THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Addchance Holdings Limited**, you should at once hand this circular, together with the accompanying form of proxy to the purchaser(s) or the transferee(s), or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Shares or other securities in the Company.

Addchance

ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3344)

(I) PROPOSED SUBSCRIPTIONS FOR NEW SHARES;
(II) APPLICATION FOR WHITEWASH WAIVER;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

大有融資有限公司
MESSIS CAPITAL LIMITED

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders

ZHAOBANGJI
INTERNATIONAL

A letter from the Board is set out on pages 7 to 35 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 36 to 37 of this circular.

A letter from the Independent Financial Adviser, Zhaobangji International Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 38 to 73 of this circular.

A notice convening the EGM to be held at Room 1118, 11/F., Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 17 March 2017 at 9:30 a.m. is set out on pages EGM-1 to EGM-4 of this circular. Whether or not you intend to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event, not less than 48 hours before the time fixed for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form(s) of proxy will not preclude you from attending and voting in person at the EGM or at any adjourned meeting (as the case may be) should you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

28 February 2017

CONTENTS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	has the meaning ascribed to it in the Takeovers Code
"Announcement"	the announcement dated 6 January 2017 published by the Company relating to, among other things, the Subscriptions and the Whitewash Waiver
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of the Directors
"Business Day"	a day (excluding Saturday, Sunday or public or statutory holiday in Hong Kong and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business in Hong Kong throughout their normal business hours
"Company"	Addchance Holdings Limited, a company incorporated in Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3344)
"Concert Party Group"	parties acting in concert with the First Subscriber, being its beneficial owner and sole director Mr. Poon Sum, and Ms. Wong Hiu Hung, the spouse of Mr. Poon Sum
"connected persons"	has the meaning ascribed to it in the Listing Rules and "connected" shall be construed accordingly
"Director(s)"	the director(s) of the Company

"Disposal"	the proposed disposal of the 100% of the registered capital of 羅定忠益房地產開發有限公司 (Luoding Addchance Limited), a wholly foreign-owned company established in the PRC on 30 December 2011 and an indirect wholly-owned subsidiary of the Company by Good Spread Industrial Limited (益展實業有限公司), a company incorporated in Hong Kong on 16 November 2011 with limited liability and an indirect wholly-owned subsidiary of the Company, in accordance with the terms and conditions of the equity transfer agreement dated 15 August 2016 (further details please refer to the Company's announcement dated 15 August 2016)
"EGM"	the extraordinary general meeting of the Company to be held to approve, among other things, the Subscription Agreements, the Specific Mandates and the Whitewash Waiver
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
"First Completion"	completion of the First Subscription Agreement in accordance with the terms therein
"First Subscriber"	Gold Train Investments Limited, a company established in British Virgin Islands with limited liability, the party to the First Subscription Agreement who will subscribe for the First Subscription Shares and the ultimate beneficial owner of which being Mr. Poon Sum
"First Subscription"	the subscription for the First Subscription Shares by the First Subscriber pursuant to the First Subscription Agreement
"First Subscription Agreement"	the subscription agreement dated 6 January 2017 and entered into between the Company and the First Subscriber in respect of the First Subscription
"First Subscription Price"	the subscription price of HK$0.08 per First Subscription Share

"First Subscription Share(s)"	no less than 2,500,000,000 new Shares and no more than 3,800,000,000 new Shares (assuming that there is no change in the issued share capital of the Company up to the First Completion and the public float is not less than 25% at the time of the First Completion) to be allotted and issued pursuant to the First Subscription Agreement
"Fourth Subscriber"	Ms. Li Shuanghui (李雙暉), an independent third party, being the subscriber to the Fourth Subscription Agreement, who will subscribe for the Fourth Subscription Shares
"Fourth Subscription"	the subscription for the Fourth Subscription Shares by the Fourth Subscriber pursuant to the Fourth Subscription Agreement
"Fourth Subscription Agreement"	the subscription agreement dated 6 January 2017 and entered into between the Company and the Fourth Subscriber in respect of the Fourth Subscription
"Fourth Subscription Price"	the subscription price of HK$0.08 per Fourth Subscription Share
"Fourth Subscription Share(s)"	250,000,000 new Shares to be allotted and issued pursuant to the Fourth Subscription Agreement
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board to be established which comprises all the non-executive Directors (other than Mr. Chui Chi Yun, Robert) and independent non-executive Directors in compliance with Rule 2.8 of the Takeovers Code, who will have no direct or indirect interest in the First Subscription Agreement or the Whitewash Waiver

"Independent Financial Adviser" or "Zhaobangji International"	Zhaobangji International Capital Limited, a licenced corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders on the First Subscription, the Specific Mandate in relation to the First Subscription Shares and the Whitewash Waiver
"Independent Shareholders"	Shareholders other than (i) the First Subscriber together with parties acting in concert with it (i.e. the Concert Party Group); (ii) the Second Subscriber, Third Subscriber, Fourth Subscriber and their respective associates and parties acting in concert with any one of them; (iii) those who are involved in or interested in the First Subscription Agreement or the Whitewash Waiver; and (iv) those whose are required to abstain from voting in the EGM to consider and approve the First Subscription under the Listing Rules and the Takeovers Code
"Last Trading Day"	5 January 2017, being the last trading day of the Shares prior to the publication of the Announcement
"Latest Practicable Date"	23 February 2017, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	28 April 2017 or such later date as the parties to each of the First Subscription Agreement, Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement may agree
"PRC"	the People's Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Relevant Period"	the period commencing 6 months preceding the date of the Announcement and ending on the Latest Practicable Date

"Second Subscriber"	Mr. Yuan Dongjie (袁東杰), an independent third party, being the subscriber to the Second Subscription Agreement, who will subscribe for the Second Subscription Shares
"Second Subscription"	the subscription for the Second Subscription Shares by the Second Subscriber pursuant to the Second Subscription Agreement
"Second Subscription Agreement"	the subscription agreement dated 6 January 2017 and entered into between the Company and the Second Subscriber in respect of the Second Subscription
"Second Subscription Price"	the subscription price of HK$0.08 per Second Subscription Share
"Second Subscription Share(s)"	250,000,000 new Shares to be allotted and issued pursuant to the Second Subscription Agreement
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571, laws of Hong Kong) as amended and modified from time to time
"Share(s)"	the ordinary shares of par value of HK$0.01 each in the issued share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Specific Mandate(s)"	the authority to be sought from the Shareholders and/or Independent Shareholders (as the case may be) to authorise the Board to issue the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscribers"	collectively, the First Subscriber, Second Subscriber, Third Subscriber and Fourth Subscriber
"Subscription Shares"	collectively, the First Subscription Shares, Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares
"Subscriptions"	collectively, the First Subscription, Second Subscription, Third Subscription and Fourth Subscription

"Subscription Agreement(s)"	collectively, the First Subscription Agreement, Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement
"Takeovers Code"	Hong Kong Code on Takeovers and Mergers
"Third Subscriber"	Mr. Chen Chiquan (陳熾權), an independent third party, being the subscriber to the Third Subscription Agreement, who will subscribe for the Third Subscription Shares
"Third Subscription"	the subscription for the Third Subscription Shares by the Third Subscriber pursuant to the Third Subscription Agreement
"Third Subscription Agreement"	the subscription agreement dated 6 January 2017 and entered into between the Company and the Third Subscriber in respect of the Third Subscription
"Third Subscription Price"	the subscription price of HK$0.08 per Third Subscription Share
"Third Subscription Share(s)"	250,000,000 new Shares to be allotted and issued pursuant to the Third Subscription Agreement
"Whitewash Waiver"	a waiver from the obligation of the First Subscriber to make a mandatory general offer to the Shareholders as a result of the First Subscription in respect of the Shares and securities issued by the Company not already owned or agreed to be acquired by the First Subscriber and the parties acting in concert with it in accordance with Note 1 on dispensations from Rule 26 of the Takeovers Code
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"%"	per cent.

ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3344)

Executive Directors:
Mr. Cheung Tat Chung *(Chief Executive Officer)*
Mr. Lo Ping
Mr. Zheng Jun

Non-executive Directors:
Mr. Chui Chi Yun, Robert
Mr. Zhao Xu

Independent non-executive Directors:
Mr. Chan Shu Kin
Dr. Tse Kwok Sang
Mr. Chiu Wai Piu

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business:
Room 1118, 11/F,
Peninsula Centre
67 Mody Road
Tsim Sha Tsui East
Kowloon
Hong Kong

28 February 2017

To all Shareholders

Dear Sir or Madam,

(I) PROPOSED SUBSCRIPTIONS FOR NEW SHARES;
(II) APPLICATION FOR WHITEWASH WAIVER;
AND
(III) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

On 6 January 2017, the Board announced that the Company entered into the First Subscription Agreement, Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement.

The Independent Board Committee comprises Mr. Zhao Xu, being one of the non-executive Directors, Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, being all the independent non-executive Directors, all of whom not having direct or indirect interest in the First Subscription Agreement or the Whitewash Waiver, has been established pursuant to Rule 2.8 of the Takeovers Code to consider and make recommendation to the Independent Shareholders in respect of the First Subscription Agreement, the Specific

Mandate in respect of the First Subscription Shares and the Whitewash Waiver after taking into account the advice from the Independent Financial Adviser. Mr. Chui Chi Yun, Robert, the non-executive Director, is involved in the negotiation of the First Subscription Agreement and is not eligible to be a member of the Independent Board Committee.

Zhaobangji International has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver. The appointment of the Independent Financial Adviser has been approved by the Independent Board Committee.

The First Subscription involving the Whitewash Waiver and each of the Second Subscription, Third Subscription and Fourth Subscription are subject to a number of conditions as set out in the letter from the Board in this circular including, but not limited to, the passing of the relevant resolutions by the Independent Shareholders at the EGM. The purpose of this circular is to provide you with (i) further information in relation to the First Subscription and the Whitewash Waiver; (ii) each of the Second Subscription, Third Subscription and Fourth Subscription; (iii) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the First Subscription and the Whitewash Waiver; (iv) the recommendation from the Independent Board Committee to the Independent Shareholders; and (v) the notice of the EGM.

THE SUBSCRIPTIONS

(A) The First Subscription Agreement

Date: 6 January 2017

Parties: (i) the Company; and

(ii) the First Subscriber

Pursuant to the First Subscription Agreement, the First Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue no less than 2,500,000,000 First Subscription Shares and no more than 3,800,000,000 First Subscription Shares (assuming that there is no change in the issued share capital of the Company up to the First Completion and the public float is not less than 25% at the time of the First Completion).

The First Subscriber is a company established in the British Virgin Islands in 2015. The First Subscriber is principally engaged in investment holding. Mr. Poon Sum is the sole director and shareholder of the First Subscriber. For further background information of Mr. Poon Sum, please refer to the paragraph headed "Intentions of the First Subscriber regarding the Group" below.

As confirmed by the First Subscriber, (i) it and its ultimate beneficial owners as at the Latest Practicable Date, did not know the Second Subscriber, Third Subscriber and/or Fourth Subscriber prior to entering into the First Subscription Agreement; (ii) it, and its ultimate beneficial owners are independent of the Second Subscriber, Third Subscriber and/or Fourth Subscriber; (iii) it will finance the subscription money payable by it under the First Subscription Agreement by its own funding or borrowings and are not related to the Second Subscriber, Third Subscriber and/or Fourth Subscriber; (iv) it, its ultimate beneficial owners and parties acting in concert with any of them have no agreement, arrangement or understanding (whether formal or informal) with the Second Subscriber, Third Subscriber and/or Fourth Subscriber in relation to the Subscriptions and/or otherwise; and (v) it is not actively co-operating with the Second Subscriber, Third Subscriber and/or Fourth Subscriber and parties acting in concert with any of them to obtain or attempt to obtain or consolidate control of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the First Subscriber does not hold any Share. However, the ultimate beneficial owner of the First Subscriber and his spouse, are Shareholders who hold 7,608,000 Shares, representing approximately 0.90% of the issued share capital of the Company as at the Latest Practicable Date. The First Subscriber and its ultimate beneficial owner are parties independent of the Company and the connected persons (as defined under the Listing Rules) of the Company as at the Latest Practicable Date.

The First Subscription Shares

Pursuant to the First Subscription Agreement, the First Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue no less than 2,500,000,000 First Subscription Shares and no more than 3,800,000,000 First Subscription Shares (assuming that there is no change in the issued share capital of the Company up to the First Completion and the public float is not less than 25% at the time of the First Completion). The maximum number of First Subscription Shares to be allotted and issued represent (i) approximately 4.5 times of the entire issued share capital of the Company as at the date of the First Subscription Agreement; (ii) approximately 81.8% of the entire issued share capital of the Company as enlarged by the issue of the First Subscription Shares only; and (iii) approximately 70.4% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares at the First Subscription Price of HK$0.08 per First Subscription Share.

Pursuant to the First Subscription Agreement, the First Subscriber shall subscribe up to 3,800,000,000 First Subscription Shares, but the Company has the right to adjust the actual number of the First Subscription Shares to be allotted and issued upon the First Completion, in order to comply with the public float requirement under the Listing Rules. Hence, the number of First Subscription Shares to be allotted and issued to the First Subscriber shall be no less than 2,500,000,000 First Subscription Shares and no more than 3,800,000,000 First Subscription Shares under any circumstances and the public float shall be 25% at the time of the First Completion. The Company must inform the First Subscriber the actual number of First Subscription Shares in writing in no less than two business days prior to the First Completion.

The First Subscription Price

The First Subscription Price is HK$0.08 per Subscription Share payable in full in cash at Completion. The First Subscription Price represents (i) a discount of approximately 91.7% to the closing price of HK$0.96 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 92.1% to the average of the closing prices of HK$1.016 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 92.7% to the closing price of HK$1.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (iv) a discount of approximately 29.8% to the unaudited net asset value per Share of HK$0.11 as at 30 June 2016.

The issue scope of the First Subscription was arrived at after arm's length negotiations between the Company and the First Subscriber with reference to (i) the financial performance and position of the Group, in particular the increasing loss and the net current liabilities of the Group and (ii) the imminent financial needs to repay the existing loans so as to (a) curb the risk of being sued or petitioned by the banks for the outstanding loans; (b) trim down the Group's debts; (c) largely reduce the Group's finance costs in relation to outstanding bank borrowings; and (d) improve the risk profile of the Group for applying for any line of credit or short term bank borrowings. In addition, the Directors are of the view that the issue scope is appropriate, fair and reasonable to the Company and the Shareholders as a whole.

The First Subscription Price is the same as each of the Second Subscription Price, Third Subscription Price and Fourth Subscription Price and was arrived at after arm's length negotiations between the Company and the First Subscriber with reference to (i) financial performance and position of the Group, in particular, there was a significant increase in loss of the Group since 31 December 2014 due to the decrease in revenue and the Group recorded net current liabilities of approximately HK$564.9 million as at 31 December 2015 and approximately HK$663.1 million as at 30 June 2016; (ii) low liquidity of the Shares; (iii) the general decreasing trend of the Share price before the announcement of the Company in relation to possible subscriptions, whitewash waiver and disposal of subsidiaries dated 4 November 2016; and (iv) the First Subscriber's commitment to subscribe approximately 70.4% of the shareholding in the Company as enlarged by the issue of the Subscription Shares. The Directors (including all members of the Independent Board Committee whose opinion has been set forth in the "Letter from the Independent Board Committee" in this circular after considering the opinion of the Independent Financial Adviser) consider that the Subscription Price and the terms of the First Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The First Subscriber intends to finance the First Subscription either (i) entirely by its own internal resources; or (ii) by a combination of its own internal resources and a possible loan facility. The First Subscriber is considering to obtain a loan facility to finance the First Subscription by pledging all or part of the First Subscription Shares to be acquired by the First Subscriber as security for such loan facility. As at the Latest Practicable Date, the First Subscriber was in preliminary negotiation with a potential lender, which is a securities firm providing investment banking services, for a possible loan facility for the purpose of financing the First Subscription. The principal terms and conditions of the loan, including the loan amount, term of the loan, interest rate and security to be pledged have not yet been agreed, and such loan arrangement may or may not materialize. The potential lender is independent of the First Subscriber, the Company and their respective associates. As at the Latest Practicable Date, there was no relationship (business, financial or otherwise) between the potential lender and (i) the Company; and (ii) the First Subscriber and parties acting in concert with it. If the potential loan arrangement between the First Subscriber and the potential lender materialises, the potential lender will be deemed to be acting in concert with the First Subscriber in connection with the First Subscription pursuant to the Takeovers Code. To the best knowledge, belief, information of the Directors, after having made all reasonable enquiries, (i) none of the potential lender and parties acting in concert with it has acquired any voting rights in the Company (save for the First Subscription which has been fully disclosed in this circular) and there have been and will be no disqualifying transactions (as set out in paragraph 3 of Schedule VI to the Takeovers Code) in the six months prior to the date of the Announcement and up to and including the date of the EGM; and (ii) in the event that the potential loan arrangement does not materialise, the First Subscriber and parties acting in concert with it will have sufficient internal resources for the First Subscription.

Save as disclosed above, as at the Latest Practicable Date, as confirmed by each of the Second Subscriber, Third Subscriber and Fourth Subscriber, he/she has no relationship with the potential lender as mentioned above.

Conditions of the First Subscription

The First Completion is conditional upon each of the following conditions being satisfied or, if applicable, waived:

(i) the First Subscriber being reasonably satisfied upon the completion of the due diligence exercise on the Company's financial position and operation by the First Subscriber;

(ii) the Executive granting the Whitewash Waiver (in connection with the First Subscription) to the First Subscriber (and such waiver not being subsequently revoked prior to the First Completion) and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(iii) the passing by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules and the Takeovers Code of resolutions approving, including but not limited to:

    (a) the First Subscription Agreement and the transactions contemplated thereunder;

(b) the allotment and issue under a Specific Mandate of the First Subscription Shares; and

(c) the Whitewash Waiver;

(iv) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the First Subscription Shares to be issued (and such approval not being subsequently revoked prior to the First Completion); and

(v) the Company not having breached any of the undertakings and warranties given by the Company in the First Subscription Agreement and such undertakings and warranties remaining true and accurate in all material respects and not materially misleading.

The First Subscriber has the right to waive the condition (i) above and save as the aforesaid, none of the above conditions can be waived by any parties to the First Subscription Agreement. All parties to the First Subscription Agreement shall use all endeavours to procure the fulfilment (or waiver as the case may be) of all the conditions above by the Long Stop Date or such other date as the parties to the First Subscription Agreement may agree. In the event that the conditions have not been fulfilled or waived (as the case may be) by the Long Stop Date and the Company and the First Subscriber have not agreed to extend the Long Stop Date upon the expiry of the Long Stop Date, the First Subscription Agreement will be terminated and ceased to be effective, neither parties have obligations and liabilities thereafter save for any antecedent breach. Depending on the facts and circumstances, in the event that the Company and the First Subscriber renegotiate an extension of Long Stop Date which constitutes a material change of the terms mandated by the Shareholders, the Company would seek a new Specific Mandate for such extension accordingly.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

The First Subscription Agreement and each of the Second Subscription Agreement, Third Subscription Agreement, Fourth Subscription Agreement are not inter-conditional on each other.

Completion of the First Subscription

The First Completion will take place within twenty (20) Business Days after all the conditions of the First Subscription have been fulfilled or waived (as the case may be) (or such other date and time as may be agreed between the Company and the First Subscriber). On the First Completion, the First Subscriber shall effect payment of the aggregate First Subscription Price in full, and the Company shall simultaneously, among others, allot and issue the First Subscription Shares to the First Subscriber and deliver the relevant share certificate(s) to the First Subscriber.

Termination of the First Subscription Agreement

The First Subscriber agrees that the Company shall have the right to require the First Subscriber to bear its obligations if the Company has fulfilled its obligations under the First Subscription Agreement and the First Subscriber has not completed the First Subscription pursuant to the First Subscription Agreement, and the Company has the right to terminate the First Subscription Agreement unilaterally.

(B) THE SECOND SUBSCRIPTION AGREEMENT, THIRD SUBSCRIPTION AGREEMENT AND FOURTH SUBSCRIPTION AGREEMENT

On 6 January 2017 (after trading hours), the Company and each of the Second Subscriber, Third Subscriber and Fourth Subscriber entered into the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement in relation to the Second Subscription, Third Subscription and Fourth Subscription, respectively.

Each of the Second Subscriber, Third Subscriber and Fourth Subscriber is an individual and as at the Latest Practicable Date, each of the Second Subscriber, Third Subscriber, Fourth Subscriber and the respective associates do not own or have control or direction over any Shares.

As confirmed by each of the Second Subscriber, Third Subscriber and Fourth Subscriber, (i) he/she did not know any other Subscribers and/or their respective ultimate beneficial owners (as the case may be) prior to entering into the respective Subscription Agreements; (ii) he/she is independent of the any other Subscribers and/or their respective ultimate beneficial owners (as the case may be); (iii) he/she will finance the subscription money payable by him/her under the respective Subscription Agreements by his/her own funding or borrowings and are not related to any other Subscribers and their respective ultimate beneficial owners (as the case may be); (iv) he/she and parties acting in concert with him/her have no agreement, arrangement or understanding (whether formal or informal) with any other Subscribers and/or their respective ultimate beneficial owners in relation to the Subscriptions and/or otherwise; and (v) he/she is not actively co-operating with any other Subscribers and/or their ultimate beneficial owners (as the case may be) and respective parties acting in concert with any of them to obtain or attempt to obtain or consolidate control of the Company.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, each of the Second Subscriber, Third Subscriber and Fourth Subscriber and their respective ultimate beneficial owners do not own or have control or direction over any Shares. Each of the Second Subscriber, Third Subscriber, Fourth Subscriber and their respective ultimate beneficial owners are parties independent of the Company and the connected persons (as defined under the Listing Rules) of the Company.

The Second Subscriber, aged 32, is the manager of the investment department in a chemicals import and export company in Dongguan, the PRC.

The Third Subscriber, aged 52, is self-employed and an experienced investor in properties for rental incomes in the PRC and stocks in Hong Kong.

The Fourth Subscriber, aged 39, is self-employed and a private investor and resident in Shenzhen, the PRC. She is active in investment in various kinds of equity in Hong Kong and the PRC.

The Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares

Pursuant to each of the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement, each of the Second Subscriber, Third Subscriber and Fourth Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 250,000,000 new Shares respectively. The number of each of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares to be allotted and issued represents (i) approximately 29.5% of the entire issued share capital of the Company as at the Latest Practicable Date; (ii) approximately 22.8% of the entire issued share capital of the Company as enlarged by the issue of each of the Second Subscription Shares, Third Subscription Shares or Fourth Subscription Shares; and (iii) approximately 4.6% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares at the subscription price of HK$0.08 per each of the Second Subscription Share, Third Subscription Share and Fourth Subscription Share.

The Second Subscription Price, Third Subscription Price, Fourth Subscription Price

Each of the Second Subscription Price, Third Subscription Price, Fourth Subscription Price is HK$0.08 per Subscription Share payable in full in cash at the completion of the Second Subscription, Third Subscription and Fourth Subscription respectively. Each of the Second Subscription Price, Third Subscription Price and Fourth Subscription Price represents (i) a discount of approximately 91.7% to the closing price of HK$0.96 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 92.1% to the average of the closing prices of HK$1.016 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 92.7% to the closing price of HK$1.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and (iv) a discount of approximately 29.8% to the unaudited net asset value per Share of HK$0.11 as at 30 June 2016.

The issue scope of each of the Second Subscription, the Third Subscription and the Fourth Subscription was arrived at after arm's length negotiations between the Company and each of the Second Subscriber, the Third Subscriber and the Fourth Subscriber with reference to (i) the financial performance and position of the Group, in particular the increasing loss and the net current liabilities of the Group and (ii) the imminent financial needs to repay the existing loans so as to (a) curb the risk of being sued or petitioned by the banks for the outstanding loans; (b) trim down the Group's debts; (c) largely reduce the Group's finance costs in relation to outstanding bank borrowings; and (d) improve the risk profile of the Group for applying for any line of credit or short term bank borrowings. In addition, the Directors are of the view that the issue scope is appropriate, fair and reasonable to the Company and the Shareholders as a whole.

Each of the Second Subscription Price, Third Subscription Price and Fourth Subscription Price is the same as the First Subscription Price and were arrived at after arm's length negotiations between the Company and each of the Second Subscriber, Third Subscriber and Fourth Subscriber respectively with reference to the (i) financial performance and position of the Group, in particular, there was a significant increase in loss of the Group since 31 December 2014 due to the decrease in revenue and the Group recorded net current liabilities of approximately HK$564.9 million as at 31 December 2015 and approximately HK$663.1 million as at 30 June 2016; (ii) low liquidity of the Shares; (iii) the general decreasing trend of the Share price before the announcement of the Company in relation to possible subscriptions, whitewash waiver and disposal of subsidiaries dated 4 November 2016; and (iv) each of the Second Subscriber's, the Third Subscriber's and the Fourth Subscriber's commitment to subscribe approximately 4.6% of the shareholding in the Company as enlarged by the issue of the Subscription Shares. The Directors consider that each of the Second Subscription Price, Third Subscription Price and Fourth Subscription Price and the terms of each of the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions of each of the Second Subscription, Third Subscription and Fourth Subscription

The completion of each of the Second Subscription, Third Subscription and Fourth Subscription is conditional upon each of the following conditions being satisfied or, if applicable, waived:

(i) the relevant subscriber being reasonably satisfied upon the completion of the due diligence exercise on the Company's financial position and operation by the relevant subscriber;

(ii) the passing by the Shareholders at the EGM in accordance with the requirements of the Listing Rules of resolutions approving, including but not limited to:

   (a) the relevant Subscription Agreement and the transactions contemplated thereunder;

   (b) the allotment and issue under a Specific Mandate of the relevant Subscription Shares;

(iii) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the relevant Subscription Shares to be issued (and such approval not being subsequently revoked prior to completion of each of the Second Subscription, Third Subscription or the Fourth Subscription); and

(iv) the Company not having breached any of the undertakings and warranties given by the Company in the relevant Subscription Agreement and such undertakings and warranties remaining true and accurate in all material respects and not materially misleading.

Each of the Second Subscriber, Third Subscriber and Fourth Subscriber has the right to waive the condition (i) above and save as the aforesaid, none of the above conditions can be waived by any parties to each of the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement respectively. All parties to each of the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement shall use all endeavours to procure the fulfilment of all the conditions above by the Long Stop Date or such other date as each of the parties to the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement may agree, respectively. In the event that the conditions have not been fulfilled or waived (as the case may be) by the Long Stop Date and the Company and each of the Second Subscriber, Third Subscriber and Fourth Subscriber have not agreed to extend the Long Stop Date after the expiry of the Long Stop Date, each of the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement will be terminated and ceased to be effective, neither parties have obligations and liabilities thereafter save for any antecedent breach. Depending on the facts and circumstances, in the event that the Company and each of the Second Subscriber, Third Subscriber and Fourth Subscriber renegotiate an extension of Long Stop Date which constitutes a material change of the terms mandated by the Shareholders, the Company would seek a new Specific Mandate for such extension accordingly.

As at the Latest Practicable Date, none of the conditions have been fulfilled.

Each of the First Subscription Agreement, Second Subscription Agreement, Third Subscription Agreement, Fourth Subscription Agreement are not inter-conditional on each other.

Completion of each of the Second Subscription, Third Subscription and Fourth Subscription

The completion of each of the Second Subscription, Third Subscription and Fourth Subscription will take place within ten (10) Business Days after all the conditions of the respective Second Subscription, Third Subscription, and Fourth Subscription have been fulfilled or waived (as the case may be) (or such other date and time as may be agreed between the Company and the Second Subscriber, Third Subscriber and Fourth Subscriber respectively). On the completion of each of the Second Subscription, Third Subscription and Fourth Subscription, the Second

Subscriber, Third Subscriber and Fourth Subscriber shall respectively effect payment of the aggregate of the Second Subscription Price, Third Subscription Price and Fourth Subscription Price in full, and the Company shall simultaneously, among others, allot and issue each of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares to the Second Subscriber, Third Subscriber and Fourth Subscriber and deliver the relevant share certificate(s) to the Second Subscriber, Third Subscriber and Fourth Subscriber, respectively.

Termination of each of the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement

Each of the Second Subscriber, Third Subscriber and Fourth Subscriber agrees that the Company shall have the right to require the Second Subscriber, Third Subscriber and Fourth Subscriber to bear their respective obligations if the Company has fulfilled its obligations under the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement respectively and the Second Subscriber, Third Subscriber and Fourth Subscriber has not completed the Second Subscription, Third Subscription, Fourth Subscription respectively pursuant to the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement, and the Company has the right to terminate the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement unilaterally, respectively.

Ranking of the Subscription Shares

The Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares. The Subscription Shares shall be entitled to all dividends and other distributions.

Mandates to issue the Subscription Shares

The issue of the Subscription Shares is subject to approval by the Shareholders (or the Independent Shareholders, as the case may be) at the EGM. Ordinary resolutions will be proposed at the EGM to seek, among other things, the Specific Mandates to issue the respective Subscription Shares under the respective Subscription Agreements.

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE SUBSCRIPTIONS

Information of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in (i) the production and sale of dyed yarn, knitted sweaters and cotton yarn, (ii) the provision of dyeing services and knitting services, and the trading of cotton and yarns.

As disclosed in the interim report of the Company for the six months ended 30 June 2016, the Group had net current liabilities of approximately HK$663.1 million and the Group recorded an unaudited consolidated loss of approximately HK$144.8 million for the six months ended 30 June 2016. 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 43.1% as compared with the six months ended 30 June 2015 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. 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 decreased 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 as compared with the six months ended 30 June 2015.

As at 30 June 2016, the held cash and bank balances amounted to approximately HK$64.2 million while the total borrowings of the Group were approximately HK$970.2 million. 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. The aggregate balances of the relevant bank borrowings as at 30 June 2016 was approximately HK$672.2 million. The Group has been actively negotiating with the relevant banks for restructuring of the relevant borrowings, including rescheduling of the terms of repayments and/or the extension or revision of the relevant bank facilities. As at the Latest Practicable Date, the restructuring of the loans from the relevant banks is still under negotiation. Subject to the finalization and entering into the debt restructuring agreement between the Company and the relevant banks, based on the current negotiation of the terms for such debt restructuring, the Directors expect that the overdue bank loans under the relevant banking facilities will be repaid and/or waived in full on the first anniversary of the date of the debt restructuring agreement. As at 30 November 2016, approximately HK$653.83 million is being overdue.

Reference is also made to the announcement of the Company dated 15 August 2016 and the circular of the Company dated 22 October 2016, on 15 August 2016 (after trading hours), Good Spread Industrial Limited (an indirect wholly-owned subsidiary of the Company) as vendor and an independent third party as purchaser entered into an equity transfer agreement with respect to the Disposal, pursuant to which Good Spread Industrial Limited has conditionally agreed to transfer 100% of the registered capital of 羅定忠益房地產開發有限公司 (Luoding Addchance Limited), an indirect wholly-owned subsidiary of the Company, to the purchaser at a gross consideration of approximately HK$468.6 million (equivalent to approximately RMB404.0 million). The Company intends to apply (i) the net proceeds from the Disposal in the sum of HK$40.0 million for the repayment of the outstanding amount under the bank loans owed by the Group to the banks and (ii) the remaining balance of the net proceeds amounted to approximately HK$12.6 million from the Disposal as the working capital of the Group. As at the Latest Practicable Date, the Disposal has completed. As confirmed by the Subscribers, each of them has no relationship with the purchaser to the equity transfer agreement.

Other financing alternatives

The Directors have looked into various fund raising possibilities, including but not limited to (a) debt financing from banks and (b) rights issue or open offer whereby the existing Shareholders of the Company would be entitled to subscribe for further Shares.

Firstly, the Company had approached two banks for exploring the possibility of obtaining new banking facilities. Taking into account the Group's deteriorating financial position, sizeable fund requirement and pending demand letters issued by the other banks, both banks turned down the Company's request for bank facilities at an early stage and since then, there were no further negotiation of scale or terms between the Company and the said banks.

The Company had approached and brought up with three securities firms to explore the possibility for the securities firm to underwrite a rights issue or open offer of the Shares at the subscription price of the Subscriptions to be conducted by the Company. However, the securities firms have declined to underwrite any Shares at the subscription price of the Subscriptions in a comparable size as the proposed Subscriptions. The Directors consider that rights issue or open offer would allow Shareholders to participate and maintain their respective pro-rata shareholdings in the Company and to strengthen the capital base of the Company, such fund raising exercises require the Company to procure commercial underwriting. However, the Directors understood from such securities firms that in declining the proposal of the Company, they have taken into account factors including the deteriorating financial situation faced by the Group and the volatile market conditions. As there were no in-depth discussion nor negotiation of terms with the relevant counter-parties, there were in substance no other terms offered to the Company which can be used for comparing with the existing terms of the Subscriptions.

As the Company was unable to secure financing from banks or underwriting offers for rights issue or open offer from securities firms, the Company considered subscriptions, the only available fund-raising means as at the Latest Practicable Date, as well as the most viable fund-raising means. The Company had also approached other potential investors but it was unable to secure with them which could proceed to the entering into of a subscription with a lower discount.

Based on the above, the Company has considered, explored and exhausted all possible fund raising alternatives and methods. However, none of the above discussions or negotiations with the counter-parties have materialised in view of the Company's deteriorating financial performance and high gearing ratio, and the potential bankers, securities firms or investors may not want to tolerate the risk of financing a sizeable fund to the Company.

The Directors settled with the Subscriptions as a last resort to raising funds, having considered that:

(i) the Company has a genuine and imminent funding needs for the repayment of debts and bank borrowings, a majority of which had fallen due;

(ii) the sizeable amount of funding shortfall for the repayment of liabilities and general working capital for the sustainability of the Group's operations;

(iii) the Group's continuous loss-making position, current high gearing ratio and net current liabilities position as mentioned in the paragraph "Information of the Group" above;

(iv) the difficulties encountered by the Company to conduct any other fund raising activities as mentioned above despite the continuous efforts from the management;

(v) the Company had exhausted all other possible funding alternatives, be it in equity or debt, and there were no other available financing alternatives for the Group to consider other than the Subscriptions;

(vi) save for the Subscribers, the Company was unable to secure other potential investors which could proceed to the entering into of a legally binding agreement and the Subscriptions, being the only currently available fund raising opportunity, is the only and thus, the most viable fund-raising means;

(vii) through the Subscriptions, the Company will be able to raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with new cash to stabilize and in turn to lubricate the operation of the Group's existing business, which is an important factor to the successful implementation of the textile business plan of the Group;

(viii) should the Group fail to obtain the external financing, it would be required to generate financing internally through, without limitation to, liquidating the assets of the Group. However, there is no guarantee that the assets of the Group could be sold at reasonable price to a ready buyer in the market, or at all, in a timely manner so as to meet the impending cash flow shortfall of the Group promptly; and

(ix) with an introduction of Mr. Poon Sum, a renowned businessman in Hong Kong with established and extensive business connections in Hong Kong, as a Shareholder (through the First Subscriber), the Group would have better bargaining power in securing future financing and re-financing which in turn would avoid deepening the negative impact on the business operation and development of the Group,

the Directors therefore believe that the Subscriptions are in the interests of the Company and the Shareholdersas a whole.

The Directors are of the view that a new equity financing is an imminent priority of the Company and the Subscriptions are the most viable option for the Company. Given the unsatisfactory performance of the Group's existing business as mentioned above, the Subscriptions provide a good opportunity for the Company to raise equity funding to repay its outstanding liabilities, improve its financial position and mobilise further resources to develop the Group in the textile industry of Cambodia.

The Directors are of the view that the repayment of the existing loans is crucial for the Group, in order to (i) curb the risk of being sued or petitioned by the banks for the outstanding loans; (ii) significantly eliminate and trim down the Group's debts which improves its financial position; (iii) largely reduce the Group's finance costs in relation to outstanding bank borrowings; and (iv) improve the risk profile of the Group for applying for any line of credit or short term bank borrowings to enhance its operating cash flow for business development.

Business plans of the Group

Further, to improve the sustainability of the Group's textile business, the Company does have a detailed strategic plan for rejuvenating its textile business as follows:

(i) as the cotton prices showed a volatile yet downward trend price and are expected to remain for an indefinite period in the future, the Group has been scaling down or suspending its business of cotton spinning, in hopes of cutting gross loss and improving the overall gross profit of the Group;

(ii) the Group expects to resume its textile dyeing business, which was suspended before due to disposal of the land use right, in the PRC in the latter half of 2017 as the Company has found and obtained another piece and parcel of land for the construction and operation of its dyeing factory in Luoding, Guangdong Province, the PRC, subject to the completion of relevant environmental assessment and granting of requisite licences and approvals by the government. The textile dyeing business is expected to commence operations in third quarter of 2017 with estimated production capacity of 2.5 million pound per month, and is targeted to serve mainly customers in nearby region in Guangdong Province and Hong Kong, and hence the gross profit contribution from the dyeing business segment is expected to improve again from the latter half of 2017;

(iii) the Group intends to implement the strategic reallocation of production base of the Group and to streamline the Group's business operations and reduce costs and liability of the Group by entering into an agreement in relation to the disposal of the Company's wholly-owned subsidiaries, namely, Zhangjiagang Addchance Dyeing & Finishing Co., Ltd. (張家港互益染整有限公司) and Zhangjiagang Addchance Spinnery Co., Ltd. (張家港互益紡織有限公司). For details, please refer the announcement of the Company dated 6 January 2017 in relation to such disposal;

(iv) the Company is shifting its focus on sweater knitting business, which enjoys a relatively high profit margin than the cotton related segments. Further, the Company has strategically shifted the sales focus on knitting business from PRC to EU customers by utilising the competitive advantages of the low labour cost in the Group's production plants in Cambodia where it has established the "green factory" system and could enjoy better tax benefit in exportation;

(v) the Group's sweater knitting business is being vertically benefited from its upstream dyeing arms at a controllable and stable costs and in turn improving the Group's profit margins. With the expansion of the Group's green factory in Cambodia, the Group will focus its 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 European customers and again strengthen the bargaining power of the Group. On the other hand, the Company is also adopting some cost control measures to further reduce its operating costs, the clearance of its slow moving inventory at lower price in the first half of 2016 to improve cash position, shifting contracting out an increasing portion of its production process to contractors or part-time workers, further reducing the number of full time employees of the factories; and

(vi) the Company is also actively promoting its products and ODM business in overseas market in the European region, as well as to expand into other markets such as Japan and America. Trial orders from Japan and the United Kingdom have also been secured by the Company recently for its ODM products. In the future, the Company will further focus on high-end products which enjoy a better profit margin in general in developed countries on the one hand, and reduce reliance on low-end products with hopes to avoid direct and tense competition from the competitors in developing regions such as Bangladesh and Myanmar.

As mentioned above, 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 also intend to adopt cost control measures to further reduce the operating costs in the Cambodia factories, such as to trim down 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.

The Directors are responsible for overseeing and management of the implementation of the business plan and the senior management will report to the Directors regularly on the progress of the implementation of the business plan. The Group is confident with the above plan and the Directors consider the plan is achievable as a number of the existing senior management staff members, who have been working for the Group for years or even were former directors of the Company, together with some newly recruited senior management members, possessed the requisite knowledge and expertise and ability to implement the abovementioned plan and thus to rejuvenate its textile business.

Those senior management members possess relevant knowledge and experience including (i) operation and administration of the Group's sweater knitting section, (ii) supervision of the Group's information technology department, and the development of the Group's ISO9001 management system, quality system and technological research in the Group's yarn dyeing section, (iii) sales and marketing of the Group's yarn dyeing and sweater knitting section as well as production management experience in the PRC and Cambodia. Set out below are the details of principal senior management members:

Mr. Tsang Fai, aged 44, joined the Group in January 1999 as an assistant to sales manager and was elected as an executive Director of the Company in May 2013. In June 2016, he resigned as the executive Director of the Company and remained his office as a director of a principal subsidiary of the Company. Mr. Tsang Fai is responsible for the operation and administration of the Group's sweater knitting section. Mr. Tsang Fai obtained his bachelor's degree in Mathematical Science and Master's degree in Scientific Computing from the Hong Kong Baptist University in 1998 and 2003 respectively.

Mr. Yeung Choi Yee, aged 42, joined the Group in November 2003 and was elected as an executive Director of the Company 1 July 2015. In May 2016, he resigned as the executive Director of the Company and remained his position as the general manager of the Group. Mr. Yeung Choi Yee is responsible for the supervision of the Group's information technology department, and the development of the Group's ISO9001 management system, quality system and technological research in the Group's yarn dyeing section. Mr. Yeung Choi Yee obtained his bachelor's degree in Mathematical Science and Master's degree in Scientific Computing from the Hong Kong Baptist University in 1998 and in 2003 respectively.

Mr. Lin Chun Ming, aged 64, first joined the Group as a sales representative in April 1985, vacated in April 1990 and re-joined in May 1996. Currently, he is the director of a principal subsidiary of the Company and the senior manager of the sales department of the Group. Mr. Lin Chun Ming is responsible for the sales and marketing of the Group's yarn dyeing and sweater knitting sections. Mr. Lin Chun Ming obtained a diploma in Business Management from the Hong Kong Baptist University (named as Hong Kong Baptise College then) in 1977. Mr. Lin Chun Ming has over 30 years of sales and marketing experience in the textile industry.

In addition, the Group has been equipped with the capable and technical senior management for its "green factory" operations in Cambodia as below:

Mr. Yang Xuewu, aged 46, joined the Group in June 2014 as the general manager. Mr. Yang Xuewu is responsible for the production management and resources coordination over the three knitting factories of the Group in Cambodia. Early in 1995, Mr. Yang Xuewu started working in the textile industry as a production manager for a foreign owned textile factory in Huizhou of Guangdong, the PRC. During the period from 1997 to 2014, he has been the production manager for the respective textile and knitting companies located in Cambodia, Malaysia, Hong Kong and Bangladesh, in which he had developed his expertise and technical know-how in the textile industry. Mr. Yang Xuewu has over 20-year experience in the production management for the textile and knitting industry.

Mr. Huang Xuerong, aged 38, joined the Group early in March 2002 as a supervisor of the textile factory in Luoding, the PRC. In 2006, Mr. Huang Xuerong was promoted to the assistant factory manager of Dignity Knitter Limited in Cambodia, and further in 2009 to the current position as the factory manager of Chung Yick Textile Factory Limited, another textile factory of the Group in Cambodia. During his over 10 years working in various factories of the Group in Cambodia, Mr. Huang Xuerong has well developed his skill and knowledge in managing the daily operation there.

Mr. Wang Guisong, aged 47, joined the Group in November 2015 as another textile factory manager in Cambodia responsible for supervision of the production. During the year 1990 to 2007, Mr. Wang Guisong has built up his technical skills in production management while working as the production manager for a renowned foreign owned textile group in Dongguan of Guangdong, the PRC. Mr. Wang Guisong also worked for another textile company in Cambodia as its knitting factory manager from 2012 to 2014. Mr. Wang has over 26-year experience in the textile industry.

Besides the existing and long serviced senior management as mentioned above, the Company keeps on recruiting well-experienced and suitable personnel to strengthen its production management team.

Mr. Chen Hui, aged 48, joined a principal subsidiary of the Company as the assistant general manager in September 2016. Mr. Chen Hui is responsible for the supervision of various production plants in the PRC. Mr. Chen Hui has started his career in the yarn dyeing and knitting field early since 1991 while working as the production supervisor in a sino-foreign equity joint venture in Guangzhou, PRC. In 1993, he was stationed to the yarn dyeing factory in Zhanjiang of Guangdong as the factory manager and then became the general manager of its yarn dyeing factory in Tanzhou of Guangzhou, the PRC. Mr. Chen Hui has over 25 years of production experience in the yarn dyeing and knitting industry.

Based on the plan as mentioned above and coupled with the knowledge, expertise and experience of the existing senior management of the Group, the Directors and the Subscribers are confident in the Group's plan in improving and sustaining its textile business.

Recent developments of the Group

With the view of the current challenging market environment of textile industry, the Group intended to diversify its business and 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. Furthermore, as disclosed in the announcement of the Company dated 30 June 2016, Endless Rich Limited, an indirectly wholly-owned subsidiary of the Company, entered into a conditional sale and purchase agreement for the possible further acquisition of 22% of the issued share capital of Coulman at a total consideration of HK$160 million. The Directors considered the possible acquisition would broaden the sources of income. As confirmed by the Subscribers, each of them has no relationship with the vendor to the sale and purchase agreement for the possible acquisition of 22% of the issued share capital of Coulman. However, such acquisition of 22% of the issued share capital of Coulman lapsed in accordance with the terms thereof. For details, please refer to the Company's announcement dated 31 December 2016.

According to the Company's announcement on 18 October 2016, a direct wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with an independent third party in relation to the possible acquisition of 70% equity interests in Hangzhou Lazy People Online Technology Company Limited*（杭州懶人網絡科技有限公司）("Hangzhou Technology"). However, upon due diligence, and having considered factors including, among others, the business of Hangzhou Technology and the synergy effect to be created with the business of the Group, the Directors considered that the proposed acquisition is not worth pursuing and therefore intended not to proceed further.

On 6 January 2017, a direct wholly-owned subsidiary of the Company has entered into a sale and purchase agreement with an independent third party in relation to the acquisition of 51% equity interest in Shenzhen Eastone Data Technology Co. Ltd*（深圳市易簡行數據技術有限公司）. For details, please refer to the announcement of the Company dated 6 January 2017 in relation to such acquisition.

The abovementioned target company is a company established in the PRC with limited liability and is principally engaged in information technology development and consultation, database management, and sale of computer equipment and software. The Board is of the view that the terms of such acquisition are fair and reasonable and is in the interests of the Company and the Shareholders as a whole, taking into account the reasons for such acquisition include, among others, the following:

(i) Synergy effect

The Board considered that scientific tools and technology especially in the aspects of production and marketing are one of the requisite means to improve the overall effectiveness and efficiency of the Group in the process of analysing data from different perspectives and summarizing it into useful information. The analytical findings can lead to more effective and efficient resources allocation in production, inventory control, sales and marketing, new revenue opportunities, better customer service, improved operational efficient, competitive advantages over rivals and so on. In short, the useful information can be used to increase revenue, cut costs, or both.

(ii) Promising industrial outlook

Apart from the abovementioned benefit to the business development and operation improvement to the Group, it is expected that the acquisition would bring direct economic benefit to the Group too. Nowadays, big data analytics and data mining technology are widely applicable for companies of all sizes in all industries worldwide. During the past couple of years, the target company has undergone its start-up stage by successfully building up its own expertise, data base, platforms, industrial networks and the necessary applications for different data analytical modelling.

In light of the above, the Board considered the 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 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.

Furthermore, the Directors intend to implement the strategic reallocation of production base of the Group and to stream line the Group's business operations, and hence entered into an agreement in relation to the disposal of the Company's wholly-owned subsidiaries, namely, Zhangjiagang Addchance Dyeing & Finishing Co., Ltd.（張家港互益染整有限公司）and Zhangjiagang Addchance Spinnery Co., Ltd.（張家港互益紡織有限公司）. For details, please refer the announcement of the Company dated 6 January 2017 in relation to such disposal. The major reason for such disposals is that, it is part of the Group's business plan as to streamline its business operations and a measure to effectively reduce costs and liability of the Group.

Based on the above, the Directors consider that the Company's measures, including the Subscriptions, the announced acquisitions and disposals, business plans (including costs savings), are sufficient to sustain its business. As such, the Directors believe that the Subscribers will bring in additional resources to the Company that would be beneficial to the Company and the Shareholders as a whole. Having considered all the factors as mentioned above, the Directors considered it is in the interest of the Company and the Shareholders as a whole to proceed with the Subscriptions.

The Directors (excluding members of the Independent Board Committee whose opinion has been set forth in the "Letter from the Independent Board Committee" of this circular after considering the opinion of the Independent Financial Adviser) consider that the First Subscription Agreement is entered into on normal commercial terms and the terms of the First Subscription Agreement (including the First Subscription Price) are fair and reasonable and that the First Subscription is in the interest of the Company and the Shareholders as a whole.

The Directors are also of the view that each of the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement is on normal commercial terms and the terms of each of the Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement (including the respective Subscription Price) is fair and reasonable and each of the Second Subscription, Third Subscription and Fourth Subscription and is in the interest of the Shareholders as a whole.

USE OF PROCEEDS FROM THE SUBSCRIPTIONS

The gross proceeds of the Subscriptions are expected to be no less than approximately HK$200.0 million and no more than approximately HK$364.0 million. The net proceeds of the Subscriptions shall be applied as to (i) approximately HK$280.0 million for the repayment of liabilities; and (ii) approximately HK$80.0 million for general working capital of the Group.

In the event that not all Subscriptions could be completed and the actual amount of proceeds is lower than expected, the Directors considered that the net proceeds from the Subscriptions will be used for the repayment of bank borrowings in the first priority and the remaining balance will be used as the general working capital of the Group.

CHANGES IN SHAREHOLDING STRUCTURES

For illustration purposes, the changes of the shareholding structures of the Company as a result of the Subscriptions are as follows:

	As at the Latest Practicable Date and immediately before completion of the Subscriptions		Scenario (1) Immediately after completion of the First Subscription		Scenario (2) Immediately after the completion of the First Subscription and any one of the Second Subscription, Third Subscription and Fourth Subscription		Scenario (3) Immediately after the completion of the First Subscription and any two of the Second Subscription, Third Subscription and Fourth Subscription		Scenario (4) Immediately after completion of the Subscriptions	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
The Subscribers										
First Subscriber and its associates *(Note 1)*	7,608,000	0.899	2,507,608,000	74.927	3,259,344,727	74.954	3,807,608,000	73.982	3,807,608,000	70.555
Second Subscriber	–	–	–	–	250,000,000	5.749	250,000,000	4.857	250,000,000	4.632
Third Subscriber	–	–	–	–	–	–	250,000,000	4.857	250,000,000	4.632
Fourth Subscriber	–	–	–	–	–	–	–	–	250,000,000	4.632
Subtotal	7,608,000	0.899	2,507,608,000	74.927	3,509,344,727	80.703	4,307,608,000	83.696	4,557,608,000	84.451
Other public Shareholders	839,122,909	99.101	839,122,909	25.073	839,122,909	19.297	839,122,909	16.304	839,122,909	15.549
Total	846,730,909	100.000	3,346,730,909	100.000	4,348,467,636	100.000	5,146,730,909	100.000	5,396,730,909	100.000

	Scenario (5) Immediately after the completion of any one of the Second Subscription, Third Subscription and Fourth Subscription		Scenario (6) Immediately after the completion of any two of the Second Subscription, Third Subscription and Fourth Subscription		Scenario (7) Immediately after the completion of the Second Subscription, Third Subscription and Fourth Subscription	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
The Subscribers						
First Subscriber and its associates *(Note 1)*	7,608,000	0.694	7,608,000	0.566	7,608,000	0.476
Second Subscriber	250,000,000	22.795	250,000,000	18.564	250,000,000	15.657
Third Subscriber	–	–	250,000,000	18.563	250,000,000	15.657
Fourth Subscriber	–	–	–	–	250,000,000	15.657
Subtotal	257,608,000	23.489	507,608,000	37.692	757,608,000	47.447
Other public Shareholders	839,122,909	76.511	839,122,909	62.308	839,122,909	52.553
Total	1,096,730,909	100.000	1,346,730,909	100.000	1,596,730,909	100.000

Notes:

1. The First Subscriber is wholly and beneficially owned by Mr. Poon Sum, who is personally interested in 3,608,000 Shares and he is also deemed to be interested in 4,000,000 Shares held by his spouse, Ms. Wong Hiu Hung by virtue of the Securities and Futures Ordinance.

2. Upon completion of the Subscriptions, not less than 25% of entire issued share capital of the Company will be held by the public Shareholders, which include Second Subscriber, Third Subscriber, Fourth Subscriber and the other public Shareholders. As a result of this, the First Subscriber will subscribe at maximum 2,500,000,000 Shares in case only the First Subscription can be completed as per scenario (1) and at maximum 3,251,736,727 Shares in case only the First Subscription and any one of the Second Subscription, the Third Subscription and the Fourth Subscription can be completed as per scenario (2).

In the event that all the First Subscription Agreement, Second Subscription Agreement, Third Subscription Agreement and Fourth Subscription Agreement are completed in accordance with the terms of the respective Subscription Agreements, neither the Second Subscriber, Third Subscriber, Fourth Subscriber (as the case may be) shall be interested in more than 10% of entire issued share capital of the Company as enlarged by the issue of the Subscription Shares, with their respective shareholding in the Company counted as public shareholding, and over 25% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares shall be held by the public.

Pursuant to the Second Subscriber, the Third Subscriber and the Fourth Subscriber, as (i) the Second Subscription, the Third Subscription and the Fourth Subscription were not financed directly or indirectly by the First Subscriber or any connected person of the Company; and (ii) neither the Second Subscriber, the Third Subscriber nor the Fourth Subscriber is accustomed to take instructions from the First Subscriber or any connected person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company, the Second Subscriber, the Third Subscriber and the Fourth Subscriber are public shareholders under Rule 8.24 of the Listing Rules.

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

During the past twelve months immediately preceding the date of the Announcement, the Company has conducted the following equity fund raising activity:

Date of announcement	Event	Net proceeds raised	Intended use of proceeds	Actual use of proceeds
4 August 2016	Placing of 141,000,000 new Shares under general mandate at the placing price of HK$0.315 per Share	Approximately HK$42.1 million	General working capital and/or for repayment of liabilities of the Group.	Approximately HK$5.2 million was used for repayment of bank borrowings, approximately HK$1 million was used for repayment of other borrowings and the remaining of HK$35.9 million was used for working capital

References are also made to the announcements of the Company dated 5 January 2016, 16 March 2016, 29 April 2016 and 30 June 2016 and the circular of the Company dated 11 March 2016, on 27 November 2015 (after trading hours), the Company entered into (i) a subscription agreement with an independent investor in relation to the subscription of 2,010,000,000 new Shares at a subscription price of HK$0.56 per Share; and (ii) a placing agreement with an independent placing agent in relation to the placing of 1,300,000,000 new Shares at a placing price of HK$0.56 per Share. The net proceeds from (i) the subscription was expected to be approximately HK$1,098.4 million; and (ii) the placing was expected to be approximately HK$683.6 million. However, since certain of the conditions precedent were not fulfilled as at the long stop date of the respective agreements (being, in the case of the subscription agreement, the conditions (k), (l) and (m) as set out in the paragraph headed "conditions precedent" in the section headed "the Subscription" in the announcement of the Company dated 5 January 2016; and in the case of the placing agreement, the condition (b) as set out in the paragraph headed "conditions precedent" in the section headed "The Placing" in the announcement of the Company dated 5 January 2016), such placing agreement and subscription agreement subsequently lapsed on 29 April 2016 and 30 June 2016, respectively.

With reference to the Company's announcement dated 2 November 2016, the Company has entered into a placing agreement with an independent placing agent on 2 November 2016 in relation to the placing of bonds on a best effort basis up to an aggregate principal amount of HK$100 million at the issue price of 100% of the principal amount of the bonds. The maximum net proceeds from placing of bonds are estimated to be approximately HK$98.4 million and the Company intends to use the net proceeds for the repayment of part of the liabilities, general working capital and future possible investments of the Group. As at the Latest Practicable Date, certain bonds with aggregate principal amount of approximately HK$15.0 million with interest rates of 7.5% per annum and maturity to 14 November 2019 and 8 December 2019, have been issued and placed out under the said placing agreement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the placees are independent third parties.

Apart from the equity fund raising activity mentioned above, the Company had not conducted any other equity fund raising activities in the past 12 months immediately preceding the date of this announcement.

INTENTIONS OF THE FIRST SUBSCRIBER REGARDING THE GROUP

The First Subscriber is a company established in the British Virgin Islands in 2015. The First Subscriber is principally engaged in investment holding. Mr. Poon Sum is the sole director and shareholder of the First Subscriber.

Mr. Poon Sum, aged 52, is an executive director and one of the co-founders of Tourong Changfu Group Limited (stock code: 850) ("**Tourong Changfu**"), the shares of which are listed on the Main Board of the Stock Exchange. He was the chairman of Tourong Changfu and was subsequently appointed as the honorary chairman on 9 May 2012. He is primarily responsible for the overall strategic planning, business development, marketing and formulation of overall corporate policies of the Group. He has over 26 years of experience in the oil, paints and coatings industry and the trading of chemicals in Hong Kong and the

PRC. Mr. Poon Sum is also an executive director, chief executive officer, chief financial officer and executive corporate secretary of Gold Horn International Enterprises Group Limited (stock code: GHE/P), the shares of which are listed on the TSX Venture Exchange in Canada.

As at the Latest Practicable Date, the First Subscriber intends to continue the existing business of the Group and does not intend to introduce any major changes to the existing operation and business of the Company or dispose of any of the assets of the Group other than in the ordinary course of business. The First Subscriber also has no intention to make any major changes to the continued employment of the employees of the Group. Save as disclosed in the paragraph headed "Business plans of the Group" in this Circular, each of the Subscribers has no intention to downsize, terminate or dispose any of the Company's existing assets, businesses or operations.

Given the poor liquidity of the Group as at the Latest Practicable Date, the First Subscriber, the Second Subscriber, the Third Subscriber and the Fourth Subscriber intend to procure the Group to repay certain bank borrowings to improve the liquidity and financial position of the Group. For details please refer to the section headed "Reasons for the Subscriptions" above. The First Subscriber, the Second Subscriber, the Third Subscriber and the Fourth Subscriber intend to endorse the corporate restructuring plan currently undertaken by the Group in stabilising its operations and financial positions. In particular, the First Subscriber, the Second Subscriber, the Third Subscriber and the Fourth Subscriber intend to improve the Group's financial position and liquidity by means of reorganising its existing production facilities or equipment and other resources in the Group's subsidiaries and strengthening the businesses of other subsidiaries, particularly those production facilities located in Cambodia with the "green factory" concept and focusing on the production of high-end textile products as disclosed in the annual report of the Company for the year ended 31 December 2015, which are considered by the Company to have greater potential for development, with the expertise and assistance of the existing management of the Group. Following the First Completion, the First Subscriber will conduct a further and detailed review on the operations of the Group with a view to improving the performance of the Group and to developing a corporate strategy to broaden the income stream of the Group. Subject to the result of the review, the First Subscriber will consider all possible options to improve the existing operations and business of the Group or to seek new business opportunities to improve the Group's financial position and prospects. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate.

INFORMATION REQUIRED UNDER THE TAKEOVERS CODE

Each of the First Subscriber, Second Subscriber, Third Subscriber and Fourth Subscriber and the parties acting in concert with each of them has confirmed that neither it nor any persons acting in concert with it:

(i) has acquired or entered into any agreement or arrangement to acquire any voting rights in the Company within the six months prior to the date of the Announcement and up to the Latest Practicable Date;

(ii) owns any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of Shares nor has entered into any outstanding derivative in respect of securities in the Company;

(iii) has any arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) with any other persons in relation to the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or of the First Subscriber and which might be material to the transactions contemplated under the First Subscription Agreement and/or the Whitewash Waiver;

(iv) has received any irrevocable commitment from any Independent Shareholders as to whether they will vote for or against the resolution approving the transactions contemplated under the First Subscription Agreement and/or the Whitewash Waiver;

(v) has any agreements or arrangements to which it is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the transactions contemplated under the First Subscription Agreement or the Whitewash Waiver (including any such agreements or arrangements that would result in any break fees being payable);

(vi) has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company; and

(vii) save as the Subscription Agreements, has no other arrangement or agreement with the Shareholders, the Company and its concert parties.

The persons acting in concert with the First Subscriber are Mr. Poon Sum, its beneficial owner and Ms. Wong Hiu Hung, the spouse of Mr. Poon Sum. Save as disclosed above, there are no other parties acting in concert with the First Subscriber in the proposed Subscriptions.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprises Mr. Zhao Xu, being one of the non-executive Directors, Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu, being all the independent non-executive Directors, all of whom not having direct or indirect interest in the First Subscription Agreement or the Whitewash Waiver, has been established pursuant to Rule 2.8 of the Takeovers Code to consider and make recommendation to the Independent Shareholders in respect of the First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver after taking into account the advice from the Independent Financial Adviser. Mr. Chui Chi Yun, Robert, the non-executive Director, is involved in the negotiation of the First Subscription Agreement. Mr. Chui Chi Yun, Robert is involved in the First Subscription Agreement and is not eligible to be a member of the Independent Board Committee. None of the members of the Independent Board Committee have any interest or involvement in the transactions contemplated under the First Subscription Agreement or the Whitewash Waiver.

Pursuant to Rule 2.1 of the Takeovers Code, the Company has, with the approval of the Independent Board Committee, appointed Zhaobangji as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver and give their recommendation on how to vote in respect of the First Subscription Agreement, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver, and the transactions contemplated thereunder. The appointment of Independent Financial Adviser has been approved by the Independent Board Committee.

WHITEWASH WAIVER

As at the Latest Practicable Date, the First Subscriber and parties acting in concert with it is interested in 7,608,000 Shares, representing approximately 0.899% of the issued share capital of the Company. Upon the First Completion, an aggregate of no less than 2,500,000,000 First Subscription Shares and no more than 3,800,000,000 First Subscription Shares will be issued to the First Subscriber, as a result, the maximum interests of the First Subscriber in the voting rights of the Company will be approximately 75.0% (assuming that there is no change in the issued share capital of the Company up to the First Completion and the public float is no less than 25.0% at the time of the First Completion). Accordingly, the First Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive.

An application to the Executive for the Whitewash Waiver in respect of the issue of the First Subscription Shares has been made on behalf of the First Subscriber and parties acting in concert with it. The First Subscription Agreement and the transactions contemplated thereunder and the Whitewash Waiver, if granted by the Executive, would be subject to, among other things, the approval by the Independent Shareholders at the EGM by way of poll. The First Subscriber, Second Subscriber, Third Subscriber and Fourth Subscriber and parties acting in concert with each one of them, and their associates and any other Shareholders who are involved or interested in the First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the EGM in respect of the resolution(s) approving the First Subscription Agreement and the transactions contemplated thereunder, the Specific Mandate in respect of the First Subscription Shares and the Whitewash Waiver. If the Whitewash Waiver is not approved by the Independent Shareholders at the EGM, the First Subscription Agreement will lapse.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the EGM and the Subscriptions proceeds to completion, the shareholding of the Subscribers and parties acting in concert with each of them will exceed 50% upon the allotment and issue of the Subscription Shares. The Subscribers may further increase their shareholdings in the Company (subject to the Company's compliance with the minimum public float requirement under the Listing Rules) without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

EGM

There is set out on page EGM-1 to page EGM-4 of this circular a notice convening the EGM to be held at Room 1118, 11/F., Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong on Friday, 17 March 2017 at 9:30 a.m. at which resolutions will be proposed to approve (i) the Subscription Agreements and the transactions contemplated thereunder; (ii) the grant of the Specific Mandates; and (iii) the Whitewash Waiver.

The voting in relation to the Subscription Agreements, the Specific Mandates and the Whitewash Waiver at the EGM will be conducted by way of a poll where the First Subscriber, Second Subscriber, Third Subscriber and Fourth Subscriber and their respective associates and other Shareholders who are interested or involved in the Subscription Agreements and/or the Whitewash Waiver shall abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve the Subscription Agreements, the Specific Mandates and the Whitewash Waiver. Save for the ultimate beneficial owner of the First Subscriber and his spouse, are Shareholders who hold 7,608,000 Shares, representing approximately 0.90% of the issued share capital of the Company as at the Latest Practicable Date, none of the First Subscriber, Second Subscriber, Third Subscriber, Fourth Subscriber and their respective associates is interested in any Shares.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholders are interested or involved in each of the Second Subscription, Third Subscription, Fourth Subscription and no Shareholder is required to abstain from voting on the relevant ordinary resolutions to be proposed at the EGM to approve each of the Second Subscription Agreement, Third Subscription Agreement, Fourth Subscription Agreement and the Specific Mandates in respect of each of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares.

A form of proxy for use at the EGM is enclosed with this circular. In order to be valid, the enclosed form of proxy, together with any power of attorney or other authority under which it is signed must be delivered to the offices of the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

The Subscriptions are subject to the satisfaction (or, if applicable, waiver) of a number of conditions, as set out in the letter from the Board in this circular and, accordingly, the Subscriptions may or may not proceed and are possibilities only. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional adviser.

RECOMMENDATION

Independent Shareholders are strongly advised to consider the "Letter from the Independent Board Committee" set out on pages 36 to 37 of this circular which contains its recommendation to the Independent Shareholders in respect of the First Subscription, the Specific Mandate in relation to the First Subscription Shares and the Whitewash Waiver, and the "Letter from the Independent Financial Adviser" set out on pages 38 to 73 of this circular which contains its recommendation and opinions in respect of the First Subscription and the Whitewash Waiver and the principal factors and reasons taken into consideration before deciding to vote in favour of or against the resolutions to be proposed at the EGM.

The Directors consider that the terms of each of the Second Subscription, Third Subscription, Fourth Subscription and the respective Specific Mandates in relation to the Second Subscription Share, Third Subscription Share and Fourth Subscription Share are on normal commercial terms, fair and reasonable, and the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular and the notice of the EGM.

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

The following is the text of the letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the First Subscription and the Whitewash Waiver:

ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3344)

28 February 2017

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED SUBSCRIPTION FOR NEW SHARES; AND APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to the circular of the Company dated 28 February 2017 (the "**Circular**"), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise specified.

We have been appointed by the Board to form the Independent Board Committee to advise the Independent Shareholders as to whether the terms of the First Subscription Agreement and the transaction contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, whether the First Subscription, the Whitewash Waiver and the Specific Mandate in relation to the First Subscription Shares are in the interests of the Company and the Shareholders as a whole; and whether the Independent Shareholders should vote in favour of the resolutions to approve the First Subscription, the Specific Mandate in relation to the First Subscription Shares, the Whitewash Waiver and the transactions contemplated thereunder at the EGM.

Zhaobangji International has been appointed as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to opine on whether the terms of the First Subscription Agreement and the transaction contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned, whether the First Subscription, the Whitewash Waiver and the Specific Mandate in relation to the First Subscription Shares are in the interests of the Company and the Independent Shareholders as a whole; and whether the Independent

Shareholders should vote in favour of the resolutions to approve the First Subscription, the Specific Mandate in relation to the First Subscription Shares, the Whitewash Waiver and the transactions contemplated thereunder at the EGM.

We wish to draw your attention to the letter from Zhaobangji International set out on pages 38 to 73 of the Circular which contain, among other things, its advice and recommendations regarding the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder and the principal factors and reasons taken into consideration for its advice and recommendations.

We also wish to draw your attention to the letter from the Board set out on pages 7 to 35 of the Circular and the additional information set out in the appendices to the Circular.

RECOMMENDATION

Having taken into account the advice and recommendations of Zhaobangji International and the principal factors and reasons taken into consideration by it in arriving at its opinion, we consider that the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and the First Subscription, the Whitewash Waiver and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the First Subscription, the Specific Mandate in relation to the First Subscription Shares, the Whitewash Waiver and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
the Independent Board Committee of
Addchance Holdings Limited

Mr. Zhao Xu
Non-executive Director

Mr. Chan Shu Kin
Independent non-executive Director

Dr. Tse Kwok Sang
Independent non-executive Director

Mr. Chiu Wai Piu
Independent non-executive Director

The following is the text of a letter of advice from Zhaobangji International Capital Limited, the Independent Financial adviser, to the Independent Board Committee and the Independent Shareholders in relation to the First Subscription and the Whitewash Waiver for the purpose of incorporation in this circular.

Zhaobangji International Capital Limited
Unit 1 & 17, 19/F,
China Merchants Tower,
Shun Tak Centre,
168-200 Connaught Road,
Central
Hong Kong

28 February 2017

To the Independent Board Committee and
the Independent Shareholders of
Addchance Holdings Limited

Dear Sir,

(1) PROPOSED SUBSCRIPTION FOR NEW SHARES
AND
(2) APPLICATION FOR WHITEWASH WAIVER

INTRODUCTION

We refer to our appointment, as approved by the Independent Board Committee, as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the First Subscription, the Whitewash Waiver and the Specific Mandate in respect of the First Subscription, details of which are set out in the letter from the Board ("**Letter from the Board**") contained in the circular dated 28 February 2017 issued by the Company to the Shareholders ("**Circular**"), of which this letter forms part. Unless otherwise defined, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

Reference is made to the Announcement that on 6 January 2017 the Company has entered into, among other things, the First Subscription Agreement with the First Subscriber. Pursuant to the First Subscription Agreement, (i) the First Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue no less than 2,500,000,000 First Subscription Shares and no more than 3,800,000,000 First Subscription Shares (assuming that there is no change in the issued share capital of the Company up to the First Completion and the public float is not less than 25% at the time of the First Completion) at the First Subscription Price of HK$0.08 per First Subscription Share; and (ii) the Company has the right to adjust the actual number of the First Subscription Shares to be allotted and issued upon the First Completion, in order to comply with the public float requirement under the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the First Subscriber does not hold any Share. Nevertheless, the ultimate beneficial owner of the First Subscriber and his spouse, are Shareholders who hold 7,608,000 Shares, representing approximately 0.90% of the issued share capital of the Company as at the Latest Practicable Date. The First Subscriber and its ultimate beneficial owners are parties independent of the Company and the connected persons (as defined under the Listing Rules) of the Company as at the Latest Practicable Date. Upon the First Completion, an aggregate of no less than 2,500,000,000 First Subscription Shares and no more than 3,800,000,000 First Subscription Shares will be issued to the First Subscriber, as a result, the maximum interests of the First Subscriber in the voting rights of the Company will be approximately 75.0% (assuming that there is no change in the issued share capital of the Company up to the First Completion and the public float is not less than 25.0% at the time of the First Completion). Accordingly, the First Subscriber would be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by it and any parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code, unless the Whitewash Waiver is obtained from the Executive. In this regard, the First Subscriber has made an application to the Executive for the Whitewash Waiver which, if granted, will be subject to, among other things, approval by the Independent Shareholders at the EGM by a way of poll. The First Subscriber and parties acting in concert with it, and their associates and any other Shareholders who are involved or interested in the First Subscription Agreement and/or the Whitewash Waiver shall abstain from voting at the EGM in respect of the resolution(s) approving the First Subscription Agreement and the transactions contemplated thereunder, the Whitewash Waiver and the Specific Mandate in respect of the First Subscription. The granting by the Executive of the Whitewash Waiver and the approval by the Independent Shareholders at the EGM are part of the conditions of the First Subscription which cannot be waived.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising one of the non-executive Directors (namely, Mr. Zhao Xu) and all independent non-executive Directors (namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu), all of whom have no direct nor indirect interest in the First Subscription Agreement and the Whitewash Waiver, has been established to advise the Independent Shareholders on whether (i) the terms of the First Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the First Subscription, the Whitewash Waiver and the Specific Mandate in relation to the First Subscription Shares are in the interests of the Company and the Shareholders as a whole; and (iii) the relevant voting action that should be taken by the Independent Shareholders at the EGM. Given that Mr. Chui Chi Yun, Robert, the non-executive Director, was involved in the negotiation of the First Subscription Agreement. Mr. Chui Chu Yun, Robert is not eligible to be included as a member of the Independent Board Committee. We, Zhaobangji International Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

We are not associated or connected with the Company, the First Subscriber or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them and accordingly, we are considered eligible to give independent advice to the Independent Board Committee and the Independent Shareholders on the First Subscription Agreement, the Whitewash Waiver and the Specific Mandate in relation to the First Subscription. Apart from normal professional fees payable to us in connection with our appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the First Subscriber or any of their respective substantial shareholders or any party acting, or presumed to be acting, in concert with any of them.

BASIS OF OUR OPINION

In formulating our opinion, we have reviewed, among other things, (i) the information contained in the Circular; (ii) the interim report of the Company for the six months ended 30 June 2016 (the "**2016 Interim Report**"); (iii) the annual report of the Company for the financial year ended 31 December 2015 (the "**2015 Annual Report**"); (iv) the annual report of the Company for the financial year ended 31 December 2014 (the "**2014 Annual Report**"); and (iv) the announcements and circulars issued by the Company during the period between 1 January 2015 and up to and including the Latest Practicable Date.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and the management of the Company (collectively, the "**Management**"), which we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. We have further assumed that all representations contained or referred to in the Circular are true, accurate and complete as at the Latest Practicable Date. Independent Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed to us. We consider that the information we have received is sufficient for us to reach our opinion and give the advice and recommendation set out in this letter. We have no reason to believe that any material information has been omitted or withheld, or doubt the truth or accuracy of the information provided. We have, however, not conducted any independent investigation into the business and affairs of the Group, the First Subscriber or any of their respective associates or any party acting, or presumed to be acting, in concert with any of them, nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice and recommendation in respect of the First Subscription, the Whitewash Waiver and the Specific Mandate in relation to the First Subscription, we have taken into account the following principal factors and reasons:

1. Business and financial overview of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in (i) the production and sale of dyed yarn, knitted sweaters and cotton yarns; and (ii) the provision of dyeing services and knitting services and the trading of cotton and yarns. As shown in the 2014 Annual Report, 2015 Annual Report and 2016 Interim Report, the principal lines of business of the Group, namely the production and sale of dyed yarn, knitted sweaters and cotton yarns, contributed in aggregate to approximately 96.0%, 94.7%, 95.5% and 89.9% for the three years ended 31 December 2015 and the six months ended 30 June 2016.

Based on our discussion with the Management, we are given to understand that the PRC has been one of a major markets of the Group and the various policies/control measures adopted by the PRC government since 2011 have had imposed challenges to the operating environment of the Group. Since 2011, the PRC government has adopted a national policy《棉花臨時收儲政策》(Temporary Cotton Reserve Policy) in order to stabilize cotton production and to protect the interest of cotton farmers whereby the PRC government acquired cotton at fixed prices for national reserve purpose. In 2014, the PRC government terminated the aforesaid policy and replaced it by a pilot program to subsidize cotton farmers in limited area. In order to clear the huge cotton national reserve accumulated under the former policy, the PRC government dropped the auction price of the national cotton reserve which has resulted in a persistent decline in the selling price of yarn together with a pessimistic and cautious approach taken by cotton and dyed yarns customers. The yarn textile industry was thus facing a downward trend in market price. Accordingly, the Group's revenue and the average selling price of its textile products have been adversely affected. In view of the aforesaid challenges faced by the Group, the Group has been more focusing on the European markets rather than the PRC market since 2013. However, the economy of European countries is still in uncertainty due to the effect of European debt crisis, enduring weak economic situation, high unemployment rate and depreciation of Euro, all of which have adversely affected the consumption sentiment and resulted in the sluggish overseas market demand.

Set out below are certain key consolidated financial information of the Group as extracted from the 2014 Annual Report, 2015 Annual Report and the 2016 Interim Report.

Table 1: Highlights of the financial results of the Group

	For the six months ended 30 June		**For the year ended 31 December**		
	2016	**2015**	**2015**	**2014**	**2013**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' million*	*HK$' million*
	(unaudited)	*(unaudited)*	*(audited)*	*(audited)*	*(audited)*
Revenue	233.2	409.9	961.1	1,016.3	1,401.7
(Loss)/profit for the period/year	(144.8)	(61.6)	(951.1)	(184.3)	59.5

Source: 2014 Annual Report, 2015 Annual Report and 2016 Interim Report

As shown in the table above, the Group's financial performance has been deteriorating since 2014. We are advised by the Directors that, to the best of their knowledge, understanding and belief, there is no sign of any major improvement of the market sentiment in 2017.

For the financial year ended 31 December 2014

The Group recorded a decrease in revenue of approximately 27.5% to approximately HK$1,016.3 million for the financial year ended 31 December 2014 (the "**FY2014**") as compared to approximately HK$1,401.7 million for the corresponding period in 2013. Furthermore, the Group turned into a loss of approximately HK$184.3 million for the financial year ended 31 December 2014 compared to a profit of HK$59.5 million in previous year. According to the 2014 Annual Report, the PRC yarn textile industry experienced an overall downward price trend and a deceleration of production whereas customers in the European market were more cautious in placing orders due to the overall continuing weak economic situation which has adversely affected the consumption sentiment and resulted in weak demand of clothing.

For the financial year ended 31 December 2015

The Group recorded a decrease in revenue of approximately 5.4% to approximately HK$961.1 million for the financial year ended 31 December 2015 (the "**FY2015**") as compared to approximately HK$1,016.3 million for the corresponding period in 2014. The Group recorded loss of approximately HK$951.1 million, which represented an increase loss of approximately 416.2% as compared to the same period for 2014 of approximately HK$184.3 million. As advised by the Directors, the increased in loss was mainly due to (i) HK$280.8 million provision made on inventory due to the downward pressure on the selling price of textile products and customers' tendency to minimise stocks; (ii) HK$140.1 million impairment loss made on property, plant and equipment and prepaid lease payments due to the recurring operating loss and net cash outflow raised from the Group's textile and absence of future development plan in certain locations in the PRC. According to 2015 Annual Report, cotton textile industry in the PRC continued to experience a highly uncertain and sluggish growth while the market demand from European customers decreased due to substantial fluctuation in exchange rates and the intensified international competition and the rapid development of textile products in the neighbouring countries such as Bangladesh.

For the six months ended 30 June 2016

The Group recorded a decrease in revenue of approximately 43.1% to approximately HK$233.2 million for the six months ended 30 June 2016 as compared to approximately HK$409.9 million for the corresponding period in 2015. The Group recorded loss of approximately HK$144.8 million, which represented an increase loss of approximately 135.1% as compared to the same period for 2015. With reference to the Letter from the Board, such decrease in revenue was 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. 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 decreased cotton price had accordingly resulted in the reduction of average selling price of the Group's textile products. For European market, it experienced decrease in market demand due to substantial fluctuation in exchange rates, the intensified international competition and the rapid development of textile products in the neighbouring countries such as Bangladesh.

Table 2: Highlights of the financial position of the Group

	As at 30 June	**As at 31 December**		
	2016	**2015**	**2014**	**2013**
	HK$' million	*HK$' million*	*HK$' million*	*HK$' Million*
	(unaudited)	*(audited)*	*(audited)*	*(audited)*
Bank balances and cash *(unrestricted)*	64.2	94.1	145.7	82.5
Bank overdrafts	64.6	53.8	19.3	17.6
Bank and other borrowings:				
– due within one year	894.9	934.2	1,119.9	1,153.9
– due after one year	10.7	9.9	–	–
Net current (liabilities)/assets	(663.1)	(564.9)	59.8	211.1
Gearing ratio (%) *(Note 2)*	63.7	58.3 *(Note 1)*	43.1 *(Note 1)*	43.5 *(Note 1)*

Source: 2014 Annual Report, 2015 Annual Report and 2016 Interim Report

Notes:

1. *Company's information*

2. *Total bank and other borrowings/total assets*

As shown in the above table, the Group recorded net current assets of approximately HK$211.1 million and HK$59.8 million as at 31 December 2013 and 31 December 2014 but turned into net current liabilities of approximately HK$564.9 million and HK$663.1 million as at 31 December 2015 and 30 June 2016 respectively. Also, the Group's gearing ratio has been increasing since 2015.

As at 30 June 2016, the Company had unrestricted cash and bank balances of approximately HK$64.2 million while the total borrowings and bank overdraft of the Group were approximately HK$970.2 million. According to 2016 Interim Report, 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. The aggregate balances of the relevant bank borrowings as at 30 June 2016 was approximately HK$672.2 million.

Also, the financial position of the Group deteriorated in the financial year of 2015. We noted the Company announced on 10 June 2015 that, among other things, the Group received letters on 3 June and 4 June 2015 from certain banks which granted banking facilities to certain subsidiaries of the Company and the letters demanded immediate repayment of outstanding loan due from the Company's subsidiaries otherwise the banks may consider commencing legal proceedings against the Group. Even though the aforesaid letters were subsequently withdrawn by the banks, the Company announced on 3 December 2015 that one of the aforesaid bank issued statutory demand against certain indirect wholly-owned subsidiaries of the Company to demand immediate payment of the amounts under the then outstanding banking facilities otherwise the bank may consider commencing legal proceeding against these subsidiaries of the Company which may include presentation of petition seeking for the winding-up of these companies. Also, the Company announced on 5 February 2016 that an event of defaulted under the relevant banking facilities with a bank was occurred and the relevant bank has declared the entire outstanding loan together with the interest accrued thereon immediately due and payable and has issued a statutory demand letter wherein the Company was demanded to make immediate payment of the amounts outstanding, and if such outstanding amounts are not repaid by the required deadline, the relevant bank will proceed for winding up of the Company.

We understand from the Director that given the Group has faced pressing demand from the bank(s) and the imminent financial needs, the Company announced on 7 December 2015 that it has entered into a conditional subscription agreement (the "**2015 Subscription**") and a conditional placing agreement (the "**2015 Placing**") on 27 November 2015 with the then potential subscriber and placing agent for total consideration of approximately HK$1,125.6 million and HK$728 million respectively. Unfortunately, the Company subsequently announced on 29 April 2016 and 30 June 2016 that the 2015 Placing agreement and 2015 Subscription agreement were respectively lapsed due to the conditions precedent under the relevant agreements had not been fulfilled (or waived, as the case may be) upon the expiry of the relevant long stop date.

The Company published its 2015 Audited Report on 8 April 2016. We noted in the 2015 Annual Report that the independent auditor expressed on the 2015 auditor's report that *"without qualifying our opinion, we draw attention to notes 1 and 32 to the consolidated financial statements which indicate that during the year, and as at 31st December, 2015, the Group has breached certain terms and defaulted on the repayment of certain banking facilities. Certain bankers of the Company have therefore demanded in writing that the Group shall make immediate payment of an aggregate amount of approximately HK$667,011,000 that has been defaulted for repayment. Furthermore, the Group incurred a loss of approximately HK$951,129,000 for the year ended 31st December, 2015 and as at that date, the Group's current liabilities exceeded its current assets by approximately HK$564,911,000. In order to improve the liquidity and financial position of the Group, the Group has entered into a conditional subscription agreement and a conditional placing agreement pursuant to which the estimated maximum net proceeds of approximately HK$1,098 million and HK$684 million are expected to be received by the Group from the subscriber and the placees, respectively, on or before 30th June, 2016 upon completion of the subscription and the placing. However, the completion of the subscription and the placing is subject to the completion of the conditions as set out in note 1 to the consolidated financial statements, which have not yet been completed at the date of this report, and accordingly, these conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern"*. On the other hand, the Directors expressed in the 2015 Annual Report that *"the directors of the Company consider that, upon completion of the Subscription and/or the Placing, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Based on the facts and circumstances as made available thereto, the directors of the Company are of the opinion that both the Subscription and the Placing will be completed. Accordingly, the directors of the Company consider that it is appropriate to prepare the consolidated financial statements on a going concern basis at least in the coming twelve months taking into consideration the estimated maximum net proceeds of approximately HK$1,782 million from the share subscription and share placements expected to be completed on or before 30th June, 2016. However, should neither the Subscription nor the Placing be completed and the Group is unable to find alternative sources of funding, the Group may be unable to operate as a going concern*."

In addition, the Company announced on 2 February 2017 (the "**February 2017 Announcement**") that it received a winding-up petition on 2 February 2017, presented by Mr. Sung Chung Kwun (the "**Petitioner**") who is a Shareholder and a former Director, at the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**High Court**") for winding up Addchance Limited (an indirect wholly-owned subsidiary of the Company). The winding-up petition concerns a sum of HK$29,050,000 said to be a loan (the "**Loan**") due by Addchance Limited to the Petitioner. The winding-up petition will be heard at the High Court on 5 April 2017. The Directors are of the view that, if the order of the winding-up petition is granted by the High Court, it will have certain impact on the financial position of the Group. With an aim to understand the possible impact that was mentioned in the February 2017 Announcement, we have enquiry with the Directors and are advised that if the Group is ordered by the High Court to settle the Loan immediately, the Group's working capital which is originally planned to be used for production operation will then be utilised to settle the Loan. As a result, it would affect the Group's original plan of settlement of trades payable and other accruals and purchase of new raw materials for production which may further affect the Group's operation in the sense of affecting relationships with suppliers and customers which in turn may worsen the sales performance of the Group. Nevertheless, the Directors confirmed that such impact would not affect the sustainability of the Group.

Based on the above, we consider there is a material uncertainty that may cast doubt about the Group's ability to operate as a going concern.

2. The Group's future development plan

As stated in an announcement made by the Company on 13 March 2015 (the "**March 2015 Announcement**") and the paragraph headed "Recent developments of the Group" contained in the Letter from the Board that with the view of the challenging market environment of textile industry, the Group has diversified its business in order to enhance long-term growth potential/broaden income sources of the Company. To this end, the Group stepped into the PRC natural gas industry in 2015 by acquiring 13% equity interest in a company whose non-wholly owned subsidiaries operates in the natural gas business (the "**Natural Gas Company**") including constructing of pipelines, selling and distribution of natural gas to residential, commercial and industrial users, operation of CNG and LNG fueling stations and installation of natural gas equipment for new clients in Shanxi Province, the PRC. Upon completion of the acquisition, the Group only holds 13% equity interest in the Natural Gas Company. The Natural Gas Company will not become a subsidiary of the Company and its financial results will not be consolidated into the financial statements of the Group. As advised by the Management that the Natural Gas Company will be classified as available-for-sale financial assets and measured at fair value at the end of each reporting period.

We have enquired with the Directors the financial performance and position of the Natural Gas Company since the March 2015 Announcement and was advised that the Natural Gas Company recorded profit after tax for each of the two financial years ended 31 December 2015 and 2016. Also, the Natural Gas Company had unaudited consolidated net assets of approximately RMB87 million as at 31 December 2016. In respect of the industry outlook of the PRC natural gas market, we noted that the Management has already stated such information in the section headed "Management Discussion and Analysis" contained in the 2016 Interim Report, details are shown below:

"According to the National Bureau of Statistics of the PRC, the consumption of natural gas portraits an increasing trend and annual consumption has increased by more than six times from approximately 27 billion cubic metre (bcm) in 2002 to approximately 168 bcm in 2013. The PRC government continuously encourages fuel switching from coal and oil to natural gas in order to reduce pollution. Based on the

*《能源發展戰略行動計劃(2014-2020年)》 (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 "**Management Information**")*

With an aim to confirm the correctness and accuracy of the Management Information, we have tried to search for the relevant official statistics/policies/plans issued by the PRC government which are related to the expected development of natural gas market, namely the National Bureau of Statistics of the PRC and the EDSA Plan. Our results of findings are same as the Management Information. In addition, we noted three additional points were mentioned in the EDSA Plan with regards to the national goals of natural gas industry that: (i) establish eight new natural gas production bases by 2020; (ii) increase availability of natural gas to urban residential sector; (iii) build out infrastructure for the use of natural gas in the transportation sector. Also, according to the National Bureau of Statistics of the PRC, natural gas share of total energy consumption was accounted for approximately 5.4% in 2015. Based on the above-mentioned historical financial information of the Natural Gas Company and the statistics and plan released by the PRC government, we consider there is a generally positive outlook for the natural gas industry in the PRC and consider that the acquisition is in the interest of the Company and the Shareholders as a whole.

On 6 January 2017, the Company announced that its non-wholly subsidiary (the "**Purchaser**") entered into a sale and purchase agreement with an independent third party vendor (the "**Vendor**") on 6 January 2017 (the "**2017 Announcement**") in relation to the acquisition of 51% equity interest in a limited liability company, namely 深圳市易簡行數據技術有限公司 (Shenzhen Eastone Data Technology Co. Ltd.) ("**Shenzhen Eastone**"), established in the PRC whose principal business is information technology development and consultation, database management, and sale of computer equipment and software (collectively, the "**IT business**"). The Board consider the acquisition would broaden the business and income steam of the Group as the IT Business (i) would bring synergy effect to the Group as the Group is expected to benefit from analytical findings which lead to, among other things, more effective and efficient resources allocation in production, inventory control, improved operational efficient and so on; (ii) offers a promising business outlook to the Group as big data analytics and data mining technology are widely applicable for companies of all sizes in all industries worldwide. Based on the above, the Board consider such acquisition is good for stabilizing the operation and business development of the Group; fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Upon completion of the acquisition, Shenzhen Eastone will be accounted as an indirectly non wholly-owned subsidiary of the Company and the financial results of Shenzhen Eastone will be consolidated into the Group's accounts. As extracted from the 2017 Announcement, the following table set out a summary of the financial position of Shenzhen Eastone:

	For the year ended 31 December		**For the nine months ended 30 September**
	2014	**2015**	**2016**
	RMB'000	*RMB'000*	*RMB'000*
	(unaudited)	*(unaudited)*	*(unaudited)*
Turnover	0	0	0
Loss before tax	(1,312)	(12,742)	(13,543)
Loss after tax	(1,312)	(12,742)	(13,543)

Based on the table above, we have enquired with the Directors the reason for loss-making in the past few years and the latest financial position of Shenzhen Eastone. We were advised by the Directors that Shenzhen Eastone is a start-up company incorporated in 2014 and the loss recorded in 2015 and 2016 were mainly start-up expenses such as staff cost and rental expenses. The Directors further advised that they are optimistic about the possibility of positive financial performance to be made by Shenzhen Eastone after reviewing a forecast and the underlying assumptions prepared by the management of Shenzhen Eastone. Besides, during the past few years, Shenzhen Eastone has established a business network with expertise in information technology and database management. With an aim to understand the potential financial performance of Shenzhen Eastone, we have reviewed the aforesaid forecast, discussed with the Management the underlying assumptions and reviewed (i) a memorandum of cooperation entered into between Shenzhen Eastone and one of the stock exchanges in the PRC in respect of business cooperation in the area of big data; (ii) a strategic cooperation framework agreement entered into between Shenzhen Eastone and a subsidiary of one of the stock exchanges in the PRC in respect of business cooperation in the area of big data. In view of the above, we concur with the Director's view that the business prospects of Shenzhen Eastone is expected to be positive.

In respect of management expertise, we are further advised by the Management that the Group has a senior management, namely Mr. Yeung Choi Yee, who was a former Director and shall be assigned to monitor the operation of Shenzhen Eastone on behalf of the Group. Set out below is the biography of Mr. Yeung.

Mr. Yeung Choi Yee（楊賽儀先生）, aged 42, is responsible for the supervision of the Group's Information Technology department and the development of the Group's ISO9001 management system, quality system and technological research in the Group's yarn-dyeing section. Mr. Yeung obtained his bachelor degree in Mathematical Science and Master degree in Scientific Computing from the Hong Kong Baptist University in

1998 and in 2003 respectively. Mr. Yeung joined the Group in August 1998 as an Assistant to Managing Director and was appointed as the Quality Assurance Manager of the Group in November 2003 and was elected as executive Director in 2015.

We are further advised by the Directors that Shenzhen Eastone will need to provide the Group with regular financial and operation data so that the Group could review and assess of its performance. Furthermore, there will be regular management meetings between the Management and the management of Shenzhen Eastone for the reporting of Shenzhen Eastone's performance and future strategy. According to the relevant sales and purchase agreement entered into between the Purchaser and the Vendor, the Purchaser can appoint a director to Shenzhen Eastone to directly participate in the management of Shenzhen Eastone.

Notwithstanding that the Group currently has no operations in the IT business and the acquisition will facilitate the Group to enter into a new market, in light of the unsatisfactory operation results and challenging environment of the textile industry, we consider it strategically appropriate for the Group to seek for other business or development opportunities in broadening its revenue base. Based on the above, we consider the diversification is fair and reasonable to the Company and the Shareholders are a whole.

According to a notice《大數據產業發展規劃》(2016-2020) (the Development Plan for the Big Data Industry (2016-2020) (the "**Plan**") released by the Ministry of Industry and Information Technology of the People's Republic of China ("**MIIT**") in January 2017, the PRC is one of the world's biggest data producers, with over 700 million internet users and 1.3 billion mobile phone users and the PRC government is targeting a compound annual growth rate of around 30% for the industry's sales in 2016-2020. Set out below are some of the key points/figures extracted from the Plan:

(i) to promote big data application and make traditional industries smarter can add new momentum to the PRC's economic transformation;

(ii) the PRC's information industry sales reach RMB17.1 trillion in 2015, double the level in 2010;

(iii) the PRC government will support development of software and IT service companies, encouraging them to become influential and competitive industry leaders; and

(iv) it set goals to establish 10-15 experimental zones to speed up the industry's development.

Furthermore, according to a notice《軟件和信息技術服務業發展規劃》(2016-2020) (the Software and Information Technology Services Industry Development Plan) released by the MIIT in December 2016 that, among other things, the industry's business revenue should exceed RMB8 trillion with average annual growth of more than 13% from 2016 to 2020.

Based on the above and having taken into account the generally positive outlook of the natural gas industry and big data/information technology industry in the PRC as stated above, we are of the view that the Group's diversification into natural gas and big data/information technology industries is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Reasons for the First Subscription and use of proceeds

As stated in the paragraph headed "Business and financial overview of the Group" above, the Group has been suffering from (i) continuous operating loss (amounted to approximately HK$144.8 million for the six months ended 30 June 2016); and (ii) increasing net current liabilities (amounted to approximately HK$663.1 million as at 30 June 2016). Furthermore, 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. According to the 2016 Interim Report, the aggregate balances of the relevant bank borrowings as at 30 June 2016 was approximately HK$672.2 million. Based on our discussion with the Directors, we are given to understand that the Group and the relevant banks are still in negotiation in respect of a possible loan restructuring, including rescheduling of the terms of repayments and/or extension or revision of the relevant banking facilities, and the Group is in pressing need for funding of approximately HK$230 million in order to repay its overdue liabilities and avoid the possible legal proceeding against the Group, which may affect the sustainability of the Group's business. Subject to the finalization and entering into the debt restructuring agreement between the Company and the relevant banks, based on the current negotiation of the terms for such debt restructuring, the Directors expect that the overdue bank loans under the relevant banking facilities will be repaid and/or waived in full on the first anniversary of the date of the debt restructuring agreement. As at the Latest Practicable Date, the restructuring of the loans from the relevant banks is still under negotiation.

Under the First Subscription Agreement, the minimum and maximum gross proceeds of the First Subscription would be HK$200 million (in respect of 2,500,000,000 First Subscription Shares) and HK$304 million (in respect of 3,800,000,000 First Subscription Shares) respectively. We are advised by the Directors that since there is an uncertainty in respect of the completion of the Second Subscription, the Third Subscription and the Fourth Subscription (altogether with gross proceeds of approximately HK$60 million) which will affect the public float and hence the total number of Shares to be allotted and issued to the First Subscriber under the First Subscription, there is no definitive percentage could be fixed in connection with the proposed usage of proceeds from the First Subscription. Nevertheless, as stated in the Letter from the Board that the net proceeds of the Subscriptions shall be applied as to (i) approximately HK$280 million for the repayment of liabilities; and (ii) approximately HK$80 million for general working capital of the Group. In the event that not all Subscriptions could be completed and the actual amount of proceeds is lower than expected, the Directors considered that the net proceeds from the Subscriptions will be used for the repayment of bank borrowings in the first priority and the remaining balance will be used as the general working capital of the Group. In view of the above, given that a substantial amount of the First Subscription proceeds is currently intended to be used to repay bank borrowings of the Group and the remaining balances will be used as general working capital of the Group, we consider the First Subscription will have a positive effect on the financial position of the Group.

We are advised by the Directors that the First Subscription proposed by the First Subscriber is the only official proposal received by the Company with similar amount since July 2016. In addition, the Directors believe that the introduction of Mr. Poon Sum, one of the co-founders of Tou Rong Chang Fu Group Limited ("**Tou Rong**") (stock code: 850), as Shareholder will increase the confidence of the bankers and investors in the Group. Also, the First Subscription will improve the financial position of the Group by providing substantial funding for the Company to repay bank borrowings and the remaining balance will be used as working capital for the Group's operations. We are advised by the Directors that subsequent to the unsuccessful (i) 2015 Subscription; (ii) 2015 Placing; and (iii) others possible financing alternatives sought by the Company as mentioned in the paragraph headed "Other alternatives methods of financing" below, the Directors are of the view that the First Subscription would be crucial to repay the existing loans of the Group and improve the financial position of the Group. In our opinion, the First Subscription will help substantially to alleviate the bank repayment obligation of the Group. Furthermore, the First Subscription align the interests of the First Subscriber (Mr. Poon Sum, see section headed "4. Information on the First Subscriber and the First Subscriber's future intentions on the Group – Information on the First Subscriber" below for details) with those of the Company and the Shareholders by allowing the First Subscriber to potentially take up substantial equity interest in the Company through the First Subscription. Having considered the above and the aforesaid unsuccessfully fund raising attempted by the Group and the information set out in the paragraph headed "Other alternatives methods of financing" below, we concur with the Directors' view that it is in the interests of the Company and the Shareholders as a whole to proceed with the First Subscription.

4. Information on the First Subscriber and the First Subscriber's future intentions on the Group

Information on the First Subscriber

The First Subscriber, Gold Train Investments Limited, being an investment holding company established in the British Virgin Islands in 2015. Mr. Poon Sum ("**Mr. Poon**") is the sole director and shareholder of the First Subscriber. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the First Subscriber does not hold any Share. Nevertheless, the ultimate beneficial owner of the First Subscriber and his spouse, are Shareholders who hold 7,608,000 Shares, representing approximately 0.90% of the issued share capital of the Company as at the Latest Practicable Date. The First Subscriber and its ultimate beneficial owner are parties independent of the Company and the connected persons (as defined under the Listing Rules) of the Company as at the Latest Practicable Date.

Mr. Poon, aged 52, is an executive director and one of the co-founders of Tou Rong, the shares of which are listed on the Main Board of the Stock Exchange. With reference to the 2016 interim report of Tou Rong which was released in December 2016, the principal activity of the Tou Rong is investment holding. The principal activities of Tou Rong's subsidiaries are trading of commodities, the exploitation and sale of crude oil, sale of chemical products, provision of exploration drilling services, property investment, money lending business, brokerage of securities and brokerage of insurance.

Mr. Poon was the chairman of Tou Rong and was subsequently appointed as the honorary chairman on 9 May 2012. He is primarily responsible for the overall strategic planning, business development, marketing and formulation of overall corporate policies of the group of Tou Rong. Mr. Poon has over 26 years of experience in the oil, paints and coatings industry and the trading of chemicals in Hong Kong and the PRC. Mr. Poon is also an executive director, chief executive officer, chief financial officer and executive corporate secretary of Gold Horn International Enterprises Group Limited (stock code: GHE/P), the shares of which are listed on the TSX Venture Exchange in Canada.

The First Subscriber's future intentions on the Group

With reference to the Letter from the Board that as at the Latest Practicable Date, the First Subscriber intends to continue the existing business of the Group and does not intend to introduce any major changes to the existing operation and business of the Company or dispose of any of the assets of the Group other than in the ordinary course of business. The First Subscriber also has no intention to make any major changes to the continued employment of the employees of the Group. Given the poor liquidity of the Group as at the Latest Practicable Date, the First Subscriber intends to procure the Group to repay certain bank borrowings to improve the liquidity and financial position of the Group. The First Subscriber intends to endorse the corporate restructuring plan currently undertaken by the Group in stabilising its operations and financial positions. In particular, the First Subscriber intends to improve the Group's financial position and liquidity by means of reorganising its existing production facilities or equipment and other resources in the Group's subsidiaries and strengthening the businesses of other subsidiaries, particularly those production facilities located in Cambodia with the "green factory" concept and focusing on the production of high-end textile products as disclosed in the Company's 2015 Annual Report with the expertise and assistance of the existing management of the Group.

Following the First Completion, the First Subscriber will conduct a further and detailed review on the operations of the Group with a view to improving the performance of the Group and to developing a corporate strategy to broaden the income stream of the Group. Subject to the result of the review, the First

Subscriber will consider all possible options to improve the existing operations and business of the Group or to seek new business opportunities to improve the Group's financial position and prospects. The Company will comply with all applicable requirements of the Listing Rules and/or the Takeovers Code as and when appropriate. Save as disclosed in the paragraph headed "Business plans of the Group" in the Letter from the Board, the First Subscriber has no intention to downsize, terminate or dispose any of the Company's existing assets, businesses or operations.

5. Other alternatives methods of financing

The Directors have considered other fund raising possibilities including but not limited to (i) debt financing from banks; and (ii) rights issue or open offer. The Directors are of the view that, among other things, the First Subscription is the most viable option for the Company, reasons as follow:

Short term and long term debt financing

As stated in the paragraph headed "Other financing alternatives" in the Letter from the Board, the Company had approached two banks for exploring the possibility of obtaining new banking facilities. Taking into account the Group's deteriorating financial position, sizeable fund requirement and pending demand letters issued by the other banks, both banks turned down the Company's request for bank facilities at an early stage and since then, there were no further negotiation of scale or terms between the Company and the said banks.

Rights issue or open offer

The Company had approached and brought up with three securities firms to explore the possibility for the securities firm to underwrite a rights issue or open offer of the Shares at the First Subscription Price to be conducted by the Company. However, the securities firms have declined to underwrite any Shares at the First Subscription Price in a comparable size as the proposed First Subscription. The Directors understood from such securities firms that in declining the proposal of the Company, they have taken into account factors including the deteriorating financial situation faced by the Group and the volatile market conditions. As there were no in-depth discussion nor negotiation of terms with the relevant counter-parties, there were in substance no other terms offered to the Company which can be used for comparing with the existing terms of the First Subscription.

The Company had also approached other potential investors but it was unable to secure which could proceed to the entering into of a subscription with a lower discount. As the Company was unable to secure financing from banks or underwriting offers for rights issue or open offer from securities firms, the Company considered subscriptions, the only available fund-raising means as at the Latest Practicable Date, as well as the most viable fund-raising means.

Based on the above, the Company has considered, explored and exhausted all possible fund raising alternatives and methods. However, none of the above discussions or negotiations with the counter-parties have materialised in view of the Company's deteriorating financial performance and high gearing ratio, and the potential bankers, securities firms or investors may not want to tolerate the risk of financing a sizeable fund to the Company.

The Directors settled with the Subscriptions as a last resort to raising funds, having considered that:

(i) the Company has a genuine and imminent funding needs for the repayment of debts and bank borrowings, a majority of which had fallen due;

(ii) the sizeable amount of funding shortfall for the repayment of liabilities and general working capital for the sustainability of the Group's operations;

(iii) the Group's continuous loss-making position, current high gearing ratio and net current liabilities position as mentioned in the paragraph "Information of the Group" above;

(iv) the difficulties encountered by the Company to conduct any other fund raising activities as mentioned above despite the continuous efforts from the management;

(v) the Company had exhausted all other possible funding alternatives, be it in equity or debt, and there were no other available financing alternatives for the Group to consider other than the Subscriptions;

(vi) save for the Subscribers, the Company was unable to secure other potential investors which could proceed to the entering into of a legally binding agreement and the Subscriptions, being the only currently available fund raising opportunity, is the only and thus, the most viable fund-raising means;

(vii) through the Subscriptions, the Company will be able to raise a substantial amount of additional funds which will improve the financial position and liquidity of the Group and provide the Company with new cash to stabilize and in turn to lubricate the operation of the Group's existing business, which is an important factor to the successful implementation of the textile business plan of the Group;

(viii) should the Group fail to obtain the external financing, it would be required to generate financing internally through, without limitation to, liquidating the assets of the Group. However, there is no guarantee that the assets of the Group could be sold at reasonable price to a ready buyer in the market, or at all, in a timely manner so as to meet the impending cash flow shortfall of the Group promptly; and

(ix) with an introduction of Mr. Poon Sum, a renowned businessman in Hong Kong with established and extensive business connections in Hong Kong, as a Shareholder (through the First Subscriber), the Group would have better bargaining power in securing future financing and re-financing which in turn would avoid deepening the negative impact on the business operation and development of the Group,

the Directors therefore believe that the Subscriptions are in the interests of the Company and the Shareholders as a whole.

Also, the Directors are of the view that a new equity financing is an imminent priority of the Company and the First Subscription is the most viable option for the Company. Furthermore, given (i) the unsatisfactory performance of the Group's existing business; (ii) the First Subscription provide a good opportunity for the Company to raise equity funding to repay its outstanding liabilities, improve its financial position and mobilise further resources to develop the Group in the textile industry of Cambodia.

The Directors are of the view that the repayment of the existing loans is crucial for the Group, in order to (1) curb the risk of being sued or petitioned by the banks for the outstanding loans; (2) significantly eliminate and trim down the Group's debts which improves its financial position; (3) largely reduce the Group's finance costs in relation to outstanding bank borrowings; and (4) improve the risk profile of the Group for applying for any line of credit or short term bank borrowings to enhance its operating cash flow for business development. We concur with the view of the Directors in this regard.

6. Principal terms of the First Subscription Agreement

The major terms of the First Subscription Agreement are set out as below. For details of the terms of the First Subscription Agreement, please refer to the paragraph headed "The Subscriptions – (A) The First Subscription Agreement" in the Letter from the Board contained in this Circular. The Directors consider that the First Subscription Agreement is entered into on normal commercial terms and the terms of the First Subscription Agreement (including the First Subscription Price) are fair and reasonable and that the First Subscription is in the interest of the Company and the Shareholders as a whole.

The First Subscription Shares

Pursuant to the First Subscription Agreement, the First Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue no less than 2,500,000,000 First Subscription Shares and no more than 3,800,000,000 First Subscription Shares (assuming that there is no change in the issued share capital of the Company up to the First Completion and the public float is not less than 25% at the time of the First Completion).

Pursuant to the First Subscription Agreement, the First Subscriber shall subscribe up to 3,800,000,000 First Subscription Shares but the Company has the right to adjust the actual number of the First Subscription Shares to be allotted and issued upon the First Completion in order to comply with the public float requirement under the Listing Rules. Accordingly, at the time of the First Completion, the public float shall be at least 25% under any circumstances in respect of the First Subscription.

The maximum number of First Subscription Shares represent (i) approximately 4.5 times of the entire issued share capital of the Company as at the date of the First Subscription Agreement; (ii) approximately 81.8% of the entire issued share capital of the Company as enlarged by the issue of the First Subscription Shares only; and (iii) approximately 70.4% of the entire issued share capital of the Company as enlarged by the issue of the Subscription Shares.

As advised by the Directors that the issue scope of the First Subscription was arrived at after arm's length negotiations between the Company and the First Subscriber with reference to (i) the financial performance and position of the Group, in particular the increasing loss and the net current liabilities of the Group and (ii) the imminent financial needs to repay the existing loans so as to (a) curb the risk of being sued or petitioned by the banks for the outstanding loans; (b) trim down the Group's debts; (c) largely reduce the Group's finance costs in relation to outstanding bank borrowings; and (d) improve the risk profile of the Group for applying for any line of credit or short term bank borrowings. In addition, the Directors are of the view that the issue scope is appropriate, fair and reasonable to the Company and the Shareholders as a whole. We concur with the view of the Directors in this regard.

The First Subscription Price

The First Subscription Price of HK$0.08 per First Subscription Share represents:

- a discount of approximately 91.7% to the closing price of HK$0.96 per Share as quoted on the Stock Exchange on the Last Trading Day;

- a discount of approximately 92.1% to the average closing price of HK$1.016 per Share as quoted on the Stock Exchange for the last five consecutive trading days and including the Last Trading Day;

- a discount of approximately 92.7% to the closing price of HK$1.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

- a discount of approximately 29.8% to the unaudited net asset value per Share of HK$0.11 as at 30 June 2016.

With reference to the paragraph headed "The First Subscription Price" contained in the Letter from the Board, the First Subscription Price was arrived at after arm's length negotiations between the Company and the First Subscriber and with reference to the (i) the financial performance and position of the Group, in particular, there was a significant increase in loss of the Group since 31 December 2014 due to the decrease in revenue and the Group recorded net current liabilities of approximately HK$564.9 million as at 31 December 2015 and approximately HK$663.1 million as at 30 June 2016; (ii) low liquidity of the Shares; (iii) the general decreasing trend of the Share price before the announcement of the Company in relation to possible subscriptions, whitewash waiver and disposal of subsidiaries dated 4 November 2016; (iv) the First Subscriber's commitment to subscribe approximately 70.4% of the shareholding in the Company as enlarged by the issue of the Subscription Shares. The Directors consider that the First Subscription Price and the terms of the First Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Rankings of the First Subscription Shares and the Specific Mandate

The First Subscription Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the First Subscription Shares. The First Subscription Shares shall be entitled to all dividends and other distributions.

An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the First Subscription Shares.

The First Subscription Shares will be allotted and issued pursuant to the Specific Mandate in respect of the First Subscription to be sought from the Independent Shareholders at the EGM.

Conditions of the First Subscription

The First Completion is conditional upon the fulfilment (or waiver, if applicable) of the conditions precedent as set out in the section headed "Conditions of the First Subscription" in the Letter from the Board, including but not limited to:

(i) the First Subscriber being reasonably satisfied upon the completion of the due diligence exercise on the Company's financial position and operation;

(ii) the Executive granting the Whitewash Waiver (in connection with the First Subscription) to the First Subscriber (and such waiver not being subsequently revoked prior to the First Completion) and the satisfaction of all conditions (if any) attached to the Whitewash Waiver granted;

(iii) the passing by the Independent Shareholders at the EGM in accordance with the requirements of the Listing Rules and the Takeovers Code of resolutions approving, including but not limited to:

(a) the First Subscription Agreement and the transactions contemplated thereunder;

(b) the allotment and issue under a Specific Mandate of the First Subscription Shares; and

(c) the Whitewash Waiver;

(iv) the Listing Committee of the Stock Exchange granting approval for the listing of and permission to deal in the First Subscription Shares to be issued (and such approval not being subsequently revoked prior to the First Completion); and

(v) the Company not having breached any of the undertakings and warranties given by the Company in the First Subscription Agreement and such undertakings and warranties remaining true and accurate in all material respects and not materially misleading.

The First Subscriber has the right to waive the condition (i) above and save as the aforesaid, none of the above conditions can be waived by any parties to the First Subscription Agreement.

The First Completion will take place within twenty (20) Business Days after all the conditions of the First Subscription have been fulfilled or waived (as the case may be) (or such other date and time as may be agreed between the Company and the First Subscriber). In the event that the conditions have not been fulfilled or waived (as the case may be) by the Long Stop Date and the Company and the First Subscriber have not agreed to extend the Long Stop Date upon the expiry of the Long Stop Date, the First Subscription Agreement will be terminated and ceased to be effective, neither parties have obligations and liabilities thereafter save for any antecedent breach. Depending on the facts and circumstances, in the event that the Company and the First Subscriber renegotiate an extension of Long Stop Date which constitutes a material changes of the terms mandated by the Shareholders, the Company would seek a new specific mandate for such extension accordingly. As at the Latest Practicable Date, none of the aforesaid conditions have been fulfilled.

Termination of the First Subscription Agreement

The First Subscriber agrees that the Company shall have the right to require the First Subscriber to bear its obligations if the Company has fulfilled its obligations under the First Subscription Agreement and the First Subscriber has not completed the First Subscription pursuant to the First Subscription Agreement, and the Company has the right to terminate the First Subscription Agreement unilaterally.

7. Analysis of the First Subscription Price

For the purpose of assessing the fairness and reasonableness of the First Subscription Price, we have compared the First Subscription Price with reference to: (i) the historical price performance of the Shares; and (ii) the market comparable analysis, as follows:

(i) Reviewed on historical price of the Shares

We have reviewed the First Subscription Price with the historical highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 7 January 2016 (being the first trading day of the 12-months period immediately prior to the date of the Announcement), up to and including the Last Practicable Date (the "**Review Period**").

Month	**Highest closing price** *(HK$)*	**Lowest closing price** *(HK$)*	**Average daily closing price** *(HK$)*	**Number of trading days in each month** *(days)*
2016				
January *(Note 1)*	1.67	1.04	1.40	17
February	1.27	1.11	1.19	18
March	1.39	1	1.18	21
April	0.99	0.79	0.89	20
May	0.88	0.73	0.82	21
June	0.72	0.465	0.57	21
July *(Note 2)*	0.46	0.395	0.43	19
August *(Note 2)*	0.43	0.36	0.39	21
September	0.485	0.39	0.43	21
October	0.465	0.395	0.42	19
November	0.93	0.445	0.80	22
December	1.29	0.9	1.11	20
2017				
January	1.01	0.84	0.90	19
February (up to the Latest Practicable Date)	1.09	0.86	0.99	17

Source: the website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. *From 7 January 2016 to 31 January 2016.*
2. *Trading of Shares was suspended on 25 July 2016 and 5 August 2016.*

During the period from January 2016 to August 2016, the closing price of the Shares showed a moderate downward trend in general, with the highest closing price and the lowest closing price of the Shares ranging HK$1.67 (on 11 January 2016) and HK$0.36 (on 3 August 2016). In September and October 2016, the closing Share price were traded steadily at a range of HK$0.39 (on 5 September 2016) and HK$0.485 (on 20 September 2016). Since 19 October 2016, the closing price of the Shares has demonstrated a rising trend from HK$0.4 and reached HK$1.29 on 9 December 2016. In November 2016, the Share price has been affected by several corporate actions/price sensitive information taken/ released by the Company: (i) On 2 November, the Company announced (after trading hours) that it has entered into a placing agreement with a placing agent, on best efforts basis, to procure independent placees to subscribe for the bonds to be issued in tranches by the Company in an aggregate principal amount of up to HK$100 million. The Share price slightly went up after the bonds placing announcement, (ii) on 4 November 2016, the Company announced (after trading hours) the possible subscriptions, whitewash waiver and disposal of subsidiaries. The closing Share price surged from HK$0.71 (on 7 November 2016) and reached HK$1.29 (on 9 December 2016) and went down gradually to HK$1.0 per Share (on 6 January 2017). On 6 January 2017 (after the trading hours), the Company made several announcements in relation to (i) the Subscriptions and the Whitewash Wavier; (ii) a disclosable transaction in relation to the disposal of PRC subsidiaries a possible disclosable transaction in relation to the provision of financial assistance; and (iii) a disclosable transaction in relation to the acquisition of 51% interest in a PRC company.

The First Subscription Price of HK$0.08, which was arrived at after arm's length negotiations between the Company and the First Subscriber and with reference to (i) the financial performance and position of the Group, in particular, there was a significant increase in loss of the Group since 31 December 2014 due to the decrease in revenue and the Group recorded net current liabilities of approximately HK$564.9 million as at 31 December 2015 and approximately HK$663.1 million as at 30 June 2016; (ii) low liquidity of the Shares; (iii) the general decreasing trend of the Share price before the announcement of the Company in relation to possible subscriptions, whitewash waiver and disposal of subsidiaries dated 4 November 2016; and (iv) the First Subscriber's commitment to subscribe approximately 70.4% of the shareholding in the Company as enlarged by the issue of the Subscription Shares, is considerably lower than the daily closing prices of the Shares throughout the Review Period and represents: (i) a discount of approximately 91.7% to the closing price of HK$0.96 per share as quoted on the Stock Exchange on the Last Trading Day; (ii) a discount of approximately 92.1% to the average closing price of HK$1.016 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day; (iii) a discount of approximately 29.8% to the unaudited net asset value per Share of HK$0.11 as at 30 June 2016 and; (iv) a discount of approximately 92.7% to the closing price of HK$1.09 per Share as quoted on the Stock Exchange on the Latest Practicable Date. Based on our understanding from the Management, the Directors expect that, after the First Completion, the Company would be able to substantially repay the overdue bank loans and the First Subscription proposed by the First Subscriber is the only official proposal received by the Company with similar amount since July 2016. We are given to understand that the Directors consider that it is commercially reasonable and unavoidable that the First Subscription Price to be issued in a substantial discount to the prevailing market price of the Shares as an incentive to attract potential subscriber to invest in the Company given that the subscription size is relatively large and the negative financial position experiencing by the

Group. Having taken into account (i) the pressing funding need of the Group to repay its liabilities due to the banks; (ii) the Group's continuous loss making since 2014, the increasing net current liabilities and gearing ratio as stated in the section headed "Business and financial overview of the Group" above; (iii) low liquidity of the Shares during the Review Period; (v) the unsuccessful fund raising attempted as mentioned in the paragraph headed "Other alternatives methods of financing" above, we concur with the view of the Directors that a substantial discount to the prevailing market price of the Shares will be unavoidable in order to attract any potential investor for a significant amount of the share subscription money in cash.

(ii) Comparison with other subscription and whitewash waiver comparables

We have conducted research of companies whose shares are listed on the main board of the Stock Exchange and announced fund raising activities during the Review Period, via (i) new shares subscription by subscribers with cash and the application of whitewash waivers by the subscribers; (ii) listed companies that incurred loss in their respective latest annual report/interim report. In this connection, we have identified a total of five comparable transactions ("**Comparables**") which are exhaustive and the subscribers of which consist of connected person(s) (as defined in the Listing Rules) and/or independent third parties, both of which we consider appropriate in our analysis since their respective subscription price is determined after arm's length negotiation between the relevant parties. Details of our research results are set out below. Independent Shareholders should note that the Comparables are not identical to the Company in terms of principal business, operations and financial position. Nevertheless, we consider that the Comparables could provide a general reference for the recent common market practice of companies listed on the main board of the Stock Exchange in share subscription exercises and similar market conditions.

Name of Company	**Stock Code**	**Principal activities of the group** *(Note 1)*	**Date of Announcement** *(DD/MM/YYYY)*	**Premium/ (discount) of subscription price over/to the closing price on the last trading day prior to the release of the announcement in related to the respective subscription of shares** *(approximate %)*	**Premium/ (discount) of subscription price over/to average closing price of last five trading days immediately prior to the release of announcement in related to the respective subscription of shares** *(approximate %)*	**Premium/ (discount) to the audited/unaudited consolidated net asset value per share** *(approximate %)*	**Closing market capitalisation as at the date of the respective announcement** *(HK$'million)* *(Note 2)*
Hang Fat Ginseng Holdings Company Limited	911	sourcing and wholesaling of American ginseng	29/02/2016	(85.1)	(84.3)	(86.7)	3,843.11
New Times Energy Corporation Limited	166	exploration, development, production and sale of natural resources.	17/05/2016	(3.14)	(1.28)	N/A *(Note 3)*	397.55
Sino Golf Holdings Limited	361	manufacturing and trading of golf equipment, golf bags and other accessories.	13/07/2016	(63.23)	(59.86)	54.05	538.26

Name of Company	Stock Code	Principal activities of the group *(Note 1)*	Date of Announcement *(DD/MM/YYYY)*	Premium/(discount) of subscription price over/to the closing price on the last trading day prior to the release of the announcement in related to the respective subscription of shares *(approximate %)*	Premium/(discount) of subscription price over/to average closing price of last five trading days immediately prior to the release of announcement in related to the respective subscription of shares *(approximate %)*	Premium/(discount) to the audited/unaudited consolidated net asset value per share *(approximate %)*	Closing market capitalisation as at the date of the respective announcement *(HK$'million)* *(Note 2)*
Hua Lien International (Holding) Co. Ltd.	969	sugar cane growing and sugar manufacturing in Jamaica and provision of supporting services to sweetener business.	22/07/2016	(46.67)	(48.72)	463.38	701.18
Yu Da Mining Holdings Limited	629	exploration, mining and processing of zinc, lead, iron, gold and stone for construction	11/11/2016	31.03	35.23	(12.04)	312.33
Maximum				**31.03**	**35.23**	**463.38**	
Minimum				**(85.1)**	**(84.3)**	**(86.7)**	
Average				**(33.42)**	**(31.79)**	**104.67**	
First Subscription				**(91.7)**	**(92.1)**	**(29.8)**	

Source: The website of the Stock Exchange (www.hkex.com.hk), relevant announcements or circulars of the companies comprising the Comparables

Notes:

1. *The principal activities of the Comparables companies are extracted from the relevant announcements or circulars of the Comparables.*
2. *The closing market capitalization figures are calculated based on the closing share prices of the Comparables as at the date of the relevant announcements, multiplied by the total number of issued shares as at the date of the relevant announcements.*
3. *Premium/discount to the audited/unaudited consolidated net asset value is not disclosed in the announcement.*

As shown on the above table, the subscription prices of four out of the five Comparables were set at discounts to the relevant market prices on the last trading day or last five trading days immediately prior to the release of the relevant announcements and one out of the five Comparables was set at premium to relevant market prices. The subscription prices of the Comparables (i) as compared to their respective closing prices on their last trading days prior to the release of the announcements in relation to the respective subscription of shares ranges from a discount of approximately 85.1% to a premium of approximately 31.03%, with an average discount of approximately 33.42%; (ii) as compared to the average closing prices of the last five trading days prior to the release of the announcements in relation to the respective subscription of shares ranges from a discount of approximately 84.3% to a premium of approximately 35.23%, with an average discount of approximately 31.79%. The discounts represented by the First Subscription Price to (i) the closing price of the Shares on the Last Trading Day; (ii) the average closing price of the last five consecutive trading days up to and including the Last Trading Day exceeds the highest discounts of the Comparables (by approximately 6.6% and 7.8%, respectively). On the other hand, the subscription price of one out of five Comparables to the respective audited/ unaudited consolidated net asset value per share was not disclosed. The subscription prices of the remaining four Comparables as compared to their audited/unaudited net asset value per share ranges from a discount of approximately 86.7% to a premium of approximately 463.38%. Hence, the discount represented by the First Subscription Price to the unaudited consolidated net asset value per Share as at 30 June 2016 of approximately 29.8% falls within the range of the Comparables.

We are advised by the Directors that given (i) the pressing funding need of approximately HK$230 million to repay the Group's overdue bank loan obligations; (ii) the negative financial position of the Group; and (iii) the unsuccessful fund raising attempted experienced by the Company as mentioned above, it is necessary to induce the First Subscriber to subscribe the Shares and hence a relatively deep discount to the prevailing closing price of the Shares is inevitable. Based on the foregoing, without deep discount to historical trading price and the net asset value, it will be unlikely for the Company to obtain substantial cash proceeds from the First Subscriber. We concur with the view of the Directors in this regard.

In addition, even though the First Subscription Price fall outside the range of discounts of the Comparables, we, having taken into accounts the following factors, consider the First Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

(i) the Group is in severe financial difficulty with imminent funding need, the risk of winding up of the Company exists, if the Company fails to take remedial action in a timely manner, whereas most of the Comparables do not have similar risk to the Company. As such, we consider that the range of discounts of the Comparables by itself is only one of the consideration in judging the fairness and reasonableness of the First Subscription Price but should not rely solely on this analysis in judging the First Subscription Price;

(ii) the First Subscription Price was determined after arm's length negotiations between the Company and the First Subscriber and with reference to the financial position of the Group, liquidity, the recent trading performance of the Shares and the volume of the First Subscription Shares;

(iii) the persistent loss making track record of the Company since year 2014 and the deterioration of the financial performance of the Group which recorded net loss of approximately HK$144.8 million for the six months ended 30 June 2016; and

(iv) save for the First Subscriber, the Company was unable to secure other potential investors which could proceed to the entering into of a legally binding agreement with subscription money similar to the size of the First Subscription.

(iii) Trading volume of the Shares

The table below sets out the monthly trading volume, the average daily trading volume per month and the respective percentage of average daily trading volume compared with the total number of issued Shares during the Review Period.

Month	**Total trading volume in the month**	**Approximately average daily trading volume** *(Note 1)*	**Total number of issued Shares at month end**	**Average daily trading volume to total number of issued Shares at month end**	**Number of trading days in the month**
	(no. of Shares)	*(no. of Shares)*	*(no. of Shares)*	*(approximately %)*	
2016					
January *(Note 2)*	99,707,000	5,865,118	705,730,909	0.83	17
February	36,440,000	2,024,444	705,730,909	0.29	18
March	142,392,000	6,780,571	705,730,909	0.96	21
April	146,772,000	7,338,600	705,730,909	1.04	20
May	37,226,000	1,772,667	705,730,909	0.25	21
June	274,990,909	13,094,805	705,730,909	1.86	21
July *(Note 3)*	173,382,000	8,669,100	705,730,909	1.23	19
August *(Note 3)*	222,430,000	10,110,455	846,730,909	1.19	21
September	210,914,000	10,043,524	846,730,909	1.19	21
October	252,274,000	13,277,579	846,730,909	1.57	19
November	755,758,400	34,352,655	846,730,909	4.06	22
December	464,892,000	23,244,600	846,730,909	2.75	20
2017					
January	241,888,000	12,730,947	846,730,909	1.50	19
February (up to the Latest Practicable Date)	207,500,000	12,205,882	846,730,909	1.44	17

Source: the Website of the Stock Exchange (www.hkex.com.hk)

Notes:

1. *Average daily trading volume is calculated by dividing the total trading volume for the month by the number of trading days during the month/period, excluding any trading days on which trading of the Shares on the Stock Exchange was suspended.*
2. *From 7 January 2016 to 31 January 2016.*
3. *Trading of Shares was suspended on 25 July 2016 and 5 August 2016.*

During the Review Period, the average daily trading volume of the Shares to the total number of issued Shares at the end of each respective month were in the range of approximately 0.25% to approximately 4.06%. Save for the relatively higher trading volume in November and December 2016, the average daily trading volume of Shares was generally thin. The highest average daily trading volume of the Shares occurred in November and December 2016. As mentioned in the sub-paragraph headed "Reviewed on historical price of the Shares" above, the Company made two announcements in November 2016 in respect of its corporate action, including but not limited to the possible First Subscription and the Whitewash Waiver. The trading volume of the Shares surged shortly after the released on the possible First Subscription and Whitewash Waiver announcement. Given the Shares had not been traded actively, we consider that the surges in the trading volume during November and December 2016 may likely because of market speculations on the corporate actions taken by the Company. Based on the above, we consider the trading of the Shares was relatively thin and inactive during the Review Period.

8. Dilution effect of the First Subscription

With reference to the paragraph headed "Changes in Shareholding Structures" contained in the Letter from the Board, set out below is the changes of the shareholding structures of the Company as a results of the Subscriptions.

	As at the Latest Practicable Date and immediately before completion of the Subscriptions		Scenario (1) Immediately after completion of the First Subscription		Scenario (2) Immediately after the completion of the First Subscription and any one of the Second Subscription, Third Subscription and Fourth Subscription		Scenario (3) Immediately after the completion of the First Subscription and any two of the Second Subscription, Third Subscription and Fourth Subscription		Scenario (4) Immediately after completion of the Subscriptions	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
The Subscribers										
First Subscriber and its associates *(Note 1)*	7,608,000	0.899	2,507,608,000	74.927	3,259,344,727	74.954	3,807,608,000	73.982	3,807,608,000	70.555
Second Subscriber	–	–	–	–	250,000,000	5.749	250,000,000	4.857	250,000,000	4.632
Third Subscriber	–	–	–	–	–	–	250,000,000	4.857	250,000,000	4.632
Fourth Subscriber	–	–	–	–	–	–	–	–	250,000,000	4.632
Subtotal	7,608,000	0.899	2,507,608,000	74.927	3,509,344,727	80.703	4,307,608,000	83.696	4,557,608,000	84.451
Other public Shareholders	839,122,909	99.101	839,122,909	25.073	839,122,909	19.297	839,122,909	16.304	839,122,909	15.549
Total	846,730,909	100.000	3,346,730,909	100.000	4,348,467,636	100.000	5,146,730,909	100.000	5,396,730,909	100.000

	Scenario (5) Immediately after the completion of any one of the Second Subscription, Third Subscription and Fourth Subscription		Scenario (6) Immediately after the completion of any two of the Second Subscription, Third Subscription and Fourth Subscription		Scenario (7) Immediately after the completion of the Second Subscription, Third Subscription and Fourth Subscription	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*	*No. of Shares*	*Approximate %*
The Subscribers						
First Subscriber and its associates *(Note 1)*	7,608,000	0.694	7,608,000	0.566	7,608,000	0.476
Second Subscriber	250,000,000	22.795	250,000,000	18.564	250,000,000	15.657
Third Subscriber	–	–	250,000,000	18.563	250,000,000	15.657
Fourth Subscriber	–	–	–	–	250,000,000	15.657
Subtotal	257,608,000	23.489	507,608,000	37.692	757,608,000	47.447
Other public Shareholders	839,122,909	76.511	839,122,909	62.308	839,122,909	52.553
Total	1,096,730,909	100.000	1,346,730,909	100.000	1,596,730,909	100.000

Notes:

1. *The First Subscriber is wholly and beneficially owned by Mr. Poon Sum, who is personally interested in 3,608,000 Shares and he is also deemed to be interested in 4,000,000 Shares held by his spouse, Ms. Wong Hiu Hung by virtue of the Securities and Futures Ordinance.*
2. *Upon completion of the Subscriptions, not less than 25% of entire issued share capital of the Company will be held by the public Shareholders, which include Second Subscriber, Third Subscriber, Fourth Subscriber and the other public Shareholders. As a result of this, the First Subscriber will subscribe at maximum 2,500,000,000 Shares in case only the First Subscription can be completed as per scenario (1) and at maximum 3,251,736,727 Shares in case only the First Subscription and any one of the Second Subscription, the Third Subscription and the Fourth Subscription can be completed as per scenario (2).*

Under scenario 1 above, immediately after completion of the First Subscription (assuming that (i) the minimum number of the 2,500,000,000 First Subscription Shares will be issued; (ii) no issue of other Shares; (iii) public float remains at least 25%), the existing public Shareholders will hold 839,122,909 Shares, representing approximately 25.073% of the enlarged issued share capital of the Company. Hence, the shareholding in the Company held by the public Shareholders will decrease from approximately 99.101% as at the Latest Practicable Date to approximately 25.073%, representing a dilution effect of approximately 74.70%.

Under scenario 4 above, immediately after completion of the First Subscription (assuming that (i) 3,800,000,000 First Subscription Shares will be issued, (ii) the issue of the Second Subscription Shares, the Third Subscription Shares and the Fourth Subscription Shares; and (iii) the public float remains at least 25%), the existing public Shareholders together with the Second Subscriber, the Third Subscriber and the Fourth Subscriber will hold in total 1,589,122,909 Shares *(Note: (1) under this scenario, each of the Second Subscriber, the Third Subscriber and the Fourth Subscriber shall be interested in not more than 10% of the entire issue share capital of the Company as* *enlarged by the issue of the Subscription Shares, their respective shareholding in the Company will be counted as public shareholding; (2) the Second Subscription, the Third Subscription and the Fourth Subscription were not financed directly or indirectly by the First Subscriber or any connected person of the Company; and (3) neither the Second Subscriber, the Third Subscriber nor the Fourth Subscriber is accustomed to take instructions from the First Subscriber or any connected person of the Company in relation to the acquisition, disposal, voting or other disposition of securities of the Company, the Second Subscriber, the Third Subscriber and the Fourth Subscriber are public shareholders under Rule 8.24 of the Listing Rules)*, representing approximately 29.445% of the enlarged issued share capital of the Company. Hence, the shareholding in the Company held by public Shareholders will decrease from approximately 99.101% as at the Latest Practicable Date to approximately 29.445%, representing a dilution effect of approximately 70.29%. On the other hand, the shareholding in the Company held by existing public Shareholders will decrease from approximately 99.101% as at the Latest Practicable Date to approximately 15.549%, representing a dilution effect of approximately 84.31%.

As shown above, there will be a significant dilution to the public Shareholders of the Company, which is considered to be unattractive to the existing public Shareholders. Also, the issue of not less than 2,500,000,000 First Subscription Shares and not more than 3,800,000,000 First Subscription Shares to the First Subscriber under the First Subscription Agreement will enable the First Subscriber to acquire a controlling stake in the Company immediately upon the First Completion. However, having taken into account (i) the overall benefits of the First Subscription including but not limited to the First Subscriber will be injecting substantial amount of cash (gross proceeds of approximately HK$200 million under the Minimum Scenario or HK$304 million under the Maximum Scenario) into the Company. The Directors confirmed that they plan to use the proceeds from the First Subscription, as first priority and once the Company has received proceeds of the First Subscription, for repayment of bank borrowings, which will alleviate substantially the Group's bank repayment obligation of approximately HK$230 million in order to avoid possible legal proceeding against the Group and to maintain sustainability of the Group's business; (ii) the First Subscription Price was determined after arm's length negotiations between the Company and the First Subscriber which is considered to be fair and reasonable; (iii) the difficulties encountered by the Company to conduct other fund raising activities as mentioned under the paragraph headed "Other alternatives methods of financing" above; and (iv) save for the First Subscriber, the Company was unable to secure other potential investors which could proceed to the entering into a legally binding agreement in respect of fund raising amount similar as the size of the First Subscription, we consider (1) the terms of the First Subscription Agreement (including the subscription size of the First Subscription) and the Whitewash Waiver are fair and reasonable to the Independent Shareholders; and (2) it is reasonable for the First Subscriber to obtain a controlling stake in the Company upon the First Completion and the dilution in percentage shareholding of the existing Shareholders is acceptable.

9. Possible financial effects of the First Subscription

Effect on net asset value

The Company had an unaudited consolidated net assets attributable to its Shareholders of approximately HK$80.4 million as at 30 June 2016, represented approximately HK$0.11 per Share based on approximately 705,730,909 Shares in issue as at 30 June 2016.

As advised by the Directors, the Company's adjusted unaudited consolidated net asset value which is based on the unaudited consolidated net assets value as at 30 June 2016 and taken into account the (i) the disposal of Luoding Addchance Limited (the "**Disposal**") (for details, please refer to the announcement and circular made by the Company on 15 August 2016 and on 21 October 2016 respectively); (ii) the Share placement in August 2016 (the "**August Placement**") (for details, please refer to an announcement made by the Company on 26 August 2016) and (iii) before the First Subscription was approximately HK$479.6 million (represented approximately HK$0.566 per Share based on 846,730,909 Shares in issue as at the Latest Practicable Date). Based on the confirmation by the Directors, we have prepared the following table which shows the effects of the First Subscription on the consolidated net asset value per Share attributable to the Shareholders for illustrative purpose.

*Scenario 1: Assuming the minimum number of 2,500,000,000 First Subscription Shares will be issued (the "**Minimum Scenario**") and no issue of the Second Subscription Shares, the Third Subscription Shares and the Fourth Subscription Shares*

	Approximately HK$' million
Unaudited consolidated net assets attributable to owners of the Company as at 30 June 2016	80.4
Add: Net gain on the Disposal	357.1
Add: Estimated net proceeds from the August Placement	42.1
Add: Estimated gross proceeds from the First Subscription	200
Adjusted unaudited consolidated net assets value	679.6
Adjusted unaudited consolidated net assets value per Share (based on 705,730,909 Shares in issue as at 30 June 2016, 141,000,000 new Shares issued pursuant to the August Placement and the minimum number of 2,500,000,000 First Subscription Shares to be issued)	HK$0.203

*Scenario 2: Assuming the maximum number of 3,800,000,000 First Subscription Shares will be issue (the "**Maximum Scenario**") and the issue of the Second Subscription Shares, the Third Subscription Shares and the Fourth Subscription Shares*

	Approximately HK$' million
Unaudited consolidated net assets attributable to owners of the Company as at 30 June 2016	80.4
Add: Net gain on Disposal	357.1
Add: Estimated net proceeds from the August Placement	42.1
Add: Estimated gross proceeds from the Subscriptions	364
Adjusted unaudited consolidated net assets value	843.6
Adjusted unaudited consolidated net tangible assets value per Share (based on 705,730,909 Shares in issue as at 30 June 2016, 141,000,000 new Shares issued pursuant to the August Placement, a total of 750,000,000 Shares to be issued for the Second Subscription Shares, the Third Subscription Shares and Fourth Subscription Shares and the maximum number of 3,800,000,000 First Subscription Shares to be issued)	HK$0.156

As shown above, upon the First Completion, the Company's adjusted unaudited consolidated net assets of the Company will be ranging from approximately HK$ 679.6 million (for the Minimum Scenario) to HK$843.6 million (for the Maximum Scenario), equivalent to approximately HK$0.203 per Share (for the Minimum Scenario) to approximately HK$0.156 per Share (for the Maximum Scenario). Under the Minimum Scenario, the adjusted unaudited consolidated net asset value per Share will decrease from approximately HK$0.566 before the First Subscription to approximately HK$0.203 per Share whereas under the Maximum Scenario, the adjusted unaudited consolidated net asset value per Share will decrease from approximately HK$0.566 before the First Subscription to approximately HK$0.156. Again, we consider the deep dilution is not attractive to the Independent Shareholders, however, having taken into account our consideration as mentioned in the sub-paragraph headed "Comparison with other subscription and whitewash waiver comparables" above, we consider the possible dilution from the First Subscription does not materially jeopardize the interest of the Shareholders.

Effect on working capital

For both circumstances under the First Subscription Agreement, as part of the proceeds from the First Subscription will be applied for general working capital; the working capital of the Company will be enhanced.

Effect on gearing ratio

According to the 2016 Interim Report, the gearing ratio (total bank and other borrowings/total assets) of the Company as at 30 June 2016 was approximately 63.7%. The Directors intends to apply a substantial part of the proceeds from the First Subscription to repay bank borrowings. The gearing ratio of the Company is expected to improve after the First Completion.

10. Risk Factor

Shareholders' attention is drawn to the risk relating to the First Subscription that the First Subscriber intends to finance the First Subscription either (i) entirely by its own internal resources; or (ii) by a combination of its own internal resources and a possible loan facility. The First Subscriber is considering to obtain a loan facility to finance the First Subscription by pledging all or part of the First Subscription Shares to be acquired by the First Subscriber as security for such loan facility. As at the Latest Practicable Date, the First Subscriber was in preliminary negotiation with a potential lender (for details of the potential lender, please refer to the paragraph headed "the First Subscription Price" in the Letter from the Board) for a possible loan facility for the purpose of financing the First Subscription. The principal terms and conditions of the loan, including the loan amount, term of the loan, interest rate and security to be pledged have not yet been agreed, and such loan arrangement may or may not materialize. The potential lender is independent of the First Subscriber, the Company and their respective associates. As at the Latest Practicable Date, there was no relationship (business, financial or otherwise) between the potential lender and (i) the Company; and (ii) the First Subscriber and parties acting in concert with it. If the potential loan arrangement between the First Subscriber and the potential lender materialises, the potential lender will be deemed to be acting in concert with the First Subscriber in connection with the First Subscription pursuant to the Takeovers Code. Based on our discussion with the Directors, we are given to understand that to the best knowledge, belief, information of the Directors, after having made all reasonable enquiries, the Directors believe the First Subscriber and parties acting in concert with it will have sufficient internal resources or the ability to solicit other sources of financing for the First Subscription.

11. The Whitewash Waiver

With reference to the paragraph headed "Changes in shareholding structures" on the Letter from the Broad, upon the First Completion, the First Subscriber and its associates will, in aggregate, be interested in approximately ranging from 74.927 % (assuming that the minimum of 2,500,000,000 First Subscription Shares will be issued and no issue of the Second Subscription Shares, the Third Subscription Shares and the Fourth Subscription Shares) to 70.555% (assuming the maximum number of 3,800,000,000 First Subscription Shares will be issue and the issue of the Second Subscription Shares, the Third Subscription Shares and the Fourth Subscription Shares) of the issued share capital of the Company as enlarged by the allotment and issue of the First Subscription Shares.

Under Rule 26.1 of the Takeovers Code, The First Subscriber and the parties acting in concert with it will be obliged to make a mandatory general offer to the Shareholders for all the issued Shares and other securities of the Company not already owned or agreed to be acquired by the First Subscriber and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. In this regard, The First Subscriber has made an application to the Executive for the Whitewash Waiver which, if granted, will be subject to, among other things, approval by the Independent Shareholders at the EGM by a way of poll.

Shareholders should note that the First Subscription is subject to the fulfilment or waiver (as the case may be) of a number of conditions precedent as set out in the paragraph headed " Conditions of the First Subscription" above, including the granting by the Executive of the Whitewash Waiver, and the approval by the Independent Shareholders at the EGM for the Whitewash Waiver, which cannot be waived. The approval of the Whitewash Waiver by the Independent Shareholders will be therefore necessary for the Group to proceed to the completion of the First Subscription.

Having considered (i) the pressing funding need of the Group; (ii) the First Subscription will help substantially to alleviate the bank loan repayment obligation of the Group and to improve the financial position of the Group; (iii) the unsuccessful fund raising attempts experienced by the Company; (iv) the fairness and reasonableness of the terms of the First Subscription Agreement (including the First Subscription Price); and (v) the obtaining of the Whitewash Waiver being an essential elements for the First Subscription, the approval of the Whitewash Waiver is therefore considered fair and reasonable and in the interests of the Company and the Shareholders as a whole as far as the Independent Shareholders are concerned.

OPINION AND RECOMMENDATION

Having considered the principal factors and reasons as discussed above and as summarised below:

(i) the Group recorded continuing loss for the recent two consecutive years (approximately HK$184.3 million for the financial year of 2014, approximately HK$951.1 million for the financial year of 2015) and for the six months ended 30 June 2016 (approximately HK$144.8 million);

(ii) the gearing ratio (total bank and other borrowings/total assets) of the Company has been on an increasing trend (approximately 43.1% as at 31 December 2014, 58.3% as at 31 December 2015 and 63.7% as at 30 June 2016);

(iii) the net current liabilities of the Group has been on an increasing trend (approximately HK$564.9 million as at 31 December 2015 and approximately HK$663.1 million as at 30 June 2016);

(iv) a total bank borrowings of approximately HK$672.2 million was already in default as at 30 June 2016;

(v) the Group is in pressing need for funding of approximately HK$230 million in order to repay its overall bank liabilities and to avoid the possible legal proceeding against the Group;

(vi) the First Subscription will help substantially to alleviate the bank repayment obligation of the Group, improve the financial position of the Group; and

(vii) the First Subscription is the only official proposal received by the Company with similar amount since July 2016 and the unsuccessfully fund raising attempts as mentioned in the paragraph headed "Other alternatives methods of financing" above.

We consider that (i) the terms of the First Subscription Agreement are on normal commercial terms, and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) the Whitewash Waiver is fair and reasonable so far as the Independent Shareholders are concerned; and (iii) the First Subscription, the Whitewash Waiver and the Specific Mandate in respect of the First Subscription are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the EGM to approve the First Subscription, the Whitewash Waiver and the Specific Mandate in respect of the First Subscription.

Yours faithfully,
For and on behalf of
Zhaobangji International Capital Limited
Fabian Shin
Chief Executive Officer

Mr. Fabian Shin is a licensed person registered with the Securities and Futures Commission and as responsible officer of Zhaobangji International Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and has over twenty of experience in the corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The following is a summary of the audited consolidated results and financial position of the Group for each of the three years ended 31 December 2015 as extracted from the published annual reports of the Company for the financial years ended 31 December 2014 and 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
Revenue	961,072	1,016,283	1,401,667
Cost of sales	(1,461,004)	(944,027)	(1,078,744)
Gross (loss) profit	(499,932)	72,256	322,923
Other income, gains (losses) and impairment losses	(212,222)	7,008	20,400
Selling and distribution costs	(61,559)	(84,182)	(750)
Administrative expenses	(135,039)	(131,031)	(97,187)
Finance costs	(52,902)	(44,782)	(141,069)
Loss before tax	(961,654)	(180,731)	61,328
Income tax credit (expense)	10,525	(3,527)	(1,873)
Loss for the year	(951,129)	(184,258)	59,455
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations	(33,247)	31,918	3,119
Total comprehensive expense for the year	(984,376)	(152,340)	62,574
Earning/(loss) per share, in HK cents			
Basic	(155.05)	(41.76)	13.47
Dividend per share, in HK cents	–	–	2.0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
NON-CURRENT ASSETS			
Investment properties	–	329	1,780
Property, plant and equipment	585,736	802,644	823,026
Prepaid lease payments	60,992	68,412	46,535
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment	14,806	15,186	24,723
Deposit paid for acquisition of investment	40,000	–	–
Available-for-sale investment	130,000	–	–
Club debenture	–	1,070	1,070
Other assets	10,989	16,095	15,899
	842,523	903,736	913,069
CURRENT ASSETS			
Prepaid lease payments	1,533	1,608	2,509
Inventories	403,149	1,030,633	880,723
Trade receivables, bills receivable and other receivables, deposits and prepayments	206,780	359,277	654,138
Amounts due from related companies	4,943	4,002	3,543
Tax recoverable	983	913	218
Pledged bank deposits	49,125	67,487	46,296
Bank balances and cash	94,119	145,676	82,513
	760,632	1,609,596	1,669,940
Assets classified as held for sale	108,963	128,360	108,963
	869,595	1,737,956	1,778,903

	2015	2014	2013
	HK$'000	*HK$'000*	*HK$'000*
CURRENT LIABILITIES			
Trade payable, bills payable and other payables	155,935	277,431	188,754
Amount due to a related company	20,950	–	–
Deposit received from transfer of the operation rights of a subsidiary	236,056	236,056	184,774
Derivative financial instruments	–	20,042	19,845
Tax liabilities	4,572	5,393	3,007
Bank and other borrowings – due within one year	934,171	1,119,947	1,153,911
Bank overdrafts	53,772	19,310	17,564
Amount due to a shareholder of the Company	29,050	–	–
	1,434,506	1,678,179	1,567,855
NET CURRENT (LIABILITIES) ASSETS	(564,911)	59,777	211,048
TOTAL ASSETS LESS CURRENT LIABILITIES	277,612	963,513	1,124,117
CAPITAL AND RESERVES			
Share capital	7,057	4,413	4,413
Reserves	256,534	943,404	1,104,567
	263,591	947,817	1,108,980
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	9,861	–	–
Deferred tax liabilities	4,160	15,696	15,137
	14,021	15,696	15,137
	277,612	963,513	1,124,117

During the year ended 31 December 2015 and 31 December 2014, no dividends were paid or declared by the Company. During the 31 December 2013, an interim dividend of HK$2.0 cents per share was declared and paid to the owners of the Company.

The audited financial statements of the Group for each of the two years ended 31 December 2014 which are audited by Deloitte Touche Tohmatsu are unqualified. The audited financial statements of the Group for the year ended 31 December 2015 which are audited by Deloitte Touche Tohmatsu are unqualified with an emphasis of matter in connection with the existence of material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the years ended 2013, 2014 and 2015.

There were no material change in the accounting policies of the Group for the three years ended 31 December 2015 which would affect the comparability of the financial information of the Group for each of such financial periods to a material extent.

For the year ended 31 December 2015

The following is the extract of the independent auditors' report of the Group for the year ended 31 December 2015 as stated in the Company's annual report 2015:

Emphasis of Matter

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

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 31 DECEMBER 2015

Set out below the audited consolidated financial statements extracted from the annual report of the Company for the year ended 31 December 2015. In this section, reference to the page numbers are those appeared in the annual report of the Company for the year ended 31 December 2015.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2015

	NOTES	**2015** *HK$'000*	**2014** *HK$'000*
Revenue	*7*	961,072	1,016,283
Cost of sales	*12*	(1,461,004)	(944,027)
Gross (loss) profit		(499,932)	72,256
Other income, gains (losses) and impairment losses	*9*	(212,222)	7,008
Selling and distribution costs		(61,559)	(84,182)
Administrative expenses		(135,039)	(131,031)
Finance costs	*10*	(52,902)	(44,782)
Loss before tax		(961,654)	(180,731)
Income tax credit (expense)	*11*	10,525	(3,527)
Loss for the year	*12*	(951,129)	(184,258)
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		(33,247)	31,918
Total comprehensive expense for the year		(984,376)	(152,340)
Loss per share, in HK cents	*16*		
Basic		(155.05)	(41.76)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31st December, 2015

	NOTES	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Investment properties	17	–	329
Property, plant and equipment	18	585,736	802,644
Prepaid lease payments	19	60,992	68,412
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment	20	14,806	15,186
Deposit paid for acquisition of investment	21	40,000	–
Available-for-sale investment	21	130,000	–
Club debenture	22	–	1,070
Other assets	23	10,989	16,095
		842,523	903,736
CURRENT ASSETS			
Prepaid lease payments	19	1,533	1,608
Inventories	25	403,149	1,030,633
Trade receivables, bills receivable and other receivables, deposits and prepayments	26	206,780	359,277
Amounts due from related companies	27	4,943	4,002
Tax recoverable		983	913
Pledged bank deposits	28	49,125	67,487
Bank balances and cash	28	94,119	145,676
		760,632	1,609,596
Assets classified as held for sale	29	108,963	128,360
		869,595	1,737,956
CURRENT LIABILITIES			
Trade payable, bills payable and other payables	30	155,935	277,431
Amount due to a related company	27	20,950	–
Deposit received from transfer of the operation rights of a subsidiary	29	236,056	236,056
Derivative financial instruments	31	–	20,042
Tax liabilities		4,572	5,393
Bank and other borrowings – due within one year	32	934,171	1,119,947
Bank overdrafts	32	53,772	19,310
Amount due to a shareholder of the Company	33	29,050	–
		1,434,506	1,678,179
NET CURRENT (LIABILITIES) ASSETS		(564,911)	59,777
TOTAL ASSETS LESS CURRENT LIABILITIES		277,612	963,513

	NOTES	2015 HK$'000	2014 HK$'000
CAPITAL AND RESERVES			
Share capital	34	7,057	4,413
Reserves		256,534	943,404
		263,591	947,817
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	32	9,861	–
Deferred tax liabilities	24	4,160	15,696
		14,021	15,696
		277,612	963,513

The consolidated financial statements on pages 42 to 113 were approved and authorised for issue by the board of directors on 31st March, 2016 and are signed on its behalf by:

MR. SUNG KIM PING
DIRECTOR

MR. WONG CHIU HONG
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31st December, 2015

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Contributed surplus**	**Special reserves**	**Statutory reserves**	**Translation reserve**	**Retained profits (accumulated losses)**	**Total**
	HK$'000	*HK$'000*	*HK$'000* *(Note a)*	*HK$'000* *(Note b)*	*HK$'000* *(Note c)*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st January, 2014	4,413	134,054	78,270	24,673	13,827	181,148	672,595	1,108,980
Exchange differences arising on translation of foreign operations	–	–	–	–	–	31,918	–	31,918
Loss for the year	–	–	–	–	–	–	(184,258)	(184,258)
Total comprehensive expense for the year	–	–	–	–	–	31,918	(184,258)	(152,340)
Transfer to statutory reserves	–	–	–	–	446	–	(446)	–
Dividend recognised as distribution *(note 15)*	–	–	(8,823)	–	–	–	–	(8,823)
At 31st December, 2014	4,413	134,054	69,447	24,673	14,273	213,066	487,891	947,817
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(33,247)	–	(33,247)
Loss for the year	–	–	–	–	–	–	(951,129)	(951,129)
Total comprehensive expense for the year	–	–	–	–	–	(33,247)	(951,129)	(984,376)
Issue of new shares, net of transaction costs	1,780	181,050	–	–	–	–	–	182,830
Issue of consideration shares in an acquisition of interest in an available-for-sale investment, net of transaction costs	864	116,456	–	–	–	–	–	117,320
Transfer to statutory reserves	–	–	–	–	854	–	(854)	–
At 31st December, 2015	7,057	431,560	69,447	24,673	15,127	179,819	(464,092)	263,591

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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31st December, 2015

	2015	2014
	HK$'000	*HK$'000*
OPERATING ACTIVITIES		
Loss before tax	(961,654)	(180,731)
Adjustments for:		
Finance costs	52,902	44,782
Bank interest income	(3,005)	(2,957)
Depreciation of property, plant and equipment	79,866	84,542
Depreciation of investment properties	21	52
Amortisation of prepaid lease payments	1,533	1,605
Amortisation of other assets	55	158
Loss (gain) on disposal of property, plant and equipment and prepaid lease payments	2,017	(3,276)
Gain on disposal of investment properties and prepaid lease payments	(3,978)	(15,864)
Gain on disposal of club debenture	(2,930)	–
Gain on disposal of assets classified as held for sale	(11,853)	–
Loss on partial surrender of an insurance policy	674	–
Write-down of inventories	280,790	29,618
Impairment losses recognised on property, plant and equipment and prepaid lease payments	140,137	10,193
Impairment losses recognised on trade and other receivables	67,299	11,733
Impairment loss recognised on available-for-sale investment	47,320	–
Change in fair value of derivative financial instruments	(93)	197
Interest income on other assets	(486)	(354)
Operating cash flows before movements in working capital	(311,385)	(20,302)
Decrease (increase) in inventories	334,158	(169,947)
Decrease in trade receivables, bills receivable and other receivables, deposits and prepayments	80,506	288,635
Increase in amounts due from related companies	(941)	(459)
Placement of pledged bank deposits	(12,893)	(32,231)
Withdrawal of pledged bank deposits	29,568	12,821
Decrease in trade payable, bills payable and other payables	(19,458)	(17,828)
Settlement of derivative financial instruments	(19,949)	–
Cash generated from operations	79,606	60,689
Income tax paid	(1,902)	(1,241)
NET CASH FROM OPERATING ACTIVITIES	77,704	59,448

	NOTES	2015 HK$'000	2014 HK$'000
INVESTING ACTIVITIES			
Acquisition of available-for-sale investment	21	(60,000)	–
Deposit paid for acquisition of investment	21	(40,000)	–
Purchase of property, plant and equipment		(28,898)	(97,853)
Interest received		3,005	2,957
Proceeds on disposal of club debenture	22	4,000	–
Proceeds from redemption of other asset	23	4,863	–
Proceeds on disposal of investment properties and prepaid lease payments	17	5,462	17,307
Proceeds on disposal of property, plant and equipment and prepaid lease payments		15,385	23,805
Proceeds on disposal of assets classified as held for sale		20,000	–
Acquisition of prepaid lease payments		–	(12,602)
Deposit received from transfer of the operation rights of a subsidiary	29	–	51,282
Deposits received from disposal of property, plant and equipment and prepaid lease payments		–	11,538
NET CASH USED IN INVESTING ACTIVITIES		(76,183)	(3,566)
FINANCING ACTIVITIES			
Repayments of bank borrowings		(850,319)	(2,205,849)
Interest paid		(52,902)	(44,782)
Net proceeds from other borrowings		9,861	–
Advance from a related company		20,950	–
Advance from a shareholder of the Company		29,050	–
Net proceeds from issue of shares		92,609	–
New bank borrowings raised		664,543	2,171,005
Deposit received from share subscription		–	90,221
Dividend paid		–	(8,823)

	NOTES	2015 HK$'000	2014 HK$'000
NET CASH (USED IN) FROM FINANCING ACTIVITIES		(86,208)	1,772
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(84,687)	57,654
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		(1,332)	3,763
CASH AND CASH EQUIVALENTS AT 1ST JANUARY		126,366	64,949
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER		40,347	126,366
Cash and cash equivalents represented by:			
Bank balances and cash		94,119	145,676
Bank overdrafts		(53,772)	(19,310)
		40,347	126,366

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2015

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 Company acts as an investment holding company. The activities of the Company's principal subsidiaries are set out in note 41.

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 the Group's current liabilities exceeded its current assets by approximately HK$564,911,000 as at 31st December, 2015. During the year and subsequently to 31st December 2015, the Group has breached certain of loan covenants of certain bank facilities and defaulted on the repayment of certain banking borrowings. Certain bankers of the Company (the "Banks") have therefore demanded in writing that the Group shall make immediate repayment of the aggregate amount of approximately HK$667,011,000 or they may consider commencing legal proceedings against the Group. The Group has been actively negotiating with the Banks for restructuring of the relevant borrowings, including rescheduling of the terms of repayments and/or the extension or revision of the relevant banking facilities.

As part of the negotiations, Addchance Dyeing Factory Limited ("Addchance Dyeing"), a company owned as to 60% by Dr. Sung Chung Kwun, the former Chairman and the beneficial owner of a substantial shareholder of the Company, and as to 40% by Mr. Sung Kim Ping, an executive director of the Company, has arranged the execution of second mortgage on its own property in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong, in favour of certain bankers to secure all the present and future debts owed by the Group owed to those bankers.

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

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

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

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

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

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

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

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

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

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

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

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

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

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

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

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

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2014 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2015 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The directors of the Company will assess the impact of the application of IFRS 9. It is not practicable to provide a reasonable estimate of the effect of the application of IFRS 9 until the Group performs a detail review.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersedes the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods or services. Specially, IFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added to IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company will assess the impact of the application of IFRS 15. It is not practicable to provide a reasonable estimate of the effect of the application of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 "Leases", introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company will assess the impact of the application of IFRS 16. It is not practicable to provide a reasonable estimate of the effect of the application of IFRS 16 until the Group performs a detailed review.

The directors of the Company anticipate that the application of other new and revised IFRSs will have no material impact on the results and the financial position of the Group.

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 Listing Rules and by the Hong Kong Companies Ordinance ("HKCO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31st December, 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new HKCO and to streamline with IFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31st December, 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31st December, 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor HKCO or Listing Rules but not under the new HKCO or amended Listing Rules are not disclosed in these consolidated financial statements.

The principal accounting policies are set out below.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specially, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised when services are provided.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress includes property, plant and equipment in the course of construction for production or for its own use purposes. Construction in progress is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment, other than construction in progress, less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification, except if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the asset (or disposal group).

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Investment properties

Investment properties are properties held to earn rentals and for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognised.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowing pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Retirement benefits costs

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss/profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

Intangible assets – club debenture

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use on disposal. Gains or losses arising from derecognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified into loans and receivables and available-for-sale ("AFS") financial assets.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade receivables, bills receivable and other receivables, amounts due from related companies, deposit placed in life insurance policies, pledged bank deposits, bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. The Group designated the equity investment in an unlisted entity as AFS financial assets on initial recognition.

Equity Investments held by the Group that are classified as AFS financial assets are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- breach of contract, such as default or delinquency in interest and principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as trade receivables, assets are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30-120 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payable, bills payable and other payables, amount due to a related company, amount due to a shareholder, bank and other borrowings and bank overdrafts are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an internal part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The gain or loss arising on remeasurement is recognised in profit or loss in the period in which they arise.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment loss on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-operating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives and impairment of property, plant and equipment and prepaid lease payments

Management estimate the useful lives of various categories of property, plant and equipment and prepaid lease payment according to the industrial experiences and norm. If the actual useful lives of property, plant and equipment and prepaid lease payment are less than the original estimate useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period.

When there is indication that an item of the property, plant and equipment and prepaid lease payment has suffered an impairment loss, management of the Group will assess impairment and estimate the recoverable amounts of those assets. The recoverable amount calculation requires the management of the Group to estimate higher of fair value less costs of disposal and value in use of those assets as the recoverable amount. In determining the value in use, the management of the Group estimates the future cash flows expected to be generated from those asset and the discount rate. Where the actual future cash flows are less than expected, a material impairment loss may arise. Due to the recurring operating loss and net operating cash outflow of the Group's textile business and absence of future development plan in certain locations in the PRC, the directors of the Company conducted a review of the Group's property, plant and equipment and prepaid lease payments as at 31st December, 2015 and recognised an aggregate impairment loss of approximately HK$140,137,000 for the year ended 31st December, 2015 (2014: HK$10,193,000). As at 31st December, 2015, the carrying amount of property, plant and equipment and prepaid lease payments net of impairment amounted to approximately HK$585,736,000 and HK$62,525,000 respectively (2014: HK$802,644,000 and HK$70,020,000 respectively) (see notes 18 and 19).

Estimated impairment on trade and other receivables

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. During the year ended 31st December, 2015, an impairment loss of trade and other receivables of approximately HK$67,299,000 (2014: HK$11,733,000) has been made after considering that the asset's carrying amount is less than the present value of estimated future cash flows. As at 31st December, 2015, the carrying amount of trade and other receivables is approximately HK$206,780,000 (2014: HK$359,277,000, net of allowance for doubtful debts of HK$9,438,000).

Estimated impairment on inventories

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of net realisable value. The amount of the impairment loss is measured as the difference between the inventories' carrying amount and the expected net realisable value. Where the net realisable value is less than expected, a material impairment loss may arise. During the year ended 31st December, 2015, an impairment loss of inventories of approximately HK$280,790,000 (2014: HK$29,618,000) has been made after considering the facts as above. As at 31st December, 2015, the carrying amount of inventories is approximately HK$403,149,000 (2014: HK$1,030,633,000).

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management reports to the board of directors of the Company every half year to explain the cause of fluctuations in the fair value of the assets.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 6 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets and liabilities.

Completion of the transfer of the operation rights of a subsidiary

As disclosed in note 29, the Group entered into an operation right transfer agreement with a third party during the year ended 31st December, 2012 to transfer the operating rights of a subsidiary. The total consideration of the transfer is approximately HK$554,321,000 and is payable by six installments within five years from 31st December, 2012. All of the conditions precedent set out in the agreement have not yet been met as at 31st December, 2015. The Company is actively negotiating with the acquirer for the total consideration of the transaction, schedules or settlements of the outstanding balance. Based on these circumstances, the directors of the Company anticipate that the occurrence of the transfer is highly probable in 2016. The deposits of HK$236,056,000 received as at 31st December, 2015 have been classified as current liabilities.

5. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debts, which includes the bank and other borrowings, amount due to a related company and amount due to a shareholder of the Company as disclosed in notes 32, 27 and 33 respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and various reserves, less the accumulated losses.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as issue of new debt or redemption of existing debts.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2015	2014
	HK$'000	*HK$'000*
Financial assets		
Loans and receivables		
Trade receivables, bills receivable and other receivables	183,838	289,910
Amounts due from related companies	4,943	4,002
Pledged bank deposits	49,125	67,487
Bank balances and cash	94,119	145,676
Other assets	9,320	13,438
	341,345	520,513
Available-for-sale investment	130,000	–
Financial liabilities		
Amortised cost		
Trade payable, bills payable and other payables	96,869	107,898
Amount due to a related company	20,950	–
Bank and other borrowings	944,032	1,119,947
Bank overdrafts	53,772	19,310
Amount due to a shareholder of the Company	29,050	–
	1,144,673	1,247,155
Derivative financial instruments	–	20,042

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, bills receivable and other receivables, amounts due from related companies, deposit placed in life insurance policies, pledged bank deposits, bank balances and cash, trade and other payables, bills payable, amount due to a related company, amount due to a shareholder of the Company, bank and other borrowings, bank overdrafts and derivative financial instruments. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Several subsidiaries of the Company have foreign currency sales and purchases, which expose the Group to foreign currency risk. Also, certain trade receivables, bills receivable, other receivables, bank balances, trade payables, bills payable, other payables and bank borrowings of the Group are denominated in foreign currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		**Liabilities**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
United State dollars ("USD")	97,507	141,360	558,782	646,784
Renminbi ("RMB")	502	640	168	–
Euro ("EUR")	4,518	168	–	–

Sensitivity analysis

The Group is mainly exposed to the EUR and RMB.

The following table details the Group's sensitivity to a 5% (2014: 5%) increase and decrease in Hong Kong dollars against the relevant foreign currencies. 5% (2014: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items other than the items denominated in USD as the directors consider that the Group's exposure to USD is insignificant on the ground that Hong Kong dollars is pegged to USD. A negative number below indicates an increase in post-tax loss where Hong Kong dollars strengthen 5% against the relevant currencies. For a 5% (2014: 5%) weakening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the profit of loss, and the balances below would be opposite.

	RMB		**EUR**	
	2015	**2014**	**2015**	**2014**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Loss for the year	(17)	(27)	(226)	(7)

For foreign currency forward contracts of buying USD and selling RMB, if RMB strengthen 5% against USD, the post-tax loss for the year ended 31st December, 2014 would increase by approximately HK$1,044,000. For 5% weakening of RMB against USD, the post-tax loss for the year ended 31st December, 2014 would decrease by HK$945,000. No sensitivity analysis was prepared for the year ended 31st December, 2014 in relation to foreign currency forward contracts of buying USD and selling Hong Kong dollars as the directors consider that the Group's exposure is insignificant on the ground that Hong Kong dollars is pegged to USD.

In management's opinion, a sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year ended 31st December, 2014.

The Group has not entered into any foreign currency forward contract as at 31st December, 2015.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank and other borrowings and interest rate swap as set out in notes 32 and 31, respectively.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, bills payable and bank borrowings as set out in notes 28, 30 and 32, respectively.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR"), London Interbank Offered Rate ("LIBOR") and International Swaps and Derivatives Association Swap Rate ("HKD-ISDA-Swap Rate") arising from the Group's variable-rate bank balances, bills payable and bank borrowings and interest rate swaps.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable-rate bills payable and bank borrowings at the end of reporting period. The analysis is prepared assuming financial instruments outstanding at the end of reporting period were outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2014: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2015 would increase/decrease by approximately HK$2,753,000 (2014: HK$2,183,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

No sensitivity analysis was prepared in relation to the cash flow interest rate risk of variable-rate bank balances as the directors consider the exposure is limited.

For interest rate swap, 50 basis point increase or decrease is used for the year ended 31st December, 2014. If interest rates had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31st December, 2014 would decrease/increase by approximately HK$4,489,000. The Group has not entered into any interest rate swap contract at 31st December, 2015.

The Group's sensitivity to interest rates has decreased during the current year mainly due to the decrease in variable rate bank borrowings and maturation of all interest rate swap.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

Credit risk

As at 31st December, 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

At 31st December, 2015, the Group has a concentration of credit risk to its five largest customers which comprised approximately HK$73,235,000 (2014: HK$49,847,000) of the Group's trade receivables. Management identified such concentration of credit risk by considering (i) the number of counterparties; (ii) similar characteristics of these customers such as garment and apparel retailing and wholesale industry and regions within Europe and China and (iii) the amount of risk exposure associated with the trade receivables. The Group normally grant a credit term of 30-120 days to these customers. By reviewing the regular subsequent settlement of these trade receivables, the directors are of opinion that the default risk of these trade receivables are manageable. Other than that, the Group does not have any other significant concentration of credit risk.

The credit risk on liquid funds is limited because the counterparties are banks with high reputation.

Liquidity risk

The Group's current liabilities exceeded its current assets by approximately HK$564,911,000 as at 31st December, 2015 and recorded a post-tax loss of HK$951,129,000 for the year ended 31st December, 2015. The Group is exposed to liquidity risk if it is not able to raise sufficient fund to meet its financial obligations.

The directors of the Company have given careful consideration to the future liquidity of the Group, details of which are set out in notes 1.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank loans with a repayment on demand clause and amounts being demanded by the Banks for immediate repayment are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2015							
Non-derivative financial liabilities							
Trade payable, bills payable and other payables	–	64,876	31,993	–	–	96,869	96,869
Amount due to a related company	–	20,950	–	–	–	20,950	20,950
Bank borrowings							
– variable rate	3.8	446,801	42,273	8,434	–	497,508	496,801
– fixed rate	6.6	252,954	50,627	143,495	–	447,076	437,370
Other borrowings							
– fixed rate	10.6	–	–	–	19,900	19,900	9,861
Bank overdrafts	5.5	53,772	–	–	–	53,772	53,772
Amount due to a shareholder of the Company	–	29,050	–	–	–	29,050	29,050
		868,403	124,893	151,929	19,900	1,165,125	1,144,673

Bank loans with scheduled repayment dates set out in the loan agreements after one year but with a repayment on demand clause and bank loans being demanded by the Banks for immediate repayment are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31st December, 2015, the aggregate undiscounted principal amounts of these bank loans amounted to approximately HK$36,875,000 and HK$667,011,000 respectively. If the bank loans with repayment on demand clause will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, at that time, the aggregate principal and interest cash outflows will amount to HK$41,669,000.

(c) Fair value

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Financial assets/financial liabilities	Fair value of assets (liabilities) as at 31st December, 2015 *HK$'000*	2014 *HK$'000*	Fair value hierarchy	Valuation technique(s) and key input(s)
1)	13% private equity investments classified as AFS in the consolidated statement of financial position	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.
2)	Foreign currency forward contracts classified as derivative financial instruments in the consolidated statement of financial position	–	(1)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties.
3)	Interest rate swaps classified as derivative financial instruments in the consolidated statement of financial position	–	(20,041)	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

Fair value hierarchy as at 31st December, 2015

	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Available-for-sale investment	–	–	130,000

Fair value hierarchy as at 31st December, 2014

	Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*
Financial liabilities			
Derivative financial instruments			
Foreign currency forward contracts	–	1	–
Interest rate swap	–	20,041	–
	–	20,042	–

There was no transfer between Level 1, 2 and 3 for both years.

The fair value of financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis, with the most significant inputs being the discount rates that reflect the credit risk of counterparties, and forward exchange rates and forward interest rates that reflect the market risk.

Reconciliation of Level 3 fair value measurements

	Available-for sale investment
	HK$'000
At 1st January, 2015	–
Purchases	177,320
Impairment loss included in profit or loss, included in the other income, gains (losses) and impairment losses	(47,320)
At 31st December, 2015	130,000

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

7. REVENUE

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

An analysis of the Group's revenue for the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Production and sale of cotton yarn	67,932	114,470
Production and sale of knitted sweaters	587,942	541,105
Production and sale of dyed yarns	262,245	307,105
Provision of dyeing services	33,017	39,908
Trading of cotton and yarns	9,936	13,695
	961,072	1,016,283

8. SEGMENT INFORMATION

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

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

1. Production and sale of cotton yarn

2. Production and sale of knitted sweaters

3. Production and sale of dyed yarns

4. Provision of dyeing services

5. Trading of cotton and yarns

Segment revenue and results

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

For the year ended 31st December, 2015

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

For the year ended 31st December, 2014

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the loss before tax of each segment without allocation of central administration costs, directors' salaries, change in fair value of derivative financial instruments, other income and other gains (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.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31st December, 2015

	Production and sale of cotton yarn	Production and sale of knitted sweaters	Production and sale of dyed yarns	Provision of dyeing services	Trading of cotton and yarns	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	281,534	704,359	191,318	34,993	60,792	1,272,996
Available-for-sale investment						130,000
Assets classified as held for sale						108,963
Deposit paid for acquisition of an available-for-sale investment						40,000
Unallocated corporate assets						160,159
CONSOLIDATED TOTAL ASSETS						1,712,118
LIABILITIES						
Segment liabilities	16,919	49,162	240,195	11,843	73,872	391,991
Unallocated corporate liabilities						1,056,536
CONSOLIDATED TOTAL LIABILITIES						1,448,527

As at 31st December, 2014

	Production and sale of cotton yarn	Production and sale of knitted sweaters	Production and sale of dyed yarns	Provision of dyeing services	Trading of cotton and yarns	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
ASSETS						
Segment assets	378,580	1,414,376	282,989	39,121	162,694	2,277,760
Assets classified as held for sale						128,360
Unallocated corporate assets						235,572
CONSOLIDATED TOTAL ASSETS						2,641,692
LIABILITIES						
Segment liabilities	22,384	74,292	321,913	13,276	81,622	513,487
Unallocated corporate liabilities						1,180,388
CONSOLIDATED TOTAL LIABILITIES						1,693,875

For the purposes of monitoring segment performances and allocating resources among segments, all assets are allocated to operating segments other than investment properties, other assets, club debenture, amounts due from related companies, tax recoverable, available-for-sale investment, deposit paid for acquisition of an available-for-sale investment, assets classified as held for sale, pledged bank deposits and bank balances and cash on the basis of the revenue earned by individual reportable segments; and all liabilities are allocated to operating segments other than bank and other borrowings, bank overdrafts, amount due to a related company, amount due to a shareholder of the Company, tax liabilities, derivative financial instruments and deferred tax liabilities in proportion to segment assets. This is the measure reported to the chief operating decision makers, the executive directors of the Company, for the purpose of resource allocation and performance assessment.

Other segment information

The following amounts were provided to the chief operating decision makers, the executive directors of the Company, for the purposes of performance assessment and resource allocation:

For the year ended 31st December, 2015

	Production and sale of cotton yarn	Production and sale of knitted sweaters	Production and sale of dyed yarns	Provision of dyeing services	Trading of cotton and yarns	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Addition to non-current assets *(note)*	27	24,743	3,582	203	343	–	28,898
Depreciation of property, plant and equipment	22,227	45,491	8,764	3,169	215	–	79,866
Amortisation of prepaid lease payments	637	508	367	21	–	–	1,533
Loss on disposal of property, plant and equipment and prepaid lease payments	–	–	–	–	–	2,017	2,017
Impairment losses recognised on property, plant and equipment and prepaid lease payments	30,139	103,770	5,152	786	290	–	140,137
Impairment losses recognised on available-for-sale investment	–	–	–	–	–	47,320	47,320
Write-down of inventories	12,909	233,175	8,132	774	25,800	–	280,790
Impairment losses recognised on trade and other receivables	–	66,349	–	137	813	–	67,299

For the year ended 31st December, 2014

	Production and sale of cotton yarn	Production and sale of knitted sweaters	Production and sale of dyed yarns	Provision of dyeing services	Trading of cotton and yarns	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Addition to non-current assets *(Note)*	783	97,458	21,424	948	227	–	120,840
Depreciation of property, plant and equipment	22,522	50,366	9,752	1,742	160	–	84,542
Amortisation of prepaid lease payments	653	537	385	22	8	–	1,605
Gain on disposal of property, plant and equipment and prepaid lease payments	–	–	–	–	–	3,278	3,278
Impairment losses recognised on property, plant and equipment	10,193	–	–	–	–	–	10,193
Impairment losses recognised on trade and other receivables	1,289	240	5,016	741	4,447	–	11,733
Write-down of inventories	1,339	22,019	2,000	–	4,260	–	29,618

Note: Non-current assets excluded financial assets

Geographical information

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

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

Note: Non-current assets excluded financial assets.

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

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Customer A from segment of production and sale of knitted sweaters	157,160	169,953
Customer B from segment of production and sale of knitted sweaters *(note)*	100,578	N/A

Note: The corresponding amount is less than 10% of the total sales for the year ended 31st December, 2014.

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

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

	2015	**2014**
	HK$'000	*HK$'000*
Gain on disposal of investment properties and prepaid lease payments	3,978	15,864
Gain on disposal of club debenture	2,930	–
Change in fair value of derivative financial instruments	93	(197)
Gain on disposal of assets classified as held for sale	11,853	–
Net exchange gains (losses)	3,842	(6,615)
Bank interest income	3,005	2,957
Interest income on other assets	486	354
Rental income	2,580	2,225
Income from sales of scrap materials	7,914	7,878
Sundry income	8,544	3,190
Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments	(140,137)	(10,193)
Impairment loss recognised on available-for-sale investment *(note 21)*	(47,320)	–
Impairment losses recognised on trade and other receivables *(note 26)*	(67,299)	(11,733)
(Loss) gain on disposal of property, plant and equipment and prepaid lease payments	(2,017)	3,278
Loss on partial surrender of an insurance policy *(note 23)*	(674)	–
	(212,222)	7,008

10. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank and other borrowings	52,902	44,782

11. INCOME TAX (CREDIT) EXPENSE

	2015	2014
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	–	971
– Underprovision in prior years	223	102
PRC Enterprise Income Tax		
– Current year	788	1,950
– Overprovision in prior years	–	(91)
	1,011	2,932
Deferred taxation *(note 24)*		
– Current year	(11,536)	595
	(10,525)	3,527

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

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

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

The tax (credit) charge for the year can be reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015	2014
	HK$'000	*HK$'000*
Loss before tax	(961,654)	(180,731)
Taxation at the domestic income tax rate of 16.5% *(note)*	(158,673)	(29,821)
Tax effect of income not taxable for tax purpose	(7,736)	(3,517)
Tax effect of expenses not deductible for tax purpose	8,008	5,204
Underprovision in prior years	223	11
Tax effect of other deductible tax differences not recognised	48,719	8,505
Utilisation of tax losses previously not recognised	(434)	(154)
Tax effect of tax losses incurred by Cambodian subsidiaries not recognised	72,247	4,989
Tax effect of other tax losses not recognised	26,853	17,647
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	268	663
Income tax (credit) expense for the year	(10,525)	3,527

Note: The Hong Kong Profits Tax rate of 16.5%, being the tax rate in the jurisdiction where the operations of the Group is substantially based, is used.

12. LOSS FOR THE YEAR

	2015	2014
	HK$'000	*HK$'000*
Loss for the year has been arrived at after charging (crediting):		
Directors' remuneration *(note 13)*	7,639	8,056
Other staff costs	247,738	280,901
Retirement benefits scheme contributions, excluding directors	8,091	10,182
Total staff costs	263,468	299,139
Auditor's remuneration	2,780	2,300
Cost of inventories recognised as an expense	1,180,214	914,409
Write-down of inventories (included in cost of sales)	280,790	29,618
Depreciation of investment properties	21	52
Depreciation of property, plant and equipment	79,866	84,542
Amortisation of prepaid lease payments	1,533	1,605
Amortisation of other assets	55	158
Gross rental income from investment properties (as included in other income, gains (losses) and impairment losses)	(2,580)	(2,225)
Less: direct operating expenses from investment properties that generated rental income during the year	262	256
	(2,318)	(1,969)

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the 17 (2014: 11) directors were as follows:

For the year ended 31st December, 2015

	Executive Directors								Non Executive Directors		Independent Non Executive Directors							
	Mr. Wong Chiu Hong	Ms. Sung Kit Ching *(note i)*	Mr. Sung Kim Ping	Mr. Sung Kim Wa *note (ii)*	Mr. Tsang Fai	Mr. Lo Ping	Mr. Zheng Jun *(note iii)*	Mr. Yeung Choi Yee *(note iv)*	Mr. Chui Chi Yun, Robert	Mr. Wu Kehao *(note v)*	Mr. Wong King Yeung *(note vi)*	Mr. Chan Tsz Fu, Jacky *(note vii)*	Ms. Huang Yunjie	Mr. Zhuang Zhongxi *(note viii)*	Mr. Chiu Wai Piu *(note ix)*	Dr. Tse Kwok Sang *(note iv)*	Mr. Chan Shu Kin *(note x)*	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors																		
– fees	–	–	–	–	–	–	60	–	600	39	26	–	160	77	80	115	131	1,288
– salaries and other benefits	1,320	330	1,500	692	720	1,200	–	314	–	–	–	68	–	–	–	–	–	6,144
– bonus	–	–	–	–	94	–	–	–	–	–	–	4	–	–	–	–	–	98
– retirement benefit scheme contributions	18	5	18	10	18	19	–	9	–	–	–	4	8	–	–	–	–	109
	1,338	335	1,518	702	832	1,219	60	323	600	39	26	76	168	77	80	115	131	7,639

For the year ended 31st December, 2014

	Executive Directors							Non Executive Director	Independent Non Executive Directors			
	Mr. Wong Chiu Hong	Mr. Ip Siu Lam *(note xi)*	Ms. Sung Kit Ching	Mr. Sung Kim Ping	Mr. Sung Kim Wa	Mr. Tsang Fai	Mr. Lo Ping *(note xii)*	Mr. Chui Chi Yun, Robert *(note xii)*	Mr. Chan Tsz Fu, Jacky	Ms. Huang Yunjie	Mr. Zhuang Zhongxi	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors												
– fees	–	–	–	–	–	–	32	16	156	156	156	516
– salaries and other benefits	1,320	540	1,320	1,320	1,320	720	–	–	–	–	–	6,540
– bonus	180	60	180	180	180	96	–	–	4	2	2	884
– retirement benefit scheme contributions	17	17	17	17	17	17	–	–	7	7	–	116
	1,517	617	1,517	1,517	1,517	833	32	16	167	165	158	8,056

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The bonus payment for both years was determined at the discretion of the remuneration committee.

Notes:

i. Ms. Sung Kit Ching resigned as a director on 17th March, 2015.

ii. Mr. Sung Kim Wa resigned as a director on 9th July, 2015.

iii. Mr. Zheng Jun was appointed as a director on 29th September, 2015.

iv. Dr. Tse Kwok Sang and Mr. Yeung Choi Yee were appointed as directors on 9th July, 2015.

v. Mr. Wu Kehao was appointed as a director on 3rd November, 2015.

vi. Mr. Wong King Yeung was appointed as a director on 1st September, 2015 and resigned as a director on 1st November, 2015.

vii. Mr. Chan Tze Fu, Jacky retired as a director on 29th May, 2015.

viii. Mr. Zhuang Zhongxi resigned as a director on 15th June, 2015.

ix. Mr. Chiu Wai Pui was appointed as a director on 1st September, 2015.

x. Mr. Chan Shu Kin was appointed as a director on 15th June, 2015.

xi. Mr. Ip Siu Lam resigned as a director on 18th December, 2014.

xii. Mr. Lo Ping and Mr. Chui Chi Yun, Robert were appointed as directors on 22nd December, 2014.

xiii. No Chief Executive is appointed by the Company and the day-to-day management of the Group is led by Mr. Sung Kim Ping, the Chairman of the Board.

No directors waived any emoluments in any of the years.

Save as disclosed in note 40, the Company has not entered into transaction, arrangement or contract in which a director of the Company or a connected entity of a director of the Company has a material interest.

14. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2014: four) are currently directors of the Company whose emoluments as the capacity of directors of the Company are included in the disclosure in note 13 above. The emoluments of the remaining two (2014: one) individuals are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Employee		
– salaries and other benefits	2,400	1,800
– bonus	–	200
– retirement benefit scheme contributions	36	–
	2,436	2,000

Included above is the emolument of an individual who has resigned as a director of the Company during the year ended 31st December, 2015 and remained to be employed by the Group. The emoluments of this individual in the capacity as a director of the Company is included in note 13 and the amount in the table above include the emoluments for the same individual as an employee of the Group.

The total emoluments of the two (2014: one) individual(s) for the entire year were within the following band:

	2015 No. of employee	**2014 No. of employee**
HK$1,000,001 to HK$1,500,000	2	–
HK$1,500,001 to HK$2,000,000	–	1

During the year ended 31st December, 2015 and 31st December, 2014, no emoluments were paid by the Group to the five highest paid individuals or directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

15. DIVIDENDS

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

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

16. LOSS PER SHARE

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

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

17. INVESTMENT PROPERTIES

	HK$'000
COST	
At 1st January, 2014	2,706
Disposals	(2,183)
At 31st December, 2014	523
Disposals	(523)
At 31st December, 2015	–
ACCUMULATED DEPRECIATION	
At 1st January, 2014	926
Provided for the year	52
Eliminated on disposals	(784)
At 31st December, 2014	194
Provided for the year	21
Eliminated on disposals	(215)
At 31st December, 2015	–
CARRYING VALUES	
At 31st December, 2015	–
At 31st December, 2014	329

During the year ended 31st December, 2015, all of the Group's investment properties (and the associated prepaid lease payments) have 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 has been recognised in profit or loss. The fair value of the Group's investment properties (and the associated prepaid lease payments) at 31st December, 2014 was approximately HK$6,470,000. The fair value as at 31st December, 2014 has been arrived at based on a valuation carried out by Vigers Appraisal & Consulting Limited, independent valuers not connected with the Group. The valuation was determined based on the basis of capitalisation of net rental income derived from the existing tenancy and made allowance for reversionary income potential of the properties.

The above investment properties were depreciated on a straight-line basis at a rate of 1.8% to 2% per annum, which was based on the relevant lease term.

All investment properties as at 31st December, 2014 were situated on land outside Hong Kong under long-term lease.

18. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and machinery	Furniture and fixtures	Motor vehicles	Leasehold improvements	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
COST							
At 1st January, 2014	436,772	1,022,033	29,029	23,700	6,605	30,645	1,548,784
Exchange adjustments	13,119	32,247	588	792	254	891	47,891
Additions	644	4,139	55	1,120	–	91,895	97,853
Transfer	52,120	666	–	–	–	(52,786)	–
Disposals	(26,974)	(124,200)	–	(1,340)	–	–	(152,514)
Transfer to assets classified as held for sale	(17,732)	–	–	–	–	(4,120)	(21,852)
At 31st December, 2014	457,949	934,885	29,672	24,272	6,859	66,525	1,520,162
Exchange adjustments	(7,763)	(14,607)	(251)	(386)	(171)	(596)	(23,774)
Additions	–	21,670	1,097	–	–	6,131	28,898
Transfer	32,973	–	–	–	–	(32,973)	–
Disposals	–	(75,662)	(699)	(1,447)	–	–	(77,808)
At 31st December, 2015	483,159	866,286	29,819	22,439	6,688	39,087	1,447,478
DEPRECIATION AND IMPAIRMENT							
At 1st January, 2014	112,233	568,979	22,873	21,607	66	–	725,758
Exchange adjustments	10,719	21,694	441	721	3	–	33,578
Provided for the year	16,621	64,622	1,626	1,261	412	–	84,542
Eliminated on disposals	(25,609)	(104,651)	–	(1,340)	–	–	(131,600)
Transfer to assets classified as held for sale	(4,953)	–	–	–	–	–	(4,953)
Impairment losses recognised in profit or loss	–	–	–	–	–	10,193	10,193
At 31st December, 2014	109,011	550,644	24,940	22,249	481	10,193	717,518
Exchange adjustments	(1,751)	(9,814)	(203)	(322)	(2)	–	(12,092)
Provided for the year	18,788	57,920	1,679	1,088	391	–	79,866
Eliminated on disposals	–	(58,469)	(622)	(1,315)	–	–	(60,406)
Impairment losses recognised in profit or loss	90,319	38,807	2,065	4	5,457	204	136,856
At 31st December, 2015	216,367	579,088	27,859	21,704	6,327	10,397	861,742
CARRYING VALUES							
At 31st December, 2015	266,792	287,198	1,960	735	361	28,690	585,736
At 31st December, 2014	348,938	384,241	4,732	2,023	6,378	56,332	802,644

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual values, at the following rates per annum:

Buildings	Over the shorter of the term of the lease or 20 to 25 years
Plant and machinery	10%-20%
Furniture and fixtures	4%-30%
Motor vehicles	30%
Leasehold improvements	12%

During the year, the directors of the Company conducted a review of the Group's property, plant and equipment and prepaid lease payment and determined that a number of these assets were impaired, due to the recurring operating loss and net cash outflow arised from the Group's textile business and absence of future development plan in certain locations in the PRC. The recoverable amount of an asset is determined at the higher of value in use and fair value less cost of disposal. Taking into account the estimated value in use and fair value less cost of disposal, the directors of the Company determined to recognise impairment losses of approximately HK$136,856,000 (2014: HK$10,193,000) in respect of property, plant and equipment. In estimating the fair value of the properties, the highest and best use of the properties is their current use. The fair value less cost of disposal has been arrived at based on a valuation carried out by Vigers Appraisal & Consulting Limited. The fair values of the prepaid lease payments were determined based on the direct comparison method, which makes reference to the recent transactions for similar lands in the proximity and adjusted for a number of unobservable inputs, between the comparable lands and the subject matters. For buildings, plant and equipment, the fair values were determined based on the replacement cost method, with adjustments to reflect comparable utility and age, etc. The fair value measurements for the Group's property, plant and equipment and prepaid lease payments (as set out in note 19) is categorised as Level 3 (see note 3).

19. PREPAID LEASE PAYMENTS

	2015	**2014**
	HK$'000	*HK$'000*
Analysed for reporting purposes as:		
Current asset	1,533	1,608
Non-current asset	60,992	68,412
	62,525	70,020

As mentioned in note 18, impairment losses of approximately HK$3,281,000 (2014: nil) have been recognised in respect of prepaid lease payments (see note 18 for details).

20. DEPOSIT PAID FOR ACQUISITION OF PREPAID LEASE PAYMENTS AND PROPERTY, PLANT AND EQUIPMENT

The amount represents the deposits paid for the acquisition of prepaid lease payments and property, plant and equipment for the Group's expansion of business.

21. AVAILABLE-FOR-SALE INVESTMENT

	2015	**2014**
	HK$'000	*HK$'000*
Unlisted, equity security, at fair value	130,000	–

On 13th March, 2015, an indirect wholly-owned subsidiary of the Company (the "Purchaser") entered into an agreement, pursuant to which the Purchaser has conditionally agreed to acquire and Hong Jun Global Limited ("Hong Jun"), an independent third party of the Group, has conditionally agreed to sell 130 shares in the share capital of Coulman International Limited (the "Target Company"), representing 13% of the equity interest in the Target Company. The Target Company is an investment holding company incorporated in the British Virgin Islands ("BVI") 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.

The consideration for the acquisition is HK$177,320,000 and has been settled by the combination of cash of HK$60,000,000 and an aggregate of 86,480,909 new ordinary shares of HK$0.01 each of the Company, representing approximately 16.3% of the existing issued share capital of the Company at the date of the acquisition. The consideration shares were issued at the issue price of HK$1.3566 per share, which was arrived with reference to the average of the closing prices of the Company's shares for the last five consecutive trading days on the Stock Exchange before the date of the acquisition agreement, and a discount of 5%. The fair value of the available-for-sale investment on the initial recognition has been determined by reference to the valuation of the Target Company prepared by Cushman & Wakefield Valuation Advisory Services (HK) Limited (later being acquired by DTZ Debenham Tie Leung Limited) under the discounted cash flow method, based on the estimated future cash flows of the Target Company discounted at the current market rate of return for similar financial assets, as of the date of the acquisition, to which the directors of the Company had made reference in determining the consideration for the acquisition. The acquisition was completed on 24th April, 2015 and the new ordinary shares of the Company had been issued on the same date.

The actual performance of the Target Company was less favourable than its estimate and an impairment loss of HK$47,320,000 has been made for the year ended 31st December, 2015 and have been included in profit or loss in the other income, gains (losses) and impairment losses line item, with reference to a valuation carried out by DTZ Debenham Tie Leung Limited for the Target Company using the discounted cash flow method.

On 23rd October 2015, the Purchaser entered into a non-legally binding memorandum of understanding ("MOU") in relation to the possible acquisition of 38% of the equity interest in the Target Company from another independent third party, Kai Lian Group Limited ("Kai Lian"). Upon signing of the MOU, the Purchaser is required to pay a refundable deposit in the amount of HK$40,000,000 as part of the consideration of the possible acquisition. If a formal agreement is not entered into on or before 20th April, 2016 or such later date as the Purchaser and Kai Lian may agree, the MOU shall cease and Kai Lian shall refund the refundable deposit to the Purchaser.

22. CLUB DEBENTURE

The club debenture as at 31st December, 2014 represented the club membership of Aberdeen Marine Club. The club debenture was disposed of to an independent third party during the year for a cash consideration of HK$4,000,000 and the gain on disposal has been included in profit or loss in other income, gains (losses) and impairment losses line item.

23. OTHER ASSETS

During the year ended 31st December, 2012, some subsidiaries of the Company (the "Subsidiaries") entered into life insurance policies with HSBC Life (International) Limited to insure two then executive directors, Sung Kim Ping and Sung Kim Wa (resigned during the year ended 31st December, 2015). Under the policies, the beneficiary and policy holders are the Subsidiaries, and the total insured sum is approximately USD7,800,000 (equivalent to HK$60,840,000). The Subsidiaries paid an upfront payment of approximately USD2,038,000 (equivalent to HK$15,899,000). The Subsidiaries may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the accumulation of premium paid plus accumulated guaranteed interest earned and minus certain charges and surrender amounts in accordance with terms of the policies (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteen policy year, a pre-determined specified surrender charge would be imposed on the Subsidiaries.

At the inception date, the upfront payment was separated into deposit placed and prepayment of life insurance premium. The prepayment of life insurance premium is amortised to profit or loss over the insured period and the deposit is measured at cost adjusted for interest and return recognised for each year. The insurance company will grant the Subsidiaries a guaranteed interest rate of 4% per annum for the first year, and a return of a minimum guaranteed interest rate of 2% per annum for the next 34 years, on the Cash Value before deduction of any surrender amounts.

During the year ended 31st December, 2015, the Subsidiaries requested a partial surrender of the policy that represented 23% of the total insured sum, and received cash of HK$4,863,000. The relevant carrying value was HK$5,537,000 and a loss of HK$674,000 has been included in profit or loss for the year ended 31st December, 2015 (see note 9).

The directors of the Company expect that the Group is unlikely to surrender the remaining life insurance policies in the foreseeable future, and the amounts have been classified as non-current assets.

24. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Unrealised profit on inventories *HK$'000*	Withholding tax on undistributed profits of subsidiaries *HK$'000*	Total *HK$'000*
At 1st January, 2014	10,097	(36)	1,964	3,076	15,101
Charge to profit or loss	8	36	294	257	595
At 31st December, 2014	10,105	–	2,258	3,333	15,696
Charge (credit) to profit or loss	(10,024)	–	(1,896)	384	(11,536)
At 31st December, 2015	81	–	362	3,717	4,160

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1st January, 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately HK$18,326,000 as at 31st December, 2015 (2014: HK$31,074,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Under the Law on Taxation of Cambodia, withholding tax is imposed on dividends declared in respect of profits earned by Cambodian subsidiaries from 1st June, 1998 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Cambodian subsidiaries amounting to approximately HK$357,152,000 as at 31st December, 2015 (2014: HK$529,324,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Included in unrecognised tax losses are losses of approximately HK$257,567,000 (2014: HK$215,262,000) that will expire between 2016 to 2020 (2014: 2015 to 2019). Other losses of approximately HK$291,072,000 (2014: HK$213,612,000) may be carried forward indefinitely. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams.

25. INVENTORIES

	2015	2014
	HK$'000	*HK$'000*
Raw materials	55,078	159,119
Work in progress	283,110	660,939
Finished goods	64,961	210,575
	403,149	1,030,633

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

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

Trade receivables of approximately HK$138,054,000 and bills receivable of approximately HK$4,246,000 (2014: HK$178,711,000 and HK$63,469,000, respectively) and their aged analysis, presented based on the invoice dates at the end of the reporting period, which approximate the respective revenue recognition dates, are as follows:

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

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.

Ageing of trade receivables which are past due but not impaired

	2015	2014
	HK$'000	*HK$'000*
Over 120 days	16,711	49,971
Less: allowance for doubtful debts on trade receivables	–	(9,438)
	16,711	40,533

The Group has not provided for impairment loss on trade receivables of approximately HK$16,711,000 (2014: HK$40,533,000) which are past due but not impaired as these receivables relate to debtors who have made historical regular repayments. The Group does not hold collateral over these trade receivables.

Movement in the allowance for doubtful debts

	2015	2014
	HK$'000	*HK$'000*
At 1st January	9,438	9,438
Allowance recognised on trade receivables	–	5,481
Amounts written off during the year as uncollectible	(9,438)	(5,481)
At 31st December	–	9,438

The Group does not hold any collateral over these balances.

The Group has recognised impairment losses in respect of advances to a subcontractor of approximately HK$67,299,000 during the year ended 31st December, 2015 (2014: nil) in view of the difficulties encountered on collection of the amount due from that subcontractor during the year.

The amount of the Group's trade receivables, bills receivable and other receivables denominated in currency other than the functional currency of the relevant group entities are set out below:

	2015	2014
	HK$'000	*HK$'000*
USD	78,714	119,059
RMB	12	–
EUR	4,514	–
	83,240	119,059

Bills receivable discounted to banks with full recourse

	2015	2014
	HK$'000	*HK$'000*
Carrying amount of transferred assets	–	54,985
Carrying amount of associated liabilities	–	(54,985)
Net position	–	–

Included in trade receivables, bills receivable and other receivables, deposits and prepayments was bills receivable of approximately HK$54,985,000 as at 31st December, 2014 (2015: nil) representing bills discounted with full recourse with maturity period of no more than 90 days. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

27. AMOUNTS DUE FROM (TO) RELATED COMPANIES

Amounts due from related companies

Details of the amounts due from related companies are as follows:

	Notes	2015	2014	Maximum amount outstanding during the year
		HK$'000	*HK$'000*	*HK$'000*
Addchance Dyeing		**4,852**	3,911	4,852
Anford Trading Limited ("Anford")	*(i)*	**52**	52	52
Trenex (Hong Kong) Limited ("Trenex")	*(ii)*	**20**	20	20
Soundyet Enterprises Limited ("Soundyet")	*(ii)*	**19**	19	19
		4,943	4,002	

Amount due to a related company

Details of the amounts due a related company is as follow:

	Notes	2015	2014
		HK$'000	*HK$'000*
Herojoy Trading Limited ("Herojoy")	*(iii)*	20,950	–

The amounts due from (to) related companies are unsecured, non-interest bearing and repayable on demand. In the opinion of the directors, the amount is expected to be settled within one year from the end of the reporting period.

Notes:

(i) Dr. Sung Chung Kwun and Mr.Wong Chiu Hong have controlling interests in Anford.

(ii) Dr. Sung Chung Kwun, Mr. Sung Kim Wa, Mr. Wong Chiu Hong and Mr. Sung Kim Ping have controlling interests in Trenex and Soundyet. Mr. Sung Kim Wa was the former director of the Company and Mr. Sung Kim Ping is the director of the Company.

(iii) Dr. Sung Chung Kwun has controlling interests in Herojoy.

28. BANK BALANCES AND CASH AND PLEDGED BANK DEPOSITS

Bank balances and cash comprises cash held by the Group and short-term bank deposits with an original maturity of three months or less. The amount carries interest at variable interest rates ranged from 0.01% to 0.50% per annum (2014: 0.01% to 0.42% per annum).

Pledged bank deposits are pledged to secure the bank borrowings granted to the Group. Included in pledged bank deposits is the amount of approximately HK$42,250,000 (2014: HK$35,256,000) that carries interest at fixed interest rate of 2% per annum (2014: 2% per annum) and the remaining balances are non-interest bearing.

The amount of the Group's bank balances and cash and pledged bank deposits denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2015	**2014**
	HK$'000	*HK$'000*
USD	9,473	8,863
RMB	490	640
EUR	4	168
	9,967	9,671

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

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

Subject to fulfilment of all conditions precedent set out in the Agreement, the Acquirer can, within 60 days from the date when the Group has received the full amount of the first three instalments of the consideration which should 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, amount equal to the third and the fourth installments in total, from a bank and the Acquirer agreed to transfer fund to the Company to repay the loan when they fall due in December 2014. This arrangement of fund transfer would replace the third and the fourth instalments which should originally be payable on 30th January, 2014 and 30th November, 2014, respectively. Due to the above arrangement, the third instalment was considered not yet have been received and 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 Acquirer failed to transfer the agreed fund to the Company and transferred only approximately HK$51,282,000 to the Company for the settlement of the bank loan while the maturity date of the remaining bank loan of approximately HK$134,492,000 was agreed by the Company and the bank, to be extended to December 2015 and the Conditions was considered not yet have been fulfilled on 31st December, 2014.

During the year ended 31st December, 2015, no amount of the above bank loan was repaid and the maturity date of the outstanding bank loan of approximately HK$134,492,000 was agreed by the Company and the bank, to be further extended to December 2016. The Company is actively negotiating with the 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 31st December, 2015 and are separately presented in the consolidated statement of financial position. The deposits and monies received so far from the Acquirer of approximately HK$236,056,000 (2014: HK$236,056,000) in total received as at 31st December, 2015 has been classified as current liabilities.

(ii) During the year ended 31st December, 2014, the Group entered into a sale agreement to dispose of property, plant and equipment and prepaid lease payments held by a subsidiary, Wu Zhou Addchance Textile Factory Limited, with carrying amounts of approximately HK$16,899,000 and HK$2,498,000, respectively, and deposit of approximately HK$11,538,000 has been received by the Group. The assets, which are expected to be sold within twelve months, have been classified as assets held for sale and the deposit received has been classified as current liabilities as at 31st December, 2014. The disposal has been completed during the year and the gain on disposal of approximately HK$11,853,000 has been included in profit or loss in the other income and other gains (losses) line item for the year ended 31st December, 2015.

Assets classified as held for sale as at the end of the reporting period is as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Property, plant and equipment	33,408	50,307
Prepaid lease payments	75,555	78,053
	108,963	128,360

30. TRADE PAYABLES, BILLS PAYABLE AND OTHER PAYABLES

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

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

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

At the end of 2014, bills payable of approximately HK$19,026,000 carried interest at rates based on HIBOR ranging from 2.00% to 2.50% per annum for the year ended 31st December, 2014, and were repayable on demand or within four months. All bills payable were settled during the year.

Included in other payables as at 31st December, 2015 is interest payable on bank borrowings of HK$13,614,000 (2014: nil).

The Group's trade and other payables that are denominated in currency other than the functional currencies of the relevant group entities are set out below:

	2015	2014
	HK$'000	*HK$'000*
USD	18,853	7,320

31. DERIVATIVE FINANCIAL INSTRUMENTS

	LIABILITIES	
	2015	**2014**
	HK$'000	*HK$'000*
Derivatives not accounted for using hedge accounting:		
Foreign currency forward contracts	–	1
Interest rate swaps	–	20,041
	–	20,042

The Group had entered into some foreign currency forward contracts and interest rate swaps with monthly net-settlement as at 31st December, 2014. All derivative financial instruments were matured or terminated during the year. Fair value gain of approximately HK$93,000 (2014: loss of HK$197,000) have been recognised in profit or loss account for the year ended 31st December, 2015 (see note 9).

Major terms of foreign currency forward contracts as at 31st December, 2014 were as follows:

Notional amount	Maturity	Forward exchange rates
Buy USD in aggregate notional amount of USD2,000,000	Ranging from 2nd January, 2015 to 29th December, 2015	HK$/USD ranging from 7.74 to 7.78
Buy USD in aggregate notional amount of USD3,000,000	Ranging from 3rd February, 2016 to 28th October, 2016	RMB/USD ranging from 6.10 to 6.35

Major terms of interest rate swaps as at 31st December, 2014 were as follows:

Notional amount	Maturity	Swap
HK$300,000,000	6th May, 2015	From HIBOR to 2.73%
HK$75,000,000	29th September, 2015	From HKD-ISDA-Swap Rate to 1.55%

32. BANK AND OTHER BORROWINGS

	2015	2014
	HK$'000	*HK$'000*
Bank overdrafts	53,772	19,310
Bank borrowings		
– Bank loans	529,892	905,113
– Trust receipt loans	404,279	214,834
	934,171	1,119,947
Bonds	9,861	–
	997,804	1,139,257
Analysed as:		
Secured	671,753	689,739
Unsecured	326,051	449,518
	997,804	1,139,257
Fixed-rate	447,231	456,169
Variable-rate	550,573	683,088
	997,804	1,139,257
Carrying amount are repayable, based on scheduled repayment dates set out in the loan agreements, as follows:		
Within one year	284,057	1,113,632
Repayable within one year and being demanded by the Banks for immediate repayment	666,204	–
Repayable more than one year, but being demanded by the Banks for immediate repayment	807	–
Repayable more than one year but not more than five years from the end of the reporting period, but contain a repayment on demand clause		
– More than one year but not exceeding two years	36,875	21,362
– More than two years but not more than five years	–	4,263
More than five years	9,861	–
	997,804	1,139,257
Less: Amount due and repayable within one year shown under current liabilities		
– bank and other borrowings-due within one year	(934,171)	(1,119,947)
– bank overdrafts	(53,772)	(19,310)
	(987,943)	(1,139,257)
Amount shown under non-current liabilities	9,861	–

Bank overdrafts and trust receipt loans are repayable on demand. Bonds are unsecured and carry effective interest rates ranging from 10.47% to 10.63% and due in 2022. The secured bank loans are secured by the Group's certain prepaid lease payments, property, plant and equipment, trade and bills receivable, pledged bank deposits, other assets, corporate guarantee given by the Company and a property owned by Addchance Dyeing. Details of which are set out in notes 37 and 40.

As at 31st December, 2015, the Group breached certain of loan covenants of certain bank facilities. The Group has also failed to make repayment of certain bank borrowings when they became due in the current year. 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 overdued or they may consider commencing legal proceedings against the Group. The aggregate balances of the relevant bank borrowings as at 31st December, 2015 was approximately 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.

On 8th June, 2015, Addchance Dyeing has arranged the execution of second mortgage in respect of the Sung's Tower, Nos. 15-19 Lam Tin Street, Kwai Chung, New Territories, Hong Kong in favour of the Banks to secure all present and future debts owed by the Group to the Banks. There is no fixed term for the second mortgage and will be released upon the full repayment of all debts owed to the Banks and all facilities provided by the Banks having being terminated.

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	2015	**2014**
	HK$'000	*HK$'000*
USD-borrowings:		
– Bank loans	166,438	483,509
– Trust receipt loans	373,491	155,955
	539,929	639,464

The exposure of the Group's fixed-rate borrowings and the contractual maturity dates are as follows:

	2015	**2014**
	HK$'000	*HK$'000*
On demand or within one year	437,370	456,169
More than five years	9,861	–
	447,231	456,169

The Group's variable-rate borrowings are on demand or due within one year and carry interests at rates based on HIBOR or LIBOR.

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's bank borrowings are as follows:

	2015	**2014**
Fixed-rate borrowings	4.6% to 8.4%	6.0% to 8.3%
Variable-rate borrowings	1.80% to 6.75%	1.34% to 6.75%

33. AMOUNT DUE TO A SHAREHOLDER OF THE COMPANY

The entire amount as at 31st December, 2015 was advanced from Dr. Sung Chung Kwun and is unsecured, non-interest bearing and repayable on demand.

34. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January, 2014, 31st December, 2014 and 31st December, 2015	10,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2014 and 31st December, 2014	441,250,000	4,413
Placements of new shares *(note i)*	178,000,000	1,780
Issue of consideration shares in an acquisition *(note ii)*	86,480,909	864
At 31st December, 2015	705,730,909	7,057

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 substantial shareholder of the 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 Powerlink Industries to the Company 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.

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 placees 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) As set out in note 21, the Purchaser acquired 13% of the Target Company 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.

35. SHARE OPTION SCHEME

The Company has adopted a share option scheme on 29th August, 2005 (the "Scheme") for the primary purpose of providing incentives to directors, eligible employees and consultants and advisers ("Eligible Persons") of the Group.

Pursuant to the terms of the Scheme which will expire on 28th August, 2015, the board of directors of the Company may grant options to Eligible Persons to subscribe for shares in the Company at a consideration of HK$1 per grant. Options granted are exercisable at any time during a period to be notified by the board of directors of the Company but limited to a maximum period of ten years after the date the options are granted.

The share option scheme was lapsed on 28th August, 2015 and no options were outstanding at 31st December, 2015 or 31st December, 2014 under the Scheme. No options were granted, exercised, cancelled or lapsed during both years.

36. OPERATING LEASES

The Group as lessee

Minimum lease payments paid under operating leases during the year:

	2015	**2014**
	HK$'000	*HK$'000*
Office premises	6,922	6,757

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	5,955	6,508
In the second to fifth year inclusive	4,706	9,474
Over five years	206	1,472
	10,867	17,454

Operating lease payments represent rental payable by the Group for its office premises. Leases are negotiated for an average term of two to ten years with fixed rental.

The Group as lessor

Property rental income earned during the year was approximately HK$2,580,000 (2014: HK$2,225,000). All of the properties held have committed tenants for the next five years.

At the end of reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	2015	**2014**
	HK$'000	*HK$'000*
Within one year	–	1,340
In the second to fifth year inclusive	–	1,304
Over five years	–	2,097
	–	4,741

37. PLEDGE OF ASSETS

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

	2015	**2014**
	HK$'000	*HK$'000*
Prepaid lease payments *(Note)*	99,997	101,258
Property, plant and equipment	69,081	76,750
Trade and bills receivables	–	71,853
Pledged bank deposits	49,125	67,487
Other assets	10,989	16,095
	229,192	333,443

Note: At 31st December, 2015, prepaid lease payments of approximately HK$75,555,000 (2014: HK$78,053,000) included in assets classified as held for sale (see note 29).

38. CAPITAL COMMITMENTS

	2015	**2014**
	HK$'000	*HK$'000*
Capital expenditure in respect of acquisition of property, plant and equipment and contracted for but not provided in the consolidated financial statements	–	1,620

39. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The qualified employees employed by the operations in the PRC are members of the state-managed retirement benefits schemes operated by the PRC. The PRC operations are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes operated by the PRC is to make the required contributions under the schemes.

During the year, the retirement benefit scheme contributions amounted to approximately HK$8,200,000 (2014: HK$10,298,000).

40. RELATED PARTY DISCLOSURES

Details of the balances with related parties are set out in notes 27 and 33.

During the year, the Group entered into the following transactions with related parties:

Related parties	**Nature of transactions**	**2015** *HK$'000*	**2014** *HK$'000*
Dr. Sung Chung Kwun	Rental expense paid by the Group	889	889
	Proceeds received by the Group from sales of investment property and prepaid lease payments	–	10,790
Addchance Dyeing Factory Limited	Rental expense paid by the Group	5,640	5,640
RC Corporate Services Limited ("RC") *(Note)*	Services fee paid by the Group	1,037	–
RCK Consulting Limited ("RCK") *(Note)*	Services fee paid by the Group	60	–

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

In addition, Addchance Dyeing has arranged the execution of second mortgage in respect of its properties in favour of certain of the Banks to secure the borrowings granted to the Group, as set out in notes 1 and 32.

Key management compensation

	2015 *HK$'000*	**2014** *HK$'000*
Salaries and other short-term employee benefits	9,778	9,663

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2015 and 2014 are as follows:

Name of subsidiary	*Notes*	Place and date of incorporation/ operation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly 2015	Directly 2014	Indirectly 2015	Indirectly 2014	Principal activities
Interlink Atlantic Limited		BVI 24th November, 1999	Ordinary share US$1	100%	100%	–	–	Investment holding
Addchance Limited		Hong Kong 2nd October, 1981	Ordinary shares HK$1,500,000	–	–	100%	100%	Manufacturing and trading of dyed yarn, provision of yarn-dyeing services, trading of cotton raw white yarn and fancy yarn and property holding
Chinakey (Hong Kong) Limited		Hong Kong 22nd October, 1997	Ordinary shares HK$1,000,000	–	–	100%	100%	Manufacturing and trading of knitted sweaters
Sky Emperor International Limited		Hong Kong 12th March, 1997	Ordinary shares HK$10,000	–	–	100%	100%	Trading of knitted sweaters
Charm Shine (Macau) Wool Yarn Industrial Limited		Macau 15th September, 1987	MOP500,000	–	–	100%	100%	Trading of dyed yarn and raw white yarn
Mei Pan Dyeing Factory Limited	*(iii)*	Hong Kong 1st May, 1987	Ordinary shares HK$1,240,000 Ordinary Shares A HK$760,000	–	–	–	100%	Investment holding
King On (China) Limited		Hong Kong 3rd October, 2007	Ordinary shares HK$10,000	–	–	100%	100%	Property holding
張家港互益染整有限公司 Zhangjiagang Addchance Dyeing & Finishing Co., Ltd.	*(i)*	PRC 9th March, 2001	Registered capital US$35,044,000	–	–	100%	100%	Manufacturing of dyed yarn and provision of dyeing services
羅定互益染廠有限公司 Luoding Addchance Dyeing Factory Ltd.	*(i)*	PRC 6th November, 1986	Registered capital US$24,124,000	–	–	100%	100%	Provision of yarn dyeing services
張家港互益紡織有限公司 Zhangjiagang Addchance Spinnery Co., Ltd.	*(i)*	PRC 12th December, 2003	Registered capital US$12,000,000	–	–	100%	100%	Manufacturing of knitted sweaters and provision of knitting services
廣西岑溪互益紡織有限公司 Cenxi Addchance Textile Factory Ltd.	*(i)*	PRC 27th September, 2003	Registered capital US$2,000,000	–	–	100%	100%	Provision of knitting services

Name of subsidiary	Notes	Place and date of incorporation/ operation/ establishment	Issued and fully paid share capital/ registered capital	Proportion of nominal value of issued share capital/registered capital held by the Company Directly 2015	2014	Indirectly 2015	2014	Principal activities
廣西梧州互益紡織有限公司 Wu Zhou Addchance Textile Factory Limited	*(i)*	PRC 16th December, 2005	Registered capital US$3,500,000	–	–	100%	100%	Manufacturing of knitted sweaters
安慶市宿松互益精紡有限公司 An Qing Su Song Addchance Spinning Company Limited	*(i)*	PRC 14th April, 2007	Registered capital US$10,000,000	–	–	100%	100%	Manufacturing of cotton yarn
新疆博樂互益紡織有限公司 Xinjiang Bole Addchance Textiles Limited	*(i)*	PRC 3rd April, 2007	Registered capital US$15,000,000 Paid up capital US$13,200,000	–	–	100%	100%	Manufacturing of cotton yarn
Chung Yick Textile Factory Limited (Formerly known as Full Fortune Knitting Ltd.)	*(ii)*	Cambodia 30th July, 2007	Registered capital US$7,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Dignity Knitter Limited	*(ii)*	Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Great Honour Textile Factory Limited		Cambodia 26th May, 2011	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Ecobase Factory Limited		Cambodia 1st January, 2014	Registered capital US$2,000,000	–	–	100%	100%	Manufacturing and trading of knitted clothes, hat, gloves, socks and scarves
Endless Rich Limited		BVI 2nd January, 2015	Registered capital US$1	–	–	100%	–	Investment in natural gas business
Eternity Fortune Holdings Limited		BVI 2nd January, 2015	Registered capital US$100	–	–	100%	–	Investment holding

Notes:

(i) These companies are wholly-foreign owned enterprise.

(ii) The registered capital has not yet been paid up as at 31st December, 2015.

(iii) Ordinary Shares A shall enjoy all rights, interest, privileges and have the same preference and priority as that of the ordinary shares. Ordinary Shares A shall not be transferable nor can be charged, sold, encumbered, mortgaged or otherwise alienated during life time of Dr. Sung Chung Kwun.

Except Interlink Atlantic Limited, Endless Rich Limited and Eternity Fortune Holdings Limited, all the above subsidiaries operate in their places of incorporation or establishment. Interlink Atlantic Limited, Endless Rich Limited and Eternity Fortune Holdings Limited, incorporation in BVI, operates in Hong Kong.

All subsidiaries are limited liability companies. None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

At the end of the reporting period, the Company has other subsidiaries that are not material to the Group. A majority of these subsidiaries operate in Hong Kong and PRC. The principal activities of these subsidiaries are summarised as follows:

Principal activities	**Principal place of business**	**Number of subsidiaries**	
		2015	**2014**
Inactive	Hong Kong	**3**	1
	PRC	**2**	2
	BVI	**2**	–
		7	3
Investment holding	BVI	**3**	1
	Hong Kong	**1**	–
		4	1
		11	4

42. SUMMARISED FINANCIAL POSITION OF THE COMPANY

The Company's summarised financial position at the end of the reporting period are as follows:

	2015	2014
	HK$'000	*HK$'000*
Non-current Asset		
Interests in subsidiaries, unlisted	419,207	641,677
Current Asset		
Bank balances and cash	10,827	262
Current Liabilities		
Other payables	5	90,226
Amount due to a subsidiary	33	20,033
Bank and other borrowings – due within one year	166,438	166,438
	166,476	276,697
Net Current Liabilities	(155,649)	(276,435)
Total Assets less Current Liabilities	263,558	365,242
Capital and Reserves		
Share capital	7,057	4,413
Reserves *(note)*	246,640	360,829
	253,697	365,242
Non-current Liability		
Bank and other borrowings – due after one year	9,861	–
	263,558	365,242

The Company's statement of financial position was approved and authorised for issue by the board of directors on 31st March, 2016 and are signed on its behalf by:

MR. SUNG KIM PING
DIRECTOR

MR. WONG CHIU HONG
DIRECTOR

Note:

	Share premium HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1st January, 2014	134,054	235,895	(293)	369,656
Loss and total comprehensive expense for the year	–	–	(4)	(4)
Dividend recognised as distribution	–	(8,823)	–	(8,823)
At 31st December, 2014	134,054	227,072	(297)	360,829
Loss and total comprehensive expense for the year	–	–	(411,695)	(411,695)
Issue of new shares	181,050	–	–	181,050
Issue of consideration shares, net of transaction costs, in an acquisition of interest in an available-for-sale investment	116,456	–	–	116,456
At 31st December, 2015	431,560	227,072	(411,992)	246,640

The contributed surplus of the Company represents (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, over the nominal value of the share capital of the Company issued in exchange in prior years thereof and less (ii) dividends paid.

43. COMPARATIVE FIGURES

In order to confirm with current year's presentation, other income, other gains and losses and some expenses in administrative expenses for the year ended 31st December, 2014 have been reclassified to other income, gains (loss) and impairment losses.

3. UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2016

Set out below the unaudited consolidated financial statements extracted from the interim report of the Company for the six months ended 30 June 2016. In this section, reference to the page numbers are those appeared in the interim report of the Company for the six months ended 30 June 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2016

	NOTES	30.6.2016 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
		758,451	842,523
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
		656,146	760,632
Assets classified as held for sale	13	108,963	108,963
		765,109	869,595

	NOTES	30.6.2016 HK$'000 (unaudited)	31.12.2015 HK$'000 (audited)
CURRENT LIABILITIES			
Trade payables, bills 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
		1,428,165	1,434,506
NET CURRENT LIABILITIES		(663,056)	(564,911)
TOTAL ASSETS LESS CURRENT LIABILITIES		95,395	277,612
CAPITAL AND RESERVES			
Share capital	16	7,057	7,057
Reserves		73,380	256,534
		80,437	263,591
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year	15	10,701	9,861
Deferred tax liabilities		4,257	4,160
		14,958	14,021
		95,395	277,612

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2016

	Attributable to owners of the Company							
	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000 (Note a)	Special reserves HK$'000 (Note b)	Statutory reserves HK$'000 (Note c)	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'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

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	2015
	HK$'000	*HK$'000*
	(unaudited)	(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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30th June, 2016

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;

(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.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

3. SEGMENT INFORMATION

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

Six months ended 30th June, 2016

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

Six months ended 30th June, 2015

	Production and sale of cotton yarn	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)	–
	55,142	322,872	347,336	20,574	92,498	838,422	(428,557)	409,865
SEGMENT (LOSS) PROFIT	(7,501)	2,409	(30,675)	822	(7,948)	(42,893)	–	(42,893)
Unallocated expenses								(3,901)
Other income, gains (losses) and impairment losses								4,212
Finance costs								(16,907)
Loss before tax								(59,489)

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

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

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

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

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

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

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

5. FINANCE COSTS

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

6. INCOME TAX EXPENSE

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

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

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

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

7. LOSS FOR THE PERIOD

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

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

8. DIVIDEND

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

11. AVAILABLE-FOR-SALE INVESTMENT

	30.6.2016	**31.12.2015**
	HK$'000	*HK$'000*
Unlisted, equity security, at fair value	94,545	130,000

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.

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

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 news shares of Good Spread with an exercise price of HK$1 per share.

During the year ended 31st December, 2013, the Company borrowed approximately HK$184,774,000, 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.

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.

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

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.

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	10,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2015	441,250,000	4,413
Placement of new shares *(Note i)*	178,000,000	1,780
Issue of consideration shares in an acquisition *(Note ii)*	86,480,909	864
At 31st December, 2015 and 30th June, 2016	705,730,909	7,057

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.

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 placees 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

	30.6.2016	**31.12.2015**
	HK$'000	*HK$'000*
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	120,000	–

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 30.6.2016	31.12.2015	Fair value hierarchy	Valuation technique and key input(s)
	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.

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	31.12.2015
	HK$'000	*HK$'000*
Prepaid lease payments *(Note)*	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
	218,255	229,192

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	2015
		HK$'000	*HK$'000*
Dr. Sung Chung Kwun	Rental expense paid	445	445
Addchance Dyeing	Rental expense paid	3,060	2,820
RC Corporate Services Limited ("RC") *(Note)*	Services fee paid	326	–
RCK Consulting Limited ("RCK") *(Note)*	Services fee paid	30	–

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

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).

4. INDEBTEDNESS STATEMENT

As at the close of business on 30 November 2016, the Group had outstanding indebtedness of approximately HK$1,003.07 million. The outstanding indebtedness comprised (i) secured and unguaranteed bank borrowings of approximately HK$508.31 million; (ii) unsecured and unguaranteed bank borrowings of approximately HK$315.04 million; (iii) secured and unguaranteed bank overdrafts of approximately HK$73.64 million; (iv) unsecured and unguaranteed amount due to a former substantial shareholder of the Company of approximately HK$29.25 million; (v) unsecured and unguaranteed other borrowings of approximately HK$42.52 million; (vi) unsecured and unguaranteed amount due to a company owned by a former substantial shareholder of the Company of approximately HK$20.95 million; and (vii) unsecured and unguaranteed unlisted bonds of approximately HK$13.36 million.

The aforesaid secured and unguaranteed bank borrowings of approximately HK$508.31 million and secured and unguaranteed bank overdrafts of approximately HK$73.64 million were secured by certain properties, plant and equipment, prepaid lease payments, other assets and pledged bank deposits of the Group as at close of business on 30 November 2016.

The Group has authorised but unissued unlisted bonds with principal amount of HK$95.00 million as at 30 November 2016.

Save as aforesaid and apart from intra-group liabilities and normal trade payables and accruals in the ordinary course of business, at the close of business on 30 November 2016, the Group did not have other debt securities issued and outstanding, and authorised or otherwise created but unissued, mortgages, charges, debentures or other loan capital, bank overdrafts, loans or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other contingent liabilities.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The implementation of the strategy of "One Belt and One Road" and the direct subsidy policy in Xinjiang are expected to bring a stabilising 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 still expected to surround with uncertainties of the softening of consumer sentiments. However, as necessity goods, the Company consider that the rigid demand for textile products shall continue to exist. Further, with the focus on Cambodia development, the Group can, not only hedge against the difficulties of continuously rising production costs in the PRC, but also sharpen the competitiveness on procuring orders from European Union ("**EU**") and Japan. Demand for middle and high-end textile products is expected to grow with the growing PRC 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. The manufacturing plants of the Group have been established in Cambodia for a number of years and the Group 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 the focus of the Group 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 the PRC and Cambodia. By combining expertise in production and efficiencies in production capability through full vertical integration, the Group are capable of delivering an innovative portfolio of products and services with unsurpassed quality. Specialising in the manufacture of dyed yarns and knitted sweaters, the Group have been recognised by international accreditation organisations for the dedication and commitment to the customers. Further by leveraging on new cash flow stream from the operation right transfer agreement, the Board believe that the Group 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.

6. MATERIAL CHANGE

(a) as disclosed in the interim report of the Company for the six months ended 30 June 2016 (the "**2016 Interim Report**"), the increase of loss for the period (from approximately HK$61.6 million for the six months ended 30 June 2015 to approximately HK$144.8 million for the six months ended 30 June 2016) mainly due to the unfavourable economic environment and the significant decrease in the Group's turnover by approximately 49% in its knitted sweater business due to the decrease in purchase orders from customers in Europe;

(b) as disclosed in the 2016 Interim Report, the reduction of the net assets by approximately HK$183.2 million from approximately HK$263.6 million as at 31 December 2015 to approximately HK$80.4 million as at 30 June 2016 mainly arisen from the loss for the period of approximately RMB144.8 million for the six months ended 30 June 2016;

(c) the entering into and completion of the equity transfer agreement for the transfer of the entire equity interest in a PRC subsidiary as disclosed in the announcement dated 15 August 2016 and in the circular dated 21 October 2016;

(d) completion of the placement of shares as disclosed in the announcement dated 26 August 2016;

(e) the entering of a placing agreement for the placing of bonds as disclosed in the announcement dated 2 November 2016;

(f) the entering into a sale and purchase agreement for a possible disposal of two PRC subsidiaries as disclosed in the announcement dated 6 January 2017;

(g) the entering into a sale and purchase agreement for the possible acquisition of 51% equity interest a PRC company as disclosed in the announcement dated 6 January 2017; and

(h) the receipt a winding-up petition presented by Mr. Sung Chung Kwun, a shareholder and a former director of the Company for winding up Addchance Limited, an indirect wholly owned subsidiary of the Company as disclosed in the announcement of the Company dated 2 February 2017,

saved as disclosed above, the Directors confirm that there has been no material change in the financial or trading position and outlook of the Group since 31 December 2015 (being the date to which the latest audited accounts of the Group were made up) up to and including the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

This circular includes particulars given in compliance with the Takeovers Code for the purpose of giving information with regard to the Group. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular (other than those relating to the First Subscriber and parties acting in concert with it) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this circular (other than those expressed by the First Subscriber and parties acting in concert with it) have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

The information in relation to the First Subscriber and parties acting in concert with it contained in this circular has been supplied by the sole director of the First Subscriber. The director of the First Subscriber accepts full responsibility for the accuracy of the information contained in this circular (other than information relating to the Group, the Second Subscriber, Third Subscriber and Fourth Subscriber) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed (other than those expressed by the Group, the Second Subscriber, Third Subscriber and Fourth Subscriber) in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statements in this circular misleading.

2. MARKET PRICE

The table below sets out the closing prices of the Shares as quoted on the Stock Exchange on (i) the last day on which trading of the Shares took place in each of the calendar month during the Relevant Period; (ii) the Last Trading Day; and (iii) the Latest Practicable Date:

Date	Closing price per Share
	HK$
31 July 2016	0.395
31 August 2016	0.400
30 September 2016	0.430
31 October 2016	0.445
30 November 2016	0.86
31 December 2016	1.10
5 January 2017 (Last Trading Day)	0.960
23 February 2017 (Latest Practicable Date)	1.09

The highest and lowest closing price per Share as quoted on the Stock Exchange during the Relevant Period were HK$1.290 on 9 December 2016 and HK$0.360 on 3 August 2016 respectively.

3. SHARE CAPITAL

(a) The authorised share capital of the Company as at the Latest Practicable Date was HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each.

(b) The issued share capital of the Company (i) as at the Latest Practicable Date; (ii) immediately after the allotment and issue of the First Subscription Shares only but none of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares are allotted and issued; (iii) immediately after the allotment and issue of the First Subscription Shares and any one of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares are allotted and issued; (iv) immediately after the allotment and issue of the First Subscription Shares and any two of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares are allotted and issued; (v) immediately after the allotment and issue of the Subscription Shares; (vi) immediately after the allotment and issue of any one of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares without the allotment and issue of First Subscription Shares; (vii) immediately after the allotment and issue of any two of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares but without the allotment and issue of First Subscription Shares; and (viii) immediately after the allotment and issue of the

Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares but without the allotment and issue of First Subscription Shares are as follows:

Authorised share capital		*Nominal value HK$*
10,000,000,000	Shares	100,000,000

(i) Issued share capital as at the Latest Practicable Date:

846,730,909	Shares	8,467,309.09

(ii) Enlarged issued share capital of the Company immediately after the allotment and issue of the First Subscription Shares only but none of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares are allotted and issued

3,346,730,909	Shares	33,467,309.09

(iii) Enlarged issued share capital of the Company immediately after the allotment and issue of the First Subscription Shares and any one of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares are allotted and issued

4,348,467,636	Shares	43,486,738.36

(iv) Enlarged issued share capital of the Company immediately after the allotment and issue of the First Subscription Shares and any two of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares are allotted and issued

5,146,730,909	Shares	51,467,309.09

(v) Enlarged issued share capital of the Company immediately after the allotment and issue of the Subscription Shares

5,396,730,909	Shares	53,967,309.09

(vi) Enlarged issued share capital of the Company immediately after the allotment and issue of any one of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares without the allotment and issue of First Subscription Shares

1,096,730,909	Shares	10,967,309.09

		Nominal value HK$

(vii) *Enlarged issued share capital of the Company immediately after the allotment and issue of any two of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares without the allotment and issue of First Subscription Shares*

1,346,730,909	Shares	13,467,309.09

(viii) *Enlarged issued share capital of the Company immediately after the allotment and issue of the Second Subscription Shares, Third Subscription Shares and Fourth Subscription Shares but without the allotment and issue of First Subscription Shares*

1,596,730,909	Shares	15,967,309.09

(c) All Shares currently in issue rank equally in all respects, including capital, dividends and voting rights. The issued Shares are listed and traded on the Main Board of the Stock Exchange. No part of the issued share capital of the Company is listed on any other stock exchange.

(d) The Subscription Shares to be allotted and issued will be identical and rank pari passu with each other and all the existing Shares in issue in all respects. The Shares in issue are listed on the Stock Exchange.

(e) As at the Latest Practicable Date, the Company does not have any options, warrants or convertible securities in issue and has not entered into any agreement for the issue of any convertible securities, options, warrants or derivatives of the Company.

Since 31 December 2015 (being the end of the last financial year of the Company) and up to the Latest Practicable Date, 141,000,000 new Shares were issued under the general mandate granted to the directors or 7 May 2016 at the annual general meeting pursuant to a placing agreement on 5 August 2016 (details of which were disclosed in the Company's announcement dated 5 August 2016). Save as disclosed, no new Shares have been issued by the Company since 31 December 2015.

4. DISCLOSURE OF INTERESTS

(a) Director's and chief executive's interests in the Company

As at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests in the long or short positions in the Shares, underlying shares, debentures or relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company or any associated corporation (within the meaning of the SFO) which (i) where required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules (the "**Model Code**") adopted by the Company, to be notified to the Company and the Stock Exchange; or (iv) to be disclosed in this circular pursuant to the requirements of the Takeovers Code.

(b) Substantial Shareholders and other persons' interests in Shares and underlying shares

As at the Latest Practicable Date, the Directors and chief executive of the Company are not aware of any other persons (other than the Directors and the chief executive of the Company) who had, or was deemed to have, an interest and/or short position in the Shares or underlying shares of the Company which is required to be disclosed to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept under Section 336 of the SFO, or who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

5. SHAREHOLDINGS OF AND DEALINGS

As at the Latest Practicable Date:

(a) the Company did not hold, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in any member of the Concert Party Group, and it has not dealt for value in any such securities of any member of the Concert Party Group during the Relevant Period;

(b) None of the Directors or chief executive of the Company held, controlled or had direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in any member of the Concert Party Group, and none of them has dealt for value in any such securities of any member of the Concert Party Group during the Relevant Period;

(c) none of the advisers to the Company as specified in class (2) of the definition of "associates" under the Takeovers Code, held, controlled or had direction over any Shares, options, warrants, derivatives or convertible securities of the Company, and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(d) no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of an associate under the Takeovers Code during the Relevant Period;

(e) none of the subsidiaries of the Company and none of the pension funds of the Company and/or its subsidiaries, nor any fund managed on a discretionary basis by any fund manager connected with the Company owned or controlled any Shares, warrants, options or derivatives of the Company or had dealt for value in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period;

(f) None of the Directors and their respective associates owned or controlled any Shares, convertible securities, warrants, options or derivatives of the Company, and therefore, none of the Directors intends, in respect of his own beneficial shareholding, to vote for or against the resolutions with respect to the Subscriptions and the Whitewash Waiver, and save for Mr. Zhao Xu, a non-executive Director, has dealt in the Shares (as detailed below), none of them has dealt for value in any such securities of the Company during the Relevant Period:

Mr. Zhao has dealt in the Shares during the Relevant Period as below:

Date of transactions	**Nature of transactions**	**Number of Shares involved**	**Price per Share** *(HK$)*
7 November 2016	Purchase	100,000	0.79
10 November 2016	Disposal	50,000	0.83
	Disposal	50,000	0.84
7 December 2016	Disposal	100,000	1.1
8 December 2016	Disposal	50,000	1.12
		50,000	1.14
		50,000	1.21
9 December 2016	Disposal	56,000	1.38

As confirmed by Mr. Zhao Xu, he has no relationship with the First Subscriber and the Concert Party Group.

(g) neither the Company nor any of the Directors has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company.

As at the Latest Practicable Date, save for the Subscriptions:

(a) the First Subscriber and the Concert Party Group hold, control or have direction over 7,608,000 Shares (as defined as relevant securities in Note 4 to Rule 22 of the Takeovers Code) and has disposed some of such securities of the Company during the Relevant Period, details of which are as follows:

Date of transactions	**Nature of transactions**	**Number of Shares involved**	**Price per Share** *(HK$)*
8 July 2016	Disposal	1,000,000	0.45
14 July 2016	Disposal	1,000,000	0.415
	Disposal	1,000,000	0.42
15 July 2016	Disposal	1,000,000	0.43
9 August 2016	Disposal	1,600,000	0.375
16 August 2016	Disposal	1,000,000	0.38
17 August 2016	Disposal	614,000	0.375
	Disposal	386,000	0.38
	Disposal	670,000	0.385
5 October 2016	Disposal	500,000	0.39
7 October 2016	Disposal	1,200,000	0.41

(b) none of the First Subscriber, its director or the Concert Party Group hold, control or have direction over any outstanding options, warrants, or any securities that are convertible into Shares or any derivatives in respect of securities in the Company, or hold, control or have direction over any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company and none of them has dealt for value in any such securities of the Company during the Relevant Period;

(c) the Concert Party Group did not borrow or lend any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company;

(d) save for the Subscription Agreement, there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code existed between any person and the Concert Party Group during the Relevant Period; and

(e) none of the members of the Concert Party Group have received any irrevocable commitment to vote for or against the resolution(s) to be proposed at the EGM in respect of the Subscription (including the Subscription and the Whitewash Waiver).

As at the Latest Practicable Date, save as disclosed in the paragraph headed "The First Subscription Price" in the Letter from the Board, no Shares acquired by the Concert Party Group pursuant to the Subscription will be transferred, charged or pledged to any other persons.

6. SERVICE CONTRACTS

Save as disclosed below, as at the Latest Practicable Date, none of the directors of the Company has a contract of service with the Group, which (i) (including both continuous and fixed term contracts) have been entered into or amended within six months before the commencement of the Offer Period; (ii) are continuous contracts with a notice period of 12 months or more; or (iii) are fixed term contracts with more than 12 months to run irrespective of the notice period:

Name of Director	Term of the contract	Amount of remuneration
Mr. Cheung Tat Chung	An initial term of 3 years from 13 August 2016 and shall continue thereafter until terminated by giving at least 3 months' notice but shall retire from office and be eligible for re-appointment in the annual general meeting of the Company in 2017	(i) Fixed remuneration of HK$960,000 per annum; and (ii) a discretionary bonus to be determined by the remuneration committee of the Company by reference to the audited consolidated net profit attributable to the equity holders of the Company (the "Net Profit") provided that the aggregate amount of discretionary bonuses payable in each financial year to all directors the Company shall not exceed three (3) percent of the Net Profit of the relevant financial year

Name of Director	Term of the contract	Amount of remuneration
Mr. Zhao Xu	A term of 1 years from 13 August 2016 but shall retire from office and be eligible for re-appointment in the annual general meeting of the Company in 2017	HK$120,000 per annum
Mr. Chui Chi Yun, Robert	A term of 1 year from 22 December 2016 and can be terminated by giving 1 month's notice	HK$600,000 per annum

7. MATERIAL CONTRACTS

The Group had entered into the following material contracts (not being contracts in the ordinary course of business) within two years immediately preceding the date of the Announcement and up to and including the Latest Practicable Date:

(1) the sale and purchase agreement dated 13 March 2015 and entered into between Endless Rich Limited, an indirect wholly-owned subsidiary of the Company, as purchaser, Hong Jun Global Limited as vendor and Mr. Leung Chau Ping, Paul as guarantor, in relation to the acquisition of 130 shares in the issued share capital of Coulman International Limited for a total consideration of HK$177,320,000 settled by the combination of cash of the amount of HK$60,000,000 and 86,486,909 consideration shares allotted and issued by the Company at the issue price of HK$1.3566 per Share;

(2) the placing agreement dated 6 May 2015 and entered into between the Company as issuer and Jin Hung Securities Limited as placing agent, in relation to the placing of the 6% coupon unlisted bonds in an aggregate principal amount of up to HK$200,000,000 due on the eighth anniversary of the respective dates of issue of the bonds on a best efforts basis;

(3) the placing agreement dated 21 August 2015 and entered into between the Company as issuer and KGI Asia Limited as placing agent, in relation to the placing, on a best efforts basis, of up to 122,000,000 new Shares at the placing price of HK$1.05 per placing share;

(4) the auction agreement dated 30 June 2016, and entered into between Good Spread Industrial Limited ("Good Spread"), an indirect wholly-owned subsidiary of the Company as vendor and Zhaoqing City Huahui Auctioneer Company Limited（肇慶市華輝拍賣行有限公司）as auctioneer, in relation to the Disposal, by way of public auction;

(5) the placing agreement dated 4 August 2016 and the supplemental agreement dated 5 August 2016, and entered into between the Company as issuer and Yuanta Securities (Hong Kong) Company Limited as placing agent, in relation to the placing, on a best efforts basis, of up to 141,000,000 new Shares at the placing price of HK$0.315 per placing share;

(6) the equity transfer agreement dated 15 August 2016, and entered into between Good Spread as vendor and Luoding Linghang Trading Co. Limited as purchaser, in relation to the Disposal for a total consideration of approximately RMB370,100,000;

(7) the placing agreement dated 2 November 2016 and entered into between the Company as issuer and Grand China Securities Limited as placing agent, in relation to the placing of the 7.5% coupon unlisted bonds in an aggregate principal amount of up to HK$100,000,000 with a term of three to seven years, to be issued in tranches by the Company, on a best efforts basis;

(8) the First Subscription Agreement;

(9) the Second Subscription Agreement;

(10) the Third Subscription Agreement;

(11) the Fourth Subscription Agreement;

(12) the sale and purchase agreement dated 6 January 2017 and entered into between the Company as vendor and Shenzhen Sibao Cultural Development Co. Limited as purchaser, in relation to the disposal of Zhangjiagang Addchance Dyeing &Finishing Co., Ltd and Zhangjiagang Addchance Spinnery Co., Ltd. for an aggregate consideration of HK$1,000,000; and

(13) the sale and purchase agreement dated 6 January 2017 and entered into between Addchance International Limited, a wholly-owned subsidiary of the Company as purchaser and Shenzhen Finance Investment Services Co. Ltd. as vendor, in relation to 51% of equity interest in Shenzhen Eastone Data Technology Co. Ltd. and 51% of sale loan incurred by Shenzhen Eastone Data Technology Co. Ltd. for an aggregate consideration of HK$20,400,000.

8. DIRECTORS' COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors nor their respective associates was interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business pursuant to Rule 8.10 of the Listing Rules.

9. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS

As at the Latest Practicable Date, there were no contracts or arrangements in which a Director was materially interested and significant in relation to the business of the Group.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding (including any compensation arrangement) existing between Concert Party Group and any Director, recent Director, Shareholder or recent Shareholder having any connection with or dependence upon the First Subscription and/or the Whitewash Waiver.

As at the Latest Practicable Date, there was no agreement, arrangement or understanding between any Director or any other person which is conditional on or dependent upon the outcome of the First Subscription and/or the Whitewash Waiver or otherwise connected with the First Subscription and/or the Whitewash Waiver.

As at the Latest Practicable Date, save for the continuing connected transaction of leasing premises by an indirectly wholly-owned subsidiary of the Group from a company owned as to 60% by Mr. Sung Chung Kwun and 40% by Mr. Sung Kim Ping as disclosed in the announcement of the Company dated 13 December 2013, none of the Directors has, directly or indirectly, any interest in any assets which have since 31 December 2014 (being the date to which the latest published audited accounts of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, no benefit had been given or will be given to any Director as compensation for loss of office or otherwise in connection with the First Subscription and/or the Whitewash Waiver.

As at the Latest Practicable Date, there was no material contract entered into by the First Subscriber in which any Director had a material personal interest.

10. LITIGATION

As at the Latest Practicable Date, save for a winding-up petition served on Addchance Limited (an indirect wholly-owned subsidiary of the Company) on 2 February 2017, presented by Mr. Sung Chung Kwun (the "**Petitioner**"), who is a Shareholder and a former Director of the Company, at the Court of First Instance of the High Court of the Hong Kong for winding up Addchance Limited, which concerns a sum of HK$29,050,000 said to be a loan due by Addchance Limited to the Petitioner (for details of which, please refer to the announcement of the Company dated 2 February 2017), neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

11. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
Zhaobangji International Capital Limited	a licensed corporation under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities

As at the Latest Practicable Date, Zhaobangji International Capital Limited did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or had any interest, either directly or indirectly, in any assets which had been, since 31 December 2015 (the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

Zhaobangji International Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name and logo in the form and context in which it appears.

12. MISCELLANEOUS

(i) The company secretary of the Company is Ms. Hui Wai Man, Shirley, a member of the Hong Kong Institute of Certified Public Accountants, the Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

(ii) The registered office of the Company is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(iii) The principal place of business in Hong Kong is Room 1118, 11/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

(iv) The financial adviser of the Company is Messis Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, the registered office of which is Room 1606, 16th Floor, Tower 2, Admiralty Centre, 18 Harcourt Road, Hong Kong.

(v) The Independent Financial Adviser of the Company is Zhaobangji International Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, the registered office of which is Unit 1 & 7, 19/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Sheung Wan, Hong Kong.

(vi) The registered address of the First Subscriber is 3rd Floor, J&C Building, P.O. Box 933, Road Town, Tortola, British Virgin Islands, VG 1110.

(vii) The sole director of the First Subscriber is Mr. Poon Sum.

(viii) The members of the Concert Party Group which include the First Subscriber Mr. Poon Sum, its beneficial owner and Ms. Wong Hiu Hung, the spouse of Mr. Poon Sum.

(ix) The English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection (i) during normal business hours on any weekday (except for public holidays) at the head office and principal place of business in Hong Kong of the Company at Room 1118, 11/F, Peninsula Centre, 67 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong; (ii) on the transaction specific website (http://www.irasia.com/listco/hk/addchance/index.htm), and (iii) on the website of SFC (www.sfc.hk), from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association and the articles of association of the Company;

(b) the annual reports of the Company for the three years ended 31 December 2013, 2014 and 2015 and the interim report for the six months ended 30 June 2016;

(c) the Subscription Agreements;

(d) the written consent referred to in the paragraph headed "Expert and consent" in this appendix;

(e) the letter from the Board, the text of which is set out in this circular;

(f) the letter from the Independent Board Committee, the text of which is set out in this circular;

(g) the letter of advice from the Independent Financial Adviser, the text of which is set out in this circular;

(h) the service contracts referred to in the section headed "Service Contracts" in this appendix;

(i) the material contracts as referred to in the paragraph headed "Material contracts" in this appendix; and

(j) this circular.

ADDCHANCE HOLDINGS LIMITED
互益集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 3344)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Addchance Holdings Limited (the "**Company**") will be held at Room 1118, 11/F., Peninsula Centre, 67 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong at 9:30 a.m. on Friday, 17 March 2017 for the purpose of considering and, if thought fit, passing the following resolutions, with or without amendments, as ordinary resolutions of the Company.

ORDINARY RESOLUTIONS

1. "**THAT**

   (a) subject to the fulfilment of the terms and conditions set out in the subscription agreement (the "**First Subscription Agreement**") dated 6 January 2017 (a copy of the First Subscription Agreement has been produced to this meeting marked "A" and initialled by the chairman of the Meeting (the "**Chairman**") for the purpose of identification), and entered into between the Company and Gold Train Investments Limited (the "**First Subscriber**"), in relation to the subscription for no less than 2,500,000,000 new shares and no more than 3,800,000,000 new shares (the "**First Subscription Shares**") in the Company at the subscription price of HK$0.08 per First Subscription Share by the First Subscriber, the First Subscription Agreement, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

   (b) all the transactions contemplated under the First Subscription Agreement including but not limited to the Specific Mandate to allot and issue the First Subscription Shares by the Company to the First Subscriber pursuant to the First Subscription Agreement be and is hereby approved, and the director(s) of the Company (the "**Director(s)**") be and are hereby authorised to allot and issue the First Subscription Shares to the First Subscriber pursuant to the First Subscription Agreement; and

   (c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents which he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the First Subscription Agreement and the transactions contemplated thereunder, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

2. "**THAT**, subject to the passing of the ordinary resolution no. 1 above, and subject to the granting of the Whitewash Waiver by the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong (or any delegate of the Executive Director) and any conditions that may be imposed thereon, the waiver of the obligation on the part of the First Subscriber to make a mandatory general offer to shareholders of the Company for all the issued shares of the Company not already owned or agreed to be acquired by them which might otherwise arise as a result of the First Subscriber subscribing for the First Subscription Shares under the First Subscription Agreement pursuant to Note 1 on Dispensations from Rule 26 of the Code on Takeovers and Mergers (the "**Whitewash Waiver**") be and is hereby approved, and that any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents as he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to any of the matters relating to, or incidental to, the Whitewash Waiver."

3. "**THAT**

(a) subject to the fulfilment of the terms and conditions set out in the share subscription agreement (the "**Second Subscription Agreement**") dated 6 January 2017 (a copy of each of the Second Subscription Agreement has been produced to this meeting marked "B" and initialled by the Chairman for the purpose of identification), and entered into between the Company and Mr. Yuan Dongjie (the "**Second Subscriber**"), in relation to the subscription of 250,000,000 new shares (the "**Second Subscription Shares**") in the Company at the subscription price of HK$0.08 per Second Subscription Share by the Second Subscriber, the Second Subscription Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) all the transactions contemplated under the Second Subscription Agreement including but not limited to the Specific Mandate to allot and issue the Second Subscription Shares by the Company to the Second Subscriber pursuant to the Second Subscription Agreement be and is hereby approved, and the Directors be and are hereby authorised to allot and issue the Second Subscription Shares to the Second Subscriber pursuant to the Second Subscription Agreement; and

(c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents (and under the common seal of the Company, if necessary) which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Second Subscription Agreement and the transactions contemplated thereunder, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

4. "**THAT**

(a) subject to the fulfilment of the terms and conditions set out in the share subscription agreement (the "**Third Subscription Agreement**") dated 6 January 2017 (a copy of each of the Third Subscription Agreement has been produced to this meeting marked "C" and initialled by the Chairman for the purpose of identification), and entered into between the Company and Mr. Chen Chiquan (the "**Third Subscriber**"), in relation to the subscription of 250,000,000 new shares (the "**Third Subscription Shares**") in the Company at the subscription price of HK$0.08 per Third Subscription Share by the Third Subscriber, the Third Subscription Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) all the transactions contemplated under the Third Subscription Agreement including but not limited to the Specific Mandate to allot and issue the Third Subscription Shares by the Company to the Third Subscriber pursuant to the Third Subscription Agreement be and is hereby approved, and the Directors be and are hereby authorised to allot and issue the Third Subscription Shares to the Third Subscriber pursuant to the Third Subscription Agreement; and

(c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents (and under the common seal of the Company, if necessary) which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Third Subscription Agreement and the transactions contemplated thereunder, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

5. "**THAT**

(a) subject to the fulfilment of the terms and conditions set out in the share subscription agreement (the "**Fourth Subscription Agreement**") dated 6 January 2017 (a copy of each of the Fourth Subscription Agreement has been produced to this meeting marked "D" and initialled by the Chairman for the purpose of identification), and entered into between the Company and Mr. Li Shuanghui (the "**Fourth Subscriber**"), in relation to the subscription of 250,000,000 new shares (the "**Fourth Subscription Shares**") in the Company by the Fourth Subscriber, the Fourth Subscription Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;

(b) all the transactions contemplated under the Fourth Subscription Agreement including but not limited to the Specific Mandate to allot and issue the Fourth Subscription Shares by the Company to the Fourth Subscriber pursuant to the Fourth Subscription Agreement be and is hereby approved by the Directors be and are hereby authorised to allot and issue the Fourth Subscription Shares to the Fourth Subscriber pursuant to the Fourth Subscription Agreement; and

(c) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents (and under the common seal of the Company, if necessary) which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Fourth Subscription Agreement and the transactions contemplated thereunder, and to agree to and make such variations, amendments or waivers of any of the matters relating thereto or in connection therewith."

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

Hong Kong, 28 February 2017

As at the date of this circular, the Board comprises (i) Mr. Cheung Tak 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.

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or if he is the holder of two or more shares more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

2. A form of proxy for use at the EGM is enclosed with the circular of the Company dated 28 February 2017. Whether or not you intend to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.

3. In order to be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority must be deposited at the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holders are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.