2018
Interim Report

GTI Holdings Limited
共享集團有限公司

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

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CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. POON Sum *(Chairman)*
Mr. CHEUNG Tat Chung
(Chief Executive Officer)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

COMPANY SECRETARY

Ms. HUI Wai Man, Shirley

MEMBERS OF AUDIT COMMITTEE, REMUNERATION COMMITTEE, NOMINATION COMMITTEE AND CORPORATE GOVERNANCE COMMITTEE

Mr. CHAN Shu Kin
Dr. TSE Kwok Sang
Mr. CHIU Wai Piu

AUTHORIZED REPRESENTATIVES

Mr. POON Sum
Ms. HUI Wai Man, Shirley

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Bank of China (Hong Kong) Limited
Shanghai Commercial Bank

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Deloitte Touche Tohmatsu

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STOCK CODE

3344

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

		For the six months ended 30th June,	
	NOTES	2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Revenue	*3*	233,654	105,576
Cost of sales		(247,736)	(143,667)
Gross loss		(14,082)	(38,091)
Other income	*4*	2,829	5,994
Other gains and losses	*5*	7,322	45,702
Selling and distribution costs		(11,284)	(8,518)
Administrative expenses		(61,895)	(63,514)
Finance costs on banks and other borrowings		(40,124)	(21,771)
Loss before tax		(117,234)	(80,198)
Income tax expense	*6*	(1,572)	–
Loss for the period	*7*	(118,806)	(80,198)
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		(5,255)	5,960
Fair value loss on equity instruments at fair value through other comprehensive income		(205)	–
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		–	(43,712)
		(5,460)	(37,752)
Total comprehensive expense for the period		(124,266)	(117,950)
Loss for the period attributable to:			
Owners of the Company		(117,927)	(79,716)
Non-controlling interests		(879)	(482)
		(118,806)	(80,198)
Total comprehensive expense attributable to:			
Owners of the Company		(123,387)	(117,468)
Non-controlling interests		(879)	(482)
		(124,266)	(117,950)
Loss per share, in HK cents			
Basic	*9*	(2.19)	(2.55)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2018

	NOTES	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	248,042	276,239
Prepaid lease payments		43,439	44,479
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		14,045	14,221
Financial assets at fair value through profit or loss		84,896	–
Equity instruments at fair value through other comprehensive income		3,365	–
Available-for-sale investments		–	84,315
Goodwill		14,553	14,553
		408,340	433,807
CURRENT ASSETS			
Prepaid lease payments		1,121	1,121
Financial assets at fair value through profit or loss/held-for-trading investments		1,422	2,565
Inventories		51,806	28,635
Trade and other receivables, deposits and prepayments	11	179,332	172,086
Tax recoverable		–	1,572
Bank balances and cash		22,657	62,435
		256,338	268,414
Assets classified as held for sale		7,792	7,792
		264,130	276,206

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE, 2018

	NOTES	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	12	185,248	162,127
Tax liabilities		1,343	1,319
Bank and other borrowings-due within one year	13	354,193	302,449
Bank overdrafts		118	149
Obligations under finance leases		135	132
Contract liabilities		22	–
		541,059	466,176
NET CURRENT LIABILITIES		(276,929)	(189,970)
TOTAL ASSETS LESS CURRENT LIABILITIES		131,411	243,837
CAPITAL AND RESERVES			
Share capital	14	53,967	53,967
Reserves		(39,516)	82,878
		14,451	136,845
Non-controlling interests		776	1,909
		15,227	138,754
NON-CURRENT LIABILITIES			
Bank and other borrowings-due after one year	13	92,863	76,122
Obligations under finance leases		448	517
Amounts due to related parties	17(a)	19,229	24,800
Deferred tax liabilities		3,644	3,644
		116,184	105,083
		131,411	243,837

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

	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$'000 *(Note c)*	Investment revaluation reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interest HK$'000	Total HK$'000
At 1st January, 2017 (audited)	8,467	472,344	69,447	24,673	15,127	–	134,154	(813,863)	(89,651)	(1)	(89,652)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	5,960	–	5,960	–	5,960
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries	–	–	–	–	–	–	(43,712)	–	(43,712)	–	(43,712)
Loss for the period	–	–	–	–	–	–	–	(79,716)	(79,716)	(482)	(80,198)
Total comprehensive expense for the period	–	–	–	–	–	–	(37,752)	(79,716)	(117,468)	(482)	(117,950)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	1,614	1,614
Acquisition of additional interest in a subsidiary	–	–	–	(352)	–	–	–	–	(352)	352	–
Issue of new shares	45,500	318,500	–	–	–	–	–	–	364,000	–	364,000
Transaction costs attributable to issue of new ordinary shares	–	(4,969)	–	–	–	–	–	–	(4,969)	–	(4,969)
At 30th June, 2017 (unaudited)	53,967	785,875	69,447	24,321	15,127	–	96,402	(893,579)	151,560	1,483	153,043
At 31st December, 2017 (audited)	53,967	785,875	73,232	23,851	15,127	2,359	97,630	(915,196)	136,845	1,909	138,754
Adjustments (see note 2)	–	–	–	–	–	(1,620)	–	2,359	739	–	739
At 1st January, 2018 (restated)	53,967	785,875	73,232	23,851	15,127	739	97,630	(912,837)	137,584	1,909	139,493
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(5,255)	–	(5,255)	–	(5,255)
Fair value loss on equity instruments at fair value through other comprehensive income	–	–	–	–	–	(205)	–	–	(205)	–	(205)
Loss for the period	–	–	–	–	–	–	–	(117,927)	(117,927)	(879)	(118,806)
Total comprehensive expense for the period	–	–	–	–	–	(205)	(5,255)	(117,927)	(123,387)	(879)	(124,266)
Disposal of partial interests in subsidiaries without losing control	–	–	–	307	–	–	–	–	307	(307)	–
Acquisition of additional interest in a subsidiary	–	–	–	(53)	–	–	–	–	(53)	53	–
At 30th June, 2018 (unaudited)	53,967	785,875	73,232	24,105	15,127	534	92,375	(1,030,764)	14,451	776	15,227

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 former 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; and (iii) deemed contribution arising from non-interest bearing advances from a shareholder and a related company held by this shareholder and his spouse.

(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, 2004; (ii) the contribution from non-controlling interests of net assets value shared by them to a former shareholder of Interlink Atlantic Limited; and (iii) the difference between the amount by which the non-controlling interest is adjusted and the consideration paid or received for the change in the Group's ownership interest in certain indirect non-wholly owned subsidiaries of the Company, that do not result in change in control over those subsidiaries.

(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, 2018

	For the six months ended 30th June, 2018 HK$'000 (unaudited)	2017 HK$'000 (unaudited)
Net cash used in operating activities	(63,337)	(116,797)
Net cash from (used in) investing activities:		
Proceeds on disposal of property, plant and equipment	6,250	280
Interest received	182	1,510
Purchase of property, plant and equipment	(224)	(3,086)
Loans to independent third parties	–	(42,000)
Disposal of subsidiaries (net of cash and cash equivalents disposed of)	–	(6,704)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	–	1,832
Refund of deposit paid for acquisition of investment	–	12,000
	6,208	(36,168)
Net cash from financing activities:		
Net proceeds from issue of bonds	101,170	35,574
New other borrowings raised	18,000	–
Repayment of obligations under finance lease	(66)	–
Repayment of bank borrowings	(2,374)	(148,160)
Repayment to related parties	(6,500)	–
Interest paid	(32,615)	(18,887)
Redemption of bonds	(60,233)	(31,000)
Net proceeds from issue of shares	–	359,031
New bank borrowings raised	–	30,326
Repayment of other borrowings	–	(33,000)
	17,382	193,884
Net (decrease) increase in cash and cash equivalents	(39,747)	40,919
Cash and cash equivalents at 1st January	62,286	44,568
Cash and cash equivalents at 30th June	22,539	85,487
Cash and cash equivalents at 30th June, represented by		
Bank balances and cash	22,657	133,795
Bank overdrafts	(118)	(48,308)
	22,539	85,487

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("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 (a) the Group incurred a loss of approximately HK$118,806,000 for the six months ended 30th June, 2018 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$276,929,000; and (b) the legal proceeding with a former related party was still pending.

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

(i) Outcomes of the legal proceeding with a former related party

During the year ended 31st December, 2016, the Group received a writ of summons from an entity, to the best knowledge of the directors of the Company, beneficially owned by a former director and a former shareholder of the Company. The amount claimed by this former related party is approximately HK$20,950,000.

The directors of the Company have instructed its legal advisers to review the details of this legal proceeding and provide further legal advices. The directors of the Company believe that the Group has sufficient grounds to defend against the legal claim. However, the ultimate outcomes of this legal proceeding could not be assessed at this stage. As at 30th June, 2018, the amount claimed in this proceeding included in trade and other payables in the condensed consolidated statement of financial position.

1. BASIS OF PREPARATION *(Continued)*

(ii) Fund raising activities

The Group is actively identified alternative sources of funding and is considering issue of debt or equity financial instruments to improve operating cash flows and its financial position and to further support its potential investments in new business development opportunities.

(iii) Implementation of active cost-control and cost-saving measures

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

The directors of the Company consider that after taking into account the internal resources, favourable outcomes of the legal proceeding, implementation of cost-control and cost-saving measures and any further fund raising activities should needs arise, the Group will have sufficient working capital to satisfy its present requirements for at least the next twelve months from the date of approval of these condensed consolidated financial statements. Accordingly, the directors of the Company consider that it is appropriate to prepare these condensed consolidated 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.

Other than changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30th June, 2018 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31st December, 2017.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1st January, 2018 for the preparation of the Group's condensed consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers"

The Group has applied IFRS 15 for the first time in the current interim period. IFRS 15 superseded IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- production, sale and trading of textile products;
- trading of petroleum; and
- provision of financial services.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" *(Continued)*

The Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1st January, 2018. Any difference at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1st January, 2018.

2.1.1 Key changes in accounting policies resulting from application of IFRS 15

IFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation

Under IFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" *(Continued)*

2.1.1 Key changes in accounting policies resulting from application of IFRS 15 *(Continued)*

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 "Financial Instruments". In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group has performed an assessment on the impact of the adoption of IFRS 15 and concluded that no material financial impact on the timing and amounts of revenue recognised in prior and current periods.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" *(Continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15

The Group adopted IFRS 15 using the modified retrospective approach which means that the cumulative impact of the adoption (if any) will be recognised in accumulated losses as of 1st January, 2018 and that comparatives will not be restated.

By adopting IFRS 15, there is no impact on the statement of profit or loss and other comprehensive income recognised by the Group as at 1st January, 2018 as compared to the accumulated amount recognised under IAS 18.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1st January, 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31st December, 2017	Reclassification	Carrying amounts under IFRS 15 at 1st January, 2018*
	HK$'000	HK$'000	HK$'000
Trade and other payables	162,127	(16,159)	145,968
Contract liabilities	–	16,159	16,159

* The amounts in this column are before the adjustments from the application of IFRS 9.

Note: As at 1st January 2018, advances from customers of HK$16,159,000 included in trade and other payables were reclassified to contract liabilities for HK$16,159,000.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.1 Impacts and changes in accounting policies of application on IFRS 15 "Revenue from Contracts with Customers" *(Continued)*

2.1.2 Summary of effects arising from initial application of IFRS 15 *(Continued)*

The following tables summarise the impacts of applying IFRS 15 on the Group's condensed consolidated statement of financial position as at 30th June, 2018. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	As reported HK$'000	Adjustments HK$'000	Amounts without application of IFRS 15 HK$'000
Trade and other payables	185,248	22	185,270
Contract liabilities	22	(22)	–

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments"

In the current period, the Group has applied IFRS 9 Financial Instruments and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1st January, 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1st January, 2018. The difference between carrying amounts as at 31st December, 2017 and the carrying amounts as at 1st January, 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 "Financial Instruments: Recognition and Measurement".

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

All recognised financial assets that are within the scope of IFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under IAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the 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.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the 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.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investment in National Asia Group Limited ("National Asia") as at FVTOCI.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Classification and measurement of financial assets (Continued)

Equity instruments designated as at FVTOCI (Continued)

Investment in National Asia is initially measured at fair value plus transaction costs. Subsequently, it is measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investment and will continue to be held in the investment revaluation reserve.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1st January, 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under IFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.1 Key changes in accounting policies resulting from application of IFRS 9 *(Continued)*

Impairment under ECL model *(Continued)*

Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1st January, 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 and concluded that no material financial impart exists, and therefore no adjustment to the opening accumulated losses as at 1st January, 2018 was recognised.

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1st January, 2018.

	Note	Available-for-sale HK$'000	Financial assets at FVTPL required by IFRS 9 HK$'000	Equity instruments at FVTOCI HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000
Closing balance at 31st December, 2017 – IAS 39		84,315	–	–	2,359	(915,196)
Reclassification						
From available-for-sale	*(a)*	(84,315)	81,484	3,570	(1,620)	2,359
Opening balance at 1st January, 2018		–	81,484	3,570	739	(912,837)

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

2.2 Impacts and changes in accounting policies of application on IFRS 9 "Financial Instruments and the related amendments" *(Continued)*

2.2.2 Summary of effects arising from initial application of IFRS 9 *(Continued)*

Note:

(a) Available-for-sale investments

From AFS equity investments to equity instruments at fair value through other comprehensive income ("FVTOCI")

The Group elected to present in other comprehensive income for the fair value changes of its equity investment in National Asia Group Limited ("National Asia"), which was previously classified as available-for-sale, which is an unquoted equity investment previously measured at cost less impairment under IAS 39. This investment is not held for trading and not expected to be sold in the foreseeable future. At the date of initial application of IFRS 9, HK$3,570,000 was reclassified from available-for-sale investments to equity instrument at FVTOCI. The fair value gain of HK$739,000 relating to that unquoted equity investment previously carried at cost less impairment was adjusted to equity instrument at FVTOCI and investment revaluation reserve as at 1st January, 2018.

From AFS investments to financial assets at fair value through profit or loss ("FVTPL")

At the date of initial application of IFRS 9, the Group's equity investment in Coulman International Limited ("Coulman International") of HK$81,484,000 was reclassified from available-for-sale investments to financial asset at FVTPL. The fair value gains of HK$2,359,000 relating to that investment previously carried at fair value were transferred from investment revaluation reserve to accumulated losses.

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

3. REVENUE AND SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers ("CODM") of the Group, for the purposes of resources allocation and assessment of performance focuses on the types of goods or services delivered or provided.

The Group had four operating and reportable segments under IFRS 8 for the six months ended 30th June, 2017, when the Group's operation included principally the production, sale and trading of textile products, trading of petroleum, provision of financial service and big data solutions. In December 2017, the Group has disposed of all of its equity interest in a non-wholly owned subsidiary engaging in provision of big data solutions. Therefore, the Group has three operating and reportable segments for the six months ended 30th June, 2018.

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

Six months ended 30th June, 2018

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial service HK$'000	Total HK$'000
REVENUE				
Recognised at a point in time	105,008	128,033	–	233,041
Recognised over time	–	–	613	613
	105,008	128,033	613	233,654
SEGMENT LOSS	(64,734)	(941)	(2,324)	(67,999)
Unallocated expenses				(16,877)
Other income				2,829
Other gains and losses				4,937
Finance costs				(40,124)
Loss before tax				(117,234)

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

Six months ended 30th June, 2017

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial service HK$'000	Provision of big data solutions HK$'000	Total HK$'000
REVENUE	104,979	465	132	–	105,576
SEGMENT (LOSS) PROFIT	(22,199)	229	(1,719)	(1,867)	(25,556)
Unallocated expenses					(17,975)
Other income					5,994
Other gains and losses					(20,890)
Finance costs					(21,771)
Loss before tax					(80,198)

Segment (loss) profit represents the (loss) profit before tax of each segment without allocation of central administration costs, directors' salaries, finance costs, other income and other gains and losses not attributable to segment (loss) profit. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

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

As at 30th June, 2018

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial service HK$'000	Total HK$'000
ASSETS				
Segment assets	423,204	50,161	17,055	490,420
Financial assets at FVTPL				86,318
Equity instruments at FVTOCI				3,365
Asset classified as held for sale				7,792
Unallocated corporate assets				84,575
CONSOLIDATED TOTAL ASSETS				672,470

3. REVENUE AND SEGMENT INFORMATION *(Continued)*

As at 31st December, 2017

	Production, sale and trading of textile products HK$'000	Trading of petroleum HK$'000	Provision of financial service HK$'000	Provision of big data solutions HK$'000	Total HK$'000
ASSETS					
Segment assets	444,393	22,426	19,982	–	486,801
Available-for-sale investments					84,315
Held-for-trading investments					2,565
Assets classified as held for sale					7,792
Unallocated corporate assets					128,540
CONSOLIDATED TOTAL ASSETS					710,013

For the purposes of monitoring segment performances and allocating resources among segments, all assets are allocated to operating segments on the basis of the revenue earned by individual reportable segments. Segment assets exclude tax recoverable, available-for-sale investments, financial assets at FVTPL, equity instruments at FVTOCI, held-for-trading investments, assets classified as held for sale, bank balances and cash and assets of non-core businesses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

4. OTHER INCOME

	For the six months ended 30th June, 2018 HK$'000	2017 HK$'000
Bank interest income	5	28
Interest income on loan receivables	177	1,482
Income from scrap materials recognised at a point in time	1,595	1,794
Sundry income	1,052	2,690
	2,829	5,994

5. OTHER GAINS AND LOSSES

	For the six months ended 30th June, 2018 HK$'000	2017 HK$'000
Gain on fair value changes of financial assets at FVTPL	2,489	–
Net exchange gains (loss)	2,448	(652)
Gain on disposal of property, plant and equipment	2,385	56
Gain on disposal of subsidiaries	–	67,244
Loss on early redemption of bonds	–	(5,526)
Impairment loss recognised on available-for-sale investments	–	(15,420)
	7,322	45,702

6. INCOME TAX EXPENSE

	For the six months ended 30th June,	
	2018	2017
	HK$'000	HK$'000
The income tax expense comprises:		
Hong Kong Profits Tax		
– Underprovision in prior periods	1,572	–

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30th June, 2018. No provision for Hong Kong Profits Tax nor Enterprise Income Tax has been made for prior period as the Group had no assessable profits for that period.

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

	For the six months ended 30th June,	
	2018	2017
	HK$'000	HK$'000
Loss for the period has been arrived at after charging:		
Depreciation of property, plant and equipment	19,518	22,940
Amortisation of prepaid lease payments	557	524

8. DIVIDEND

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30th June, 2018 (six months ended 30th June, 2017: 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 HK$117,927,000 (six months ended 30th June, 2017: HK$79,716,000) and on the weighted average number of shares in issue of 5,396,730,909 (six months ended 30th June, 2017: 3,120,764,058).

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 HK$224,000 (six months ended 30th June, 2017: HK$3,086,000). The Group also disposed of certain plant and machinery with an aggregate carrying amount of HK3,865,000 (six months ended 30th June, 2017: HK$224,000) for cash proceeds of HK$6,250,000 (six months ended 30th June, 2017: HK$280,000), resulting in a gain on disposal of HK$2,385,000 (six months ended 30th June, 2017: HK$56,000).

During the year ended 31st December, 2017, the Group entered into sale and purchase agreements with an independent third parties to dispose of property, plant and equipment held by certain subsidiaries in the PRC and Cambodia with an aggregate carrying amount of HK$7,792,000 for a total consideration of HK$12,385,000. Deposits of HK$4,741,000 (31.12.2017: HK$4,741,000) has been received by the Group before the end of the reporting period and included in trade and other payables as at 30th June, 2018. The assets, which are expected to be sold within twelve months, have been classified as assets held for sale as at 30th June, 2018.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

	30.6.2018	31.12.2017
	HK$'000	HK$'000
Aged:		
0-30 days	13,186	11,008
31-60 days	11,185	7,138
61-90 days	3,688	6,924
91-120 days	336	1,685
Over 120 days	162	4,722
	28,557	31,477

12. TRADE AND OTHER PAYABLES

Aged analysis of trade payables is presented based on the invoice dates, at the end of the reporting period is as follows:

	30.6.2018	31.12.2017
	HK$'000	HK$'000
Aged:		
0-60 days	25,122	9,122
61-90 days	8,849	10,795
Over 90 days	10,390	4,845
	44,361	24,762

13. BANK AND OTHER BORROWINGS

During the current interim period, the Group obtained new bank and other borrowings amounting to HK$119,170,000 (six months ended 30th June, 2017: HK$65,900,000) as additional working capital and repaid HK$62,607,000 (six months ended 30th June, 2017: HK$212,160,000 which includes of HK$90,000,000 of defaulted bank borrowings). All the new borrowings are bearing fixed interest at the rates ranging from 0.1% to 12% per annum except an amount of HK$86,552,000 bearing variable interest at the basic borrowing rate announced by People's Bank of China plus 4.99% per annum.

14. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised share capital:		
At 1st January, 2017, 31st December, 2017 and 30th June, 2018	10,000,000,000	100,000
Issued and fully paid:		
At 1st January, 2017	846,730,909	8,467
Issue of new shares	4,550,000,000	45,500
At 1st January, 2018 and 30th June, 2018	5,396,730,909	53,967

15. 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:

	30.6.2018 HK$'000	31.12.2017 HK$'000
Property, plant and equipment	6,218	6,612
Prepaid lease payments	9,419	9,393
	15,637	16,005

In addition, the entire shareholdings in a subsidiary of the Company as at 30th June, 2018 and 31st December, 2017 was pledged to an independent third party for the advances therefrom to the relevant subsidiary.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following summary gives information about how the fair values of than financial asset are determined (in particular, the valuation techniques 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).

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS
(Continued)

Financial assets	Fair value as at 30.6.2018 HK$'000	Fair value as at 31.12.2017 HK$'000	Fair value hierarchy	Valuation techniques and key inputs
Unlisted equity securities classified as financial asset at FVTPL	81,484	–	Level 3	Income approach based on unobservable inputs including growth rates and discount rate
Unlisted equity securities classified as equity instruments at FVTOCI	3,365	–	Level 3	Market approach based on unobservable inputs including for lack of marketability discount
Unlisted equity securities classified as available-for-sale investments	–	81,484	Level 3	Income approach based on unobservable inputs including growth rates and discount rate
Listed equity securities, classified financial assets at FVTPL	1,422	2,565	Level 1	Quoted bid prices in an active market

As at 30th June, 2018, financial assets at FVTPL of HK$84,896,000 (31.12.2017: available-for-sale investments of HK$81,484,000) were valued by reference to a Level 3 fair value measurement using discounted cash flows based on unobservable inputs including growth rates and discount rate which is a pre-tax rate taking into account the risks specific to the investments. Moreover, equity instruments at FVTOCI of HK$3,365,000, which were previously measured at cost less impairment under IAS 39 as at 31st December, 2017, were valued by reference to a Level 3 fair value measurement using market approach based on unobservable inputs including discount for lack of marketability to match with comparable listed companies as at 30th June, 2018. Where there was material change in the fair value of the investments, the cause of the fluctuations would be reported to the management of the Group.

An increase in the growth rates used in discounted cash flows would result in increase in the carrying amount of the investments, and vice versa. A slight increase in discount rate used in discounted cash flows and discount for lack of marketability used in market approach would result in decrease in the carrying amount of the investments, and vice versa.

16. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS
(Continued)

Reconciliation of Level 3 fair value measurements of financial assets

	Available-for-sale investments HK$'000	Financial assets at FVTPL HK$'000	Equity instruments at FVTOCI HK$'000
At 1st January, 2017	97,376	–	–
Fair value loss	(18,251)	–	–
At 30th June, 2017	79,125	–	–
At 1st January, 2018	81,484	–	–
Adjustments due to initial application of IFRS 9	(81,484)	81,484	3,570
Fair value gain (loss)	–	3,412	(205)
At 30th June, 2018	–	84,896	3,365

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.

17. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out below. The amounts due to related parties are unsecured, interest-free and repayable is August 2019. The effective interest rate is 7.5% per annum.

	30.6.2018 HK$'000	31.12.2017 HK$'000
Amounts due to:		
Mr. Poon Sum	2.665	8,833
Easy Joy Investments Limited (Note)	16,564	15,967
	19,229	24,800

Note: Mr. Poon Sum, an executive director of the Company, had his spouse have controlling interests in Easy Joy Investments Limited.

(b) Related party transactions

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

		For the six months ended 30th June,	
Related parties	Nature of transactions	2018 HK$'000	2017 HK$'000
RC Corporate Services Limited ("RC") *(Note)*	Services fee paid	–	402
RCK Consulting Limited ("RCK") *(Note)*	Services fee paid	–	159

17. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party transactions *(Continued)*

Note: Mr. Chui Chi Yun, Robert, a non-executive director of the Company, has substantial interests in RC and RCK. On 23rd May, 2017, Mr. Chiu Chi Yun, Robert was not re-elected as a non-executive director at the annual general meeting of the Company and ceased to be a director of the Company. The amount for the six months ended 30th June, 2017 represents the amounts incurred in the period from 1st January, 2017 up to the date Mr. Chui Chi Yun, Robert ceased to be a director.

In addition, Mr. Poon Sum, a director of the Company, provided a personal guarantee to an independent third party of the Group's borrowings of principal amount of HK$200,000,000 during the year ended 31st December, 2017.

(c) 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 HK$4,985,000 (six months ended 30th June, 2017: HK$5,507,000).

18. COMPARATIVE FIGURES

In order to conform with current period's presentation, some cost of sales of the trading of petroleum business for the period ended 30th June, 2017 has been set off with the relevant revenue.

19. SUBSEQUENT EVENT

On 28th August 2018, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which, the Group agreed to dispose of all its equity interests in Luoding Addchance Dyeing Factory Limited at a cash consideration of RMB32,000,000 (equivalent to approximately HK$36,809,000). The disposal has not yet been completed up to the date of this report.

BUSINESS REVIEW AND PROSPECTS

Business Review

The Group's consolidated revenue for the six months ended 30th June, 2018 increased by approximately 121.3% from approximately HK$105,576,000 in the corresponding period last year to HK$233,654,000 while the net loss for the period increased by approximately 48.1% to HK$118,806,000 as compared with the corresponding period last year. Other than the gain on disposal of subsidiaries, gain on disposal of property, plant and equipment, impairment loss recognised on an available-for-sale investment, the loss contributed by the major business operations was approximately HK$122,108,000, representing a further decrease in loss contributed by the core business operations by approximately 7.5% compared to the corresponding period last year.

Textile Business

Textile business was still one of the major businesses of the Group. The revenue of the Group's textile business during the six months ended 30th June 2018 was HK$105,008,000 which is similar to that of the corresponding period last year. During the current interim period, production and sale of knitted sweaters, which contributed approximately 56.5% of the turnover of textile business representing a slightly drop of revenue by approximately 3.4% compared to that of corresponding period last year, was still the major focus of the Group in textile business. Besides the production and sales of knitted sweaters, during the first half of 2018, the revenue from the production and sale of cotton yarn in the PRC was also increased as a result of larger effort of the Group put on the production and sale of cotton yarn products in the PRC in order to improve the utilization of the capacity of our factory in the PRC. The revenue from production and sale of cotton yarn reached approximately HK$31,095,000 during the interim period, which representing the increase of approximately 63.7% compared to that of corresponding period last year. Although there was substantial increase in revenue from production and sale of cotton yarn, the overall revenue of textile business remained similar to that of corresponding period last year. The increase in revenue from the production and sale of cotton yarn was cancelled out by the decrease in revenue from dyeing service and production and sale of dyed yarns products as a result of the restructuring of textile business. Although the overall revenue of textile business for the current interim period remained similar to that of last year, the segment loss other than the gain on disposal of the subsidiaries improved from approximately HK$89,443,000 to HK$68,040,000 after the closure or disposal of operations with substantial losses and the implementation of stringent cost control.

However, although the Group implemented the restructuring of the textile business and stringent cost saving measures in order to improve the performance of textile business, the lack of banking facilities in Hong Kong throughout the first half of 2018 affected the flexibility of the operation and ability of the Group to further improve the performance in short run. Besides, the gradual increase in cotton prices during the first half of 2018 also adversely affected the performance of the textile business of the Group which increased the cost of the textiles products.

Trading of petroleum

Trading of petroleum became a major source of the revenue of the Group during the first half of 2018. The revenue from the trading of petroleum was approximately HK$128,033,000, representing an increase by approximately 274.3% from HK$465,000 in the first half of 2017. Due to the unstable political environment in region around Korean Peninsula in the first half of 2018, the Group shifted the focus from overseas markets in Southeast Asia to Hong Kong market during the first half of 2018. The overall increase in revenue of trading of petroleum was solely contributed from the expansion of trading of petroleum in Hong Kong. Although the market price of petroleum increased by the end of June 2018 compared to that in 2017, the price was still volatile during the current interim period. Besides, due to the increase in cost and expenses incurred for the expansion of the trading of petroleum business, the Group suffered the loss in trading of petroleum during the six months ended 30th June 2018.

Provision of financial services

The revenue from the provision of financial services during the interim period was substantially increased by approximately 364.4% to HK$613,000 from HK$132,000 in the corresponding period last year. The increase in revenue was mainly contributed from the revenue of asset management service in Hong Kong. Due to the official commencement of asset management service in the PRC during the first half of 2018, there was increase in the expenses of the operations which affect the overall performance of the provision of financial service.

Prospects

Although it seemed that the global economy was improving during the first half of 2018, the recent trade war between the United States and China may increase the uncertainties of the global economy. The side effect of the trade war may affect the overall market strategy on textile industry which may in turn affect the textile business of the Group. In order to cope with the uncertainties of the global textile market, the Group will continue to explore more overseas markets to diversify the risks. Besides, demand for middle and high-end textile products is expected to grow with the growing domestic income and consumption in the PRC and therefore the Group is actively considering to cooperate any business partners for the commencement of the sales of branded textile products in the PRC.

In view of the fast growing revenue of trading of petroleum and increasing trend of oil price, the Group will continue to develop the trading of petroleum business in Hong Kong during the year of 2018.

Regarding the asset management business, the Group is in the process of establishing investment funds in the PRC and it is expected that it will become the major growth driver of the provision of financial service segment of the Group.

In order to further diversify the business risk and capture new business opportunities in other areas which appear to be more profitable and more promising in the future, the Group is considering to step into several new lines of businesses. In order to broaden the financial services business in the PRC, the Group is currently considering the possible acquisition of a banknotes clearing up business in the PRC in view of its stable income stream. Given the promising prospects in the online economy with blockchain technology, the Group is actively assessing the possible development of the online supply chain platform built on blockchain technology for shared economy with a particular focus on agricultural industry. Besides, with the growth of disposable income per capita and rising awareness of food safety in the PRC, there is a huge market potential for heathy products and the Group is seeking the opportunities in the industry chain in the sales and distribution of natural and health products and services.

Looking forward, the global economy is expected to be surrounded by the uncertain impact of the recent trade dispute events and the possible increase in interest rate in the United States. The Group will continue to implement cautious approach on the development of the existing business and seek for better business opportunities to mitigate the impacts of the market's current volatility and to rejuvenate the performance of the Group so as to pursue a satisfactory return to our shareholders.

FINANCIAL REVIEW

Turnover

During the six months ended 30th June 2018, the turnover of the Group increased by approximately 121.3% from approximately HK$105,576,000 to HK$233,654,000.

For the six months ended 30th June, 2018, the turnover from the textile business was approximately HK$105,008,000 which accounted for approximately 44.9% of the turnover of the Group. Our textile business is principally engaged in the production and sale of knitted sweaters and socks, production and sale of cotton yarn and the trading of cotton and yarns. Although the Group suspended the production and sale of dyed yarns and provision of dyeing service, total revenue from textile business for the current interim period is similar to that of the corresponding period last year as a result of increase in revenue from the production and sale of cotton yarn. Production and sales of knitted sweaters remained as the principal operation in the textile business of the Group which accounted for approximately 56.5% of total turnover from textile business. The Group's sales contribution of sweater business was mainly from the orders from Europe and North America.

The rapid development of trading of petroleum became the major contributor of the growth of turnover of the Group and it represented approximately 54.8% of the Group's total turnover during the period under review. The trading of petroleum was mainly carried out in Hong Kong during the current interim period.

During the first half of 2018, the turnover from the provision of financial service was approximately HK$613,000, representing approximately 0.3% of the turnover of the Group. Although the turnover of provision of financial service is not significant compared to that of other business segments, the revenue from the provision of financial service increased significantly by approximately 364.4% compared to that of the corresponding period last year. The revenue from provision of financial service mainly comprised the management and performance fees from the asset management business in Hong Kong.

Cost of sales and gross loss margin

The cost of sales increased by approximately 72.4% from HK$143,667,000 in corresponding period last year to HK$247,736,000 during the current interim period. The increase in cost of sales was mainly due to the significant increase in revenue from trading of petroleum business. On the other hand, although the revenue from the textile business was similar to that of corresponding period last year, the cost of sales of textile business dropped as a result of stringent cost control. Thus, during the period under review, the overall gross loss margin of the Group was improved compared to that of corresponding period last year.

Other income and other gains and losses

During the period under review, the other income and other gains and losses was dropped by approximately 80.4% compared to that of corresponding period last year to HK$10,151,000. There was no gain on disposal of subsidiaries during the current interim period while it was HK$67,244,000 in the corresponding period last year. Other gains mainly comprised those income derived from the disposal of scrapped materials and property, plant and equipment and net exchange gain.

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the period under review, as a result of increase in turnover, the Group's selling and distribution costs increased by approximately 32.5% to approximately HK$11,284,000, representing approximately 4.8% of the Group's turnover.

Administrative expenses

Administrative expenses slightly decreased by approximately 2.5% to approximately HK$61,895,000 during the period under review. It mainly consisted of staff cost, which covered employees' salary and welfare, directors' remuneration, depreciation and legal and professional fees. It represented approximately 26.5% of the Group's turnover.

Finance costs

Finance costs mainly comprised interests on bank and other borrowings which increased to approximately HK$40,124,000 for the period under review. The finance cost increased substantially as compared to the corresponding period last year as a result of the issuance of bonds with higher effective interest rates than before and the higher borrowing rate for some short term borrowings raised during the end of 2017.

Net loss margin

Except for the impairment loss recognised on available-for-sale investment, and gain on disposal of the subsidiaries and property, plant and equipment, a net loss of the Group was approximately HK$122,108,000, representing a decrease in net loss by approximately 7.5% from the net loss of approximately HK$132,078,000 in the corresponding period last year.

Borrowings

As at 30th June, 2018, the Group had outstanding bank and other borrowings of approximately HK$447,056,000, in which approximately HK$92,863,000 was classified as falling due more than one year and the remaining balance of approximately HK$354,193,000 was classified as falling due within one year. The total bank and other borrowings increased by approximately HK$68,485,000 when comparing with the balance as at 31st December, 2017 as a result of issuance of bonds during the period.

Liquidity and financial resources

As at 30th June, 2018, the Group's bank balances and cash have decreased from approximately HK$62,435,000 as at 31st December, 2017 to HK$22,657,000 as at 30th June, 2018. The Group's total assets was approximately HK$672,470,000 as at 30th June 2018.

As a result of increase in the turnover and improvement of cost control, less net cash was used for the operating activities for the current interim period compared to that of the corresponding period last year. On the other hand, net cash inflow was generated from the investing activities mainly due to the proceeds on disposal of non-core and idle assets and from financing activities due to the issuance of new bonds.

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

The sales and purchases of the Group were denominated in Hong Kong dollar, US dollar and Renminbi. Fluctuations in exchange rate of foreign currencies such as US dollar and Renminbi remained a concern of the Group. To mitigate the foreign currency risk, the Group will consider entering into appropriate hedging arrangements from time to time.

Pledge of assets

Details of the Group's pledge of assets at 30th June 2018 are set out in Note 15 to the condensed consolidated interim financial information.

Capital Commitments

The Group did not have any capital commitments as at 30th June 2018.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and is expected to take into account various factors such as the Group's financial results, shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to its shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the accumulated loss of the Company, the Board of Directors of the Company does not recommend the payment of interim dividend for the six months ended 30th June 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30th June 2018, the interests of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong)), which had been notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in Shares

Name	Company/Name of associated corporation	Capacity	Numbers of Shares held	Percentage of shareholding
Poon Sum ("Mr. Poon")	The Company	Beneficial owner	4,052,000	0.08%
		Interest of spouse *(Note 1)*	4,000,000	0.07%
		Interest in controlled corporation *(Note 2)*	3,811,422,000	70.62%

Notes:

1. Mr. Poon was regarded as interested in all the Shares in which Ms. Wong Hui Hung, his wife, was interested by virtue of the SFO.

2. These Shares were registered in the name of Gold Train Investments Limited ("Gold Train"), the entire issued capital of which was owned by Mr. Poon. Mr. Poon was also the sole director of Gold Train. Mr. Poon was deemed to be interested in all the Shares in which Gold Train was interested by virtue of the SFO.

Save as disclosed above, as at 30th June 2018, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the SFO) which had been notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30th June 2018, the following substantial shareholders and other person (other than a director or chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long positions in Shares

Name	Capacity	Numbers of Shares held	Percentage of shareholding
Gold Train	Beneficial owner *(Note 1)*	3,811,422,000	70.62%
Wong Hiu Hung (“Ms. Wong”)	Beneficial owner	4,000,000	0.07%
	Interest of spouse *(Note 2)*	3,815,474,000	70.70%
China Great Wall AMC (International) Holdings Company Limited (“China Great”)	Security interest *(Note 3)*	2,752,332,765	51.00%

Notes:

1. The entire issued capital of Gold Train was owned by Mr. Poon. Mr. Poon was also the sole director of Gold Train. Mr. Poon was deemed to be interested in all the Shares in which Gold Train was interested by virtue of the SFO.

2. Ms. Wong was regarded as interested in all the Shares in which Mr. Poon, her husband, was interested by virtue of the SFO.

3. China Great, having a security interest in 2,752,332,765 shares, was interested in 2,752,332,765 shares by virtue of the SFO.

Save as disclosed above, as at 30th June 2018, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTION SCHEME

The Company has adopted a share option scheme on 23rd May 2017 (the "Scheme") which enables the Company to grant options to eligible persons as incentive or rewards for their contributions to the Group. Pursuant to the Scheme, the Company may grant options to (a) any full time employee or director of any member of the Group; (b) any part time employee of any member of the Group who has spent not less than 10 hours per week in providing services to such member of the Group, determined by averaging out the total number of hours so spent in a period of four weeks immediately preceding the week in which a grant of the option is offered to such part time employee; or (c) any consultant or adviser of or to any member of the Group who has provided technical know-how and consultancy services to such member of the Group in accordance with the terms of a contractual relationship entered into between the consultant or adviser with such member of the Group.

The total number of the Shares which may be issued upon exercise of all options to be granted under the Scheme must not exceed 539,673,090 Shares, representing 10 per cent. of the Shares in issue as at the date of passing the resolutions approving the Scheme. The total number of the Shares issued and to be issued upon exercise of the options granted to a participant under the Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1 per cent. of the Shares in issue from time to time unless approval from the shareholders of the Company in general meeting is obtained with such participant and his/her associates abstaining from voting.

The exercisable period of an option under the Scheme will be notified by the Board to each participant which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The Scheme does not require a minimum period for which an option must be held before an option can be exercised. Upon acceptance of the option, the eligible person shall pay HK$1.00 to the Company by way of consideration for the grant. The subscription price for the Shares subject to options will be a price determined by the Board and will be at least the highest of (i) the average closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; (ii) the closing price of the Shares on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (iii) the nominal value of the Share. Subject to the termination provisions, the Scheme will remain valid for a period of 10 years commencing on 23rd May 2017. The Scheme will expire on 22nd May 2027.

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June 2018 nor outstanding as at 30th June 2018.

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

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

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the Corporate Governance Code as contained in Appendix 14 of the Listing Rules, except for the following deviations:

(i) Code provision A.6.7 stipulates that independent non-executive directors and non-executive directors should attend general meetings. Due to other important business engagements at the relevant time, not all independent non-executive directors attended the extraordinary general meeting of the Company held on 23rd February 2018.

(ii) Code provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Due to other important business engagements at the relevant time, the Chairman did not attend the annual general meeting of the Company held on 4th June 2018.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 30th June 2018 (six months ended 30th June 2017: Nil) to the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code for the six months ended 30th June 2018.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's unaudited interim results for the six months ended 30th June 2018. The audit committee of the Company has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 30th June 2018.

ACKNOWLEDGEMENT

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

On behalf of the Board
Poon Sum
Chairman & Executive Director

30th August 2018