won the bid for the Auction. As disclosed in the announcement made by the Company dated 15th August, 2016, Good Spread entered into another equity transfer agreement with the New Acquirer on 15th August, 2016 for the transfer of the Equity Interest at a consideration of approximately Renminbi ("RMB") 370 million (equivalent to approximately HK\$429 million), which comprises of an auction price of approximately RMB45 million (equivalent to approximately HK\$53 million), repayment of outstanding bank loans by the New Acquirer on behalf of the Group of approximately RMB155 million (equivalent to approximately HK\$180 million) and refund of part of the deposits received from the Original Acquirer on behalf of the Group of approximately RMB170 million (equivalent to approximately HK\$196 million). The completion of the Auction is subject to the relevant requirements under the Listing Rules issued by the Stock Exchange in connection with this transfer (including but not limited to the obtaining of shareholders' approval). The directors of the Company expect that, upon the completion of the transfer, a gain before tax of approximately HK\$320 million, calculated on the basis of the consideration to be received after deduction of the carrying amount of assets classified as held for sale.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

14. TRADE PAYABLES, BILLS PAYABLE AND OTHER PAYABLES

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

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

15. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank loans amounting to HK\$16,944,000 (six months ended 30th June, 2015: HK\$586,390,000) as additional working capital and made repayment of HK\$50,559,000 (six months ended 30th June, 2015: HK\$685,693,000). All the new loans are bearing fixed interest at the rates ranging from 4.60% to 8.40% per annum.

As at 30th June, 2016, the Group breached certain loan covenants of a number of banking facilities. The Group has also failed to make repayment of certain bank borrowings when they became due. The Banks have, as set out in note 1, demanded in writing that the Group shall make immediate repayment of the amounts that has been overdue or they may consider commencing legal proceedings against the Group. The aggregate balances of the relevant bank borrowings as at 30th June, 2015 was approximately HK\$672,208,000 (31st December, 2015: HK\$667,011,000). The Group has been actively negotiating with the Banks for the terms of repayments. Up to the date these consolidated financial statements were authorised for issuance, the restructuring of the loans from the Banks is still under negotiation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

16. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised share capital:		
At 1st January, 2015, 31st December, 2015 and 30th June, 2016	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1st January, 2015	441,250,000	4,413
Placement of new shares (<i>note i</i>)	178,000,000	1,780
Issue of consideration shares in an acquisition (<i>note ii</i>)	<u>86,480,909</u>	<u>864</u>
At 31st December, 2015 and 30th June, 2016	<u>705,730,909</u>	<u>7,057</u>

Notes:

- (i) On 24th December, 2014, the Company entered into a placing agreement with the placing agent, KGI Asia Limited (the "2014 Placing Agent"), pursuant to which the 2014 Placing Agent has agreed to place 88,000,000 shares of the Company held by Powerlink Industries Limited ("Powerlink Industries"), the immediate holding company, to not less than six independent investors at the price of HK\$1.05 per share. On the same date, the Company and Powerlink Industries entered into a subscription agreement for the subscription of up to 88,000,000 new shares ("Subscription Shares") at the subscription price of HK\$1.05 per share. On 29th December, 2014, the placing was completed and 88,000,000 shares represented approximately 19.94% of the existing issued share capital of the Company have been placed to not less than six independent investors. The gross proceeds from the placing was approximately HK\$92.4 million. The net proceeds from the placing after deduction of commission and other related expenses, which amounted to approximately HK\$90.2 million, constituted a deposit (the "Deposit") payable by the Company to Powerlink Industries for the allotment and issue of the Subscription Shares as at 31st December, 2014. On 7th January, 2015, the Company allotted and issued 88,000,000 ordinary shares of HK\$0.01 each of the Company at the price of HK\$1.05 per share, to Powerlink Industries. The Deposit was applied as payment of the subscription price of the Subscription Shares and is used for general working capital of the Group. The number of 88,000,000 shares represented approximately 16.62% of the then existing issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

16. SHARE CAPITAL (Continued)

Notes: (Continued)

(i) (Continued)

On 21st August, 2015, the Company entered into another placing agreement with the 2014 placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not less than six individuals, all of which were independent third parties, to subscribe for up to 122,000,000 placing shares at the placing price of HK\$1.05 per placing share. On 15th September, 2015, the placing was completed and 90,000,000 shares, represented approximately 12.75% of the then issued share capital of the Company as enlarged by the issue of the 90,000,000 placing shares, have been placed to not less than six places at the placing price of HK\$1.05 per placing share. The gross and net proceeds from the placing amounted to approximately HK\$94.50 million and approximately HK\$92.60 million, respectively.

(ii) An indirect wholly-owned subsidiary of the Company acquired 13% of Coulman during the year ended 31st December, 2015 and the consideration has been partially settled by the issue of an aggregate of 86,480,909 new ordinary shares of HK\$0.01 each in the share capital of the Company. The acquisition was completed on 24th April, 2015 and the new ordinary shares have been issued.

17. COMMITMENTS

Capital expenditure in respect of acquisition of 22% of the issued share capital in Coulman contracted for but not provided in the condensed consolidated financial statements

30.6.2016
HK\$'000

31.12.2015
HK\$'000

120,000

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

18. FAIR VALUE MEASUREMENTS OF AN AVAILABLE-FOR-SALE INVESTMENT

The Group has an available-for-sale investment as at 30th June, 2016 and 31st December, 2015, and is measured at fair value at the end of each reporting period. The following summary gives information about how the fair value of this financial asset is determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial asset	Fair value as at		Fair value hierarchy	Valuation technique and key input(s)
	30.6.2016	31.12.2015		
	HK\$'000	HK\$'000		
13% private equity investments classified as an available-for-sale investment in the condensed consolidated statement of financial position	94,545	130,000	Level 3	Discounted cash flow. Future cash flows are estimated based on revenue growth rates and operating margin, discounted by weighted average cost of capital which is determined using a Capital Asset Pricing Model.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

19. PLEDGE OF ASSETS

At the end of reporting period, the Group pledged the following assets to banks for the bank borrowings and credit facilities granted to the Group:

	30.6.2016 HK\$'000	31.12.2015 HK\$'000
Prepaid lease payments <i>(Note)</i>	98,736	99,997
Property, plant and equipment	62,964	69,081
Pledged bank deposits	45,395	49,125
Other assets	11,160	10,989
	<u>218,255</u>	<u>229,192</u>

Note: As at 30th June, 2016, prepaid lease payments of approximately HK\$75,550,000 (31st December, 2015: HK\$75,550,000) included in assets classified as held for sale.

20. RELATED PARTY DISCLOSURES

During the current interim period, the Group entered into the following transactions with related parties:

Related parties	Nature of transactions	For the six months ended 30th June,	
		2016 HK\$'000	2015 HK\$'000
Dr. Sung Chung Kwun	Rental expense paid	445	445
Addchance Dyeing	Rental expense paid	3,060	2,820
RC Corporate Services Limited ("RC") <i>(Note)</i>	Services fee paid	326	-
RCK Consulting Limited ("RCK") <i>(Note)</i>	Services fee paid	30	-
		<u>30</u>	<u>-</u>

Note: Mr. Chui Chi Yun, Robert, a non-executive director of the Company, has substantial interests in RC and RCK.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30th June, 2016

20. RELATED PARTY DISCLOSURES *(Continued)*

In the opinion of the directors, the above transactions were undertaken in the ordinary course of business on terms mutually agreed between the Group and the related party.

As set out in note 1, Addchance Dyeing has arranged the execution of second mortgage in respect of its properties in favour of the Banks to secure the borrowings granted to the Group.

Compensation of key management personnel

The remuneration of directors and key executives of the Company is determined by the remuneration committee, having regard to the performance of individuals and market trends, amounted to approximately HK\$4,248,000 (six months ended 30th June, 2015: HK\$3,901,000).

BUSINESS REVIEW AND PROSPECTS

Business Review

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Sweater business remains the most profitable business of the Group. Our first green factory in Cambodia has commenced its operation since 2013 and the production capacity can be increased as planned. Our green factory, which was inspired by our customer, Marks and Spencer, was established under the concept of reuse, reduce and recycle. By using environmental friendly materials and implementing green production process, we aim to achieve better energy conservation and minimize daily disposals. We received the recognized environmental-related permits as planned. The establishment of the green factory not only increased our production capacity but also strengthened our competitive advantages towards those EU customers. We expect that we can launch new environmental product with higher average selling price in order to maintain our market share in this competitive environment. As the pioneer in term of green textile manufacturing, we will use our best endeavour to optimize the overall production efficiency as well as making contributions to create a greener and more environmental-friendly industry in the future. We will also try to increase the output per person by upgrading the automation of machineries and enhancing the overall production efficiency and we will endeavour to optimize our value chain and operation efficiency.

30 PROSPECTS

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

Looking forward, the global economy is expected to surround with uncertainties of the softening of consumer sentiments. We remained cautiously optimistic on the outlook of the textile and garment industry. However, as necessity goods, we consider that the rigid demand for textile products will continue to exist. Further, with our focus on Cambodia development, we can, not only hedge against the difficulties of continuously rising production costs in the PRC, but also sharpen our competitiveness on procuring orders from EU and Japan. The long established spinning arms in SuSong and Xinjiang also bode well for the Group on the upstream raw materials supply. Demand for middle and high-end textile products is expected to grow with the growing China domestic consumption.

The market condition for textile industry remained difficult for the six months ended 30 June 2016. The profit of some enterprises slumped and the backlog of franchisees remained heavy, mainly due to the rising raw material prices, reduced purchasing power of the end market as well as real estate control policies. Growth of major industry players was curbed and sentiment remained sluggish. The upsurge in the production costs in the PRC has become a trend in the coming years and this also brings opportunities to the Group. Our manufacturing plants have been established in Cambodia for a number of years and we can enjoy the cost benefits of the human resources in Cambodia and the import tariff concessions granted by EU and Japan. These factors strengthened our bargaining power of orders received from EU and Japan. Therefore, further development in Cambodia would be our focus in the coming years. However, with the view of the current challenging market environment, the Group will continue to take a cautious approach on finance resources management and will concentrate its efforts on consolidating existing resources to strengthen its established positions in China and Cambodia.

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

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

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

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

FINANCIAL REVIEW

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Addressance Holdings Limited / Interim Report 2016

Textile Business

Turnover

For the period ended 30th June, 2016, our textile business is principally engaged in the production and sale of dyed yarn, knitted sweaters and cotton yarn, the provision of dyeing services and knitting services, and the trading of cotton and yarns. Its major products include dyed yarns made of over 200 different types of cotton, cashmere, ramie, rayon, acrylic, polyester, silk, wool, nylon, linen and a mixture of the above, and knitted sweaters including cardigans and pullovers as well as socks and hosiery products.

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

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

With the sluggish overseas market demand, the orders received from our European customers apparently decreased by approximately 63.2% whilst the average selling price per unit sold can be bargained at a slightly higher price by around 12.1% despite the stagnant market conditions. Similar to previous year, the Group's sales contribution of sweater business was mainly driven by the increased orders from EU and Japan while the domestic sales from the PRC continuously dropped as expected with the rising labour costs in the PRC. The Group strategically shifted the sales focus from PRC to EU customers by utilizing the competitive advantages of the low labour cost in our production plants in Cambodia. Such competitive advantages allowed the Group to grasp greater market shares. Our sweater business is being vertically benefited from our upstream spinning arms by utilizing the raw material at a controllable and stable costs and in turn improving our profit margins. Our sweater products were still mainly exported to Europe and the Group continues to expand our customer base to reduce its reliance on the European customers. With the expansion of our green factory in Cambodia, the group will focus our production products to those middle to high-end textile products with environmental-friendly features. Besides, textile products imported from Cambodia are subject to tax exemption for those European customers and again strengthen the bargaining power of the Group.

Sales generated from the production and sales of dyed yarn continuously decreased by approximately 38.4%, from approximately HK\$165.9 million to about HK\$102.2 million during the period under review, representing approximately 43.8% of the Group's total turnover. Similar to those happened last year, the average yarn selling prices in the PRC market continuously dropped in the period under review with the pessimistic and cautious approach by those cotton and dyed yarns customers. The average selling price for the period under review dropped further by 11.0%. Therefore, less amount of yarn was ordered from third party suppliers with lower average selling prices and more self-made yarn was utilized. With our competitive advantage gained from our self-owned upstream manufacturing facilities, the Group can provide stable supply on those yarn products for the production of dyed yarns and we continued to exercise tight cost controls and efficient order scheduling and production planning in order to streamline our existing operations and improve our profit margins in the future.

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated from the provision of dyeing services slightly increased from HK\$17.6 million to about HK\$18.7 million for the period under review. Most of the Group's dyed yarn was sold to the PRC and Hong Kong manufacturers with production sites based in Guangdong, Jiangsu and Zhejiang. Sales proceeds from the PRC, Hong Kong and Macau accounted for over 95% of the Group's total sales proceeds from dyed yarn. The remainder of the sales proceeds was from exports to overseas countries including Thailand, Taiwan, and Indonesia.

Cost of Sales

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

Gross loss

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

The Group will continuously try to manage the gross profit margin by improving the operating efficiency as well as factory utilization rate.

Net profit margin

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

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

Other income, gains (losses) and impairment losses

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Borrowings

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

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

As part of the negotiations, on 8th June, 2015, Addchance Dyeing Factory Limited ("Addchance Dyeing"), a company owned as to 60% by Dr. Sung Chung Kwun, the former Chairman and the sole shareholder of Powerlink Industries Limited, which was a substantial shareholder of the Company at the material time, and as to 40% by Mr. Sung Kim Ping, an executive director of the Company at the material time, has arranged the execution of second mortgage on its own property in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong, in favour of the Banks to secure all the present and future debts owed by the Group to those banks. The second mortgage constituted an exempted connected transaction of the Company under the Listing Rules.

Stock turnover days

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

Debtors' turnover days

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

Dividend Policy

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

CONTINUING CONNECTED TRANSACTION

The related party transaction with Addchance Dyeing Factory Limited as disclosed in note 20 to the consolidated financial statements constituted a non-exempt continuing connected transaction under the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), details of which are set out below. The said transaction has complied with the requirements under Chapter 14A of the Listing Rules.

2013 Tenancy Agreement

On 13th December, 2013, Addchance Dyeing Factory Limited and Addchance Limited entered into a tenancy agreement (the “2013 Tenancy Agreement”) in respect of certain office premises at Sung’s Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong (the “Premises”).

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Pursuant to the 2013 Tenancy Agreement, Addchance Dyeing Factory Limited, as landlord, agreed to lease to Addchance Limited, as tenant, the Premises for a term of 3 years commencing from 19th November, 2013 to 18th November, 2016 (both days inclusive).

The monthly rent payable under the 2013 Tenancy Agreement shall be HK\$470,000, exclusive of rates, management fees and air-conditioning charges. There was a rent free period from 19th November, 2013 to 31st December, 2013. During the term of the 2013 Tenancy Agreement, the parties may negotiate to review the rent for each of the years ending 18th November, 2015 and 18th November, 2016 with reference to the prevailing market rent at the material time. In the event that the parties wish to revise the rent, they shall jointly appoint an independent valuer to assess the prevailing market rent of the Premises at the material time, provided that the monthly rent for the years ending 18th November, 2015 and 18th November, 2016 shall not in any event be more than HK\$510,000 and HK\$560,000, respectively.

As Addchance Limited is an indirect wholly-owned subsidiary of the Company and Addchance Dyeing Factory Limited is a company owned as to 60% by Dr. Sung Chung Kwun, the former chairman, a former executive director and the substantial shareholder of the Company and as to 40% by Mr. Sung Kim Ping, a former executive director of the Company who retired on 7th May 2016 and the son of Dr. Sung Chung Kwun, the 2013 Tenancy Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

The terms of the 2013 Tenancy Agreement were arrived at based on arm’s length negotiations and on normal commercial terms and with reference to the valuation prepared by an independent valuer dated 13th December, 2013.

The Group are using the Premises for office purpose.

Details of the 2013 Tenancy Agreement have been disclosed in the announcement of the Company dated 13th December, 2013. During the six months ended 30th June, 2016, the total rental expenses paid by the Group was approximately HK\$3.1 million.

Each of the independent non-executive directors of the Company has confirmed that the above continuing connected transaction has been entered into by the Group in the ordinary and usual course of its business on normal commercial terms and in accordance with the terms of the 2013 Tenancy Agreement which are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have confirmed that the above continuing connected transaction (i) has received the approval of the board of directors (the "Board") of the Company and (ii) has been entered into in accordance with the relevant agreement governing the transaction.

The other related party transactions with other related parties as disclosed in note 20 to the condensed consolidated financial statements constituted exempt continuing connected transactions.

DIRECTORS' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June, 2016, none of the Directors and chief executive has any other interests and short positions in the share, underlying shares and debentures of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and to the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

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INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON IN SHARES AND UNDERLYING SHARES

As at 30th June, 2016, the following substantial shareholders and other person (other than a director or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Name	Capacity	Number of Shares held	Percentage of shareholding
Powerlink Industries Limited ("Powerlink")	Beneficial owner	55,098,000	7.81%
40 Dr. Sung Chung Kwun	Interest in controlled corporation	55,098,000	7.81%

Save as disclosed above, as at 30th June, 2016, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") which enables the Company to grant options to eligible persons as incentive or rewards for their contributions to the Group. Pursuant to the Scheme, the Company may grant options to (a) any full time employee or director of any member of the Group; (b) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the option is offered to such part time employee; or (c) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 40,000,000 Shares, representing 10 per cent. of the Shares in issue as at the date of passing the resolutions approving the Scheme. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12 month period must not exceed 1 per cent. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

The exercisable period of an option under the Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Scheme does not require a minimum period for which an option must be held before an option can be exercised. Upon acceptance of the option, the eligible person shall pay HK\$1.00 to the Company by way of consideration for the grant. The subscription price for the Shares subject to options will be a price determined by the Board and will be at least the highest of (i) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Share. Subject to the termination provisions, the Scheme will remain valid for a period of 10 years commencing on 29th August, 2005. The Scheme has expired on 28th August, 2015.

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June, 2016 nor outstanding as at 30th June, 2016.

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

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

CORPORATE GOVERNANCE

During the Reporting Period, the Company has complied with the Corporate Governance Code (the "Code") as contained in Appendix 14 of the Listing Rules, except for deviations from Code A.6.7 and E.1.2. Code provision A.6.7 stipulates that independent non-executive directors should attend general meetings. Due to certain important business engagements at the

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relevant time, not all independent non-executive directors attended the extraordinary general meeting of the Company held on 30th March 2016. Code E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 7th May 2016.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30th June, 2016 (six months ended 30th June, 2015: Nil) to the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code for the six months ended 30th June, 2016.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s unaudited interim results for the six months ended 30th June, 2016. The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 30th June, 2016.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my sincere gratitude to all our staff for their dedication and contribution to the Group. In addition, I would like to thank all our Shareholders and Investors for their support and our customers for their patronage.

On behalf of the Board

Lo Ping

Executive Director

30th August, 2016