



# GTI Holdings Limited 共享集團有限公司

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



# 2019

Interim Report

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**EXECUTIVE DIRECTORS**

Mr. POON Sum (*Chairman*)  
Mr. CHEUNG Tat Chung  
(resigned on 1st August 2019)  
(*Chief Executive Officer*)  
Mr. NG Kwok Hung Perry  
Mr. HAO Xiangbin

**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

**HEAD OFFICE AND PRINCIPAL  
PLACE OF BUSINESS IN  
HONG KONG**

9/F., 822 Lai Chi Kok Road  
Cheung Sha Wan  
Kowloon  
Hong Kong

**REGISTERED OFFICE**

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Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**PRINCIPAL BANKERS**

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China (Hong Kong) Limited  
Shanghai Commercial Bank

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited  
Royal Bank House – 3rd Floor  
24 Shedden Road  
P.O. Box 1586  
Grand Cayman, KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## AUDITOR

ZHONGHUI ANDA CPA LIMITED

## LEGAL ADVISOR AS TO HONG KONG LAWS

Raymond Siu & Lawyers

## WEBSITE

[www.gtiholdings.com.hk](http://www.gtiholdings.com.hk)  
[www.irasia.com/listco/hk/gtiholdings/index.htm](http://www.irasia.com/listco/hk/gtiholdings/index.htm)

## STOCK CODE

3344

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

		For the six months ended 30th June,	
	NOTES	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	5	331,565	233,654
Cost of sales		(344,631)	(247,736)
Gross loss		(13,066)	(14,082)
Interest revenue		281	182
Other income	6	621	2,647
Other gains and losses	7	(4,752)	7,322
Share of result of associate		(2,669)	–
Selling and distribution expenses		(11,134)	(11,284)
Administrative expenses		(59,040)	(61,895)
<b>Loss from operations</b>		<b>(89,759)</b>	<b>(77,110)</b>
Finance costs	8	(42,040)	(40,124)
<b>Loss before tax</b>		<b>(131,799)</b>	<b>(117,234)</b>
Income tax	9	(583)	(1,572)
<b>Loss for the period</b>	10	<b>(132,382)</b>	<b>(118,806)</b>
<b>Other comprehensive (loss)/income:</b>			
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		203	(5,255)
Fair value loss on equity investments at fair value through other comprehensive income		–	(205)
<b>Total comprehensive loss for the period</b>		<b>(132,179)</b>	<b>(124,266)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company		(128,124)	(117,927)
Non-controlling interests		(4,258)	(879)
		<b>(132,382)</b>	<b>(118,806)</b>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company		(127,894)	(123,387)
Non-controlling interests		(4,285)	(879)
		<b>(132,179)</b>	<b>(124,266)</b>
<b>Loss per share</b>			
Basic and diluted (HK cents)	12	(2.08)	(2.19)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE 2019

	Notes	As at 30.6.2018 HK\$'000 (Unaudited)	As at 31.12.2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	163,458	186,351
Prepaid lease payments		–	23,005
Right-of-use assets		12,206	–
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		17,797	18,717
Goodwill		34,315	34,317
Intangible assets		24,371	26,310
Investment in an associate		170,975	173,643
Equity investments at fair value through other comprehensive income		5,412	5,414
Derivative financial instruments		1,412	1,412
Deferred tax assets		3,426	3,439
		<u>433,372</u>	<u>472,608</u>
<b>Current assets</b>			
Prepaid lease payments		–	586
Investment at fair value through profit or loss		1,886	2,199
Inventories		37,278	26,428
Trade and other receivables, deposits and prepayments	14	294,713	254,570
Tax recoverable		1,641	1,659
Bank balances and cash		11,155	15,591
		<u>346,673</u>	<u>301,033</u>
Assets classified as held for sale		<u>52,732</u>	<u>20,823</u>
		<u>399,405</u>	<u>321,856</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30TH JUNE 2019

	Notes	As at 30.6.2018 HK\$'000 (Unaudited)	As at 31.12.2018 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	15	206,661	166,585
Lease liabilities		4,449	–
Contract liabilities		572	683
Tax liabilities		7,905	7,998
Bank and other borrowings – due within one year	16	419,226	422,581
Bank overdrafts		4,541	846
Obligation under a finance lease		–	139
Amounts due to related parties		18,299	2,944
		<u>661,653</u>	<u>601,776</u>
Liabilities associated with assets classified as held for sale		<u>36,686</u>	<u>20,110</u>
		<u>698,339</u>	<u>621,886</u>
<b>Net current liabilities</b>		<u>(298,934)</u>	<u>(300,030)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>134,438</u>	<u>172,578</u>
<b>Non-current liabilities</b>			
Bank and other borrowings – due after one year	16	115,491	96,982
Obligation under a finance lease		–	378
Lease liabilities		1,692	–
Deferred tax liabilities		10,745	10,745
		<u>127,928</u>	<u>108,105</u>
<b>NET ASSETS</b>		<u>6,510</u>	<u>64,473</u>
<b>Capital and reserves</b>			
Share capital	17	62,988	58,994
Reserves		<u>(79,622)</u>	<u>(20,868)</u>
<b>(Deficit)/equity attributable to owners of the Company</b>		<u>(16,634)</u>	<u>38,126</u>
<b>Non-controlling interests</b>		<u>23,144</u>	<u>26,347</u>
<b>TOTAL EQUITY</b>		<u>6,510</u>	<u>64,473</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

	Attributable to owners of the Company								Non-controlling interests	Total	
	Share capital	Share premium	Contributed surplus	Special reserves	Statutory reserves	Investment revaluation reserve	Translation reserve	Accumulated losses			Sub-total
	HK\$'000	HK\$'000	HK\$'000 (Note (a))	HK\$'000 (Note (b))	HK\$'000 (Note (c))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2018 (Audited)	53,967	785,875	73,232	23,851	15,127	2,359	97,630	(915,196)	136,845	1,909	138,754
Effect of changes in accounting policies	-	-	-	-	-	(1,620)	-	2,359	739	-	739
At 1st January 2018, as restated	53,967	785,875	73,232	23,851	15,127	739	97,630	(912,837)	137,584	1,909	139,493
Exchange differences on translating foreign operations (unaudited)	-	-	-	-	-	-	(5,255)	-	(5,255)	-	(5,255)
Fair value loss on equity investments at fair value through other comprehensive income (unaudited)	-	-	-	-	-	(205)	-	-	(205)	-	(205)
Loss for the period (unaudited)	-	-	-	-	-	-	-	(117,927)	(117,927)	(879)	(118,806)
Total comprehensive loss for the period (unaudited)	-	-	-	-	-	(205)	(5,255)	(117,927)	(123,387)	(879)	(124,266)
Disposal of partial interests in subsidiaries without losing control (unaudited)	-	-	-	307	-	-	-	-	307	(307)	-
Acquisition of additional interest in a subsidiary (unaudited)	-	-	-	(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
At 1st January 2019 (Audited)	58,994	953,645	73,232	23,851	15,127	2,014	99,064	(1,187,801)	38,126	26,347	64,473
Exchange differences on translating foreign operations (unaudited)	-	-	-	-	-	-	230	-	230	(27)	203
Loss for the period (unaudited)	-	-	-	-	-	-	-	(128,124)	(128,124)	(4,258)	(132,382)
Total comprehensive loss for the period (unaudited)	-	-	-	-	-	-	230	(128,124)	(127,894)	(4,285)	(132,179)
Ordinary shares issued (unaudited)	3,994	68,598	-	-	-	-	-	-	72,592	-	72,592
Increase in capital contributed by non-controlling shareholder (unaudited)	-	-	-	-	-	-	-	542	542	1,082	1,624
At 30th June 2019 (unaudited)	62,988	1,022,243	73,232	23,851	15,127	2,014	99,294	(1,315,383)	(16,634)	23,144	6,510



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## Notes:

- (a) The contributed surplus of the Group 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 (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; less (ii) dividend paid approved by shareholders pursuant to the memorandum and articles of association of the Company; and (iii) deemed contributions 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 for the change in the Group's ownership interest in LW Asset Management Advisors Limited, an indirect nonwholly owned subsidiary of the Company, that do not result in changes in control over that subsidiary.
- (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 profits 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 2019

	For the six months ended 30th June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	<u>(71,114)</u>	<u>(63,337)</u>
<b>Cash flows from investing activities</b>		
Proceeds on disposal of property, plant and equipment	–	6,250
Interest received	281	182
Purchase of property, plant and equipment	<u>(1,941)</u>	<u>(224)</u>
Net cash (used in)/generated from investing activities	<u>(1,660)</u>	<u>6,208</u>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of bonds	129,296	101,170
Redemption of bonds	(105,693)	(60,233)
New other borrowings raised	22,419	18,000
Repayment of bank borrowings	(2,890)	(2,374)
Interest paid	(24,365)	(32,615)
Repayment of obligation under a finance lease	–	(66)
Advances from related parties	15,355	–
Repayment to related parties	–	(6,500)
Repayment of lease liabilities	(2,466)	–
Increase in capital contributed by non-controlling shareholder	1,624	–
Proceeds from issue of shares	<u>31,259</u>	<u>–</u>
Net cash generated from financing activities	<u>64,539</u>	<u>17,382</u>
Net decrease in cash and cash equivalents	(8,235)	(39,747)
Cash and cash equivalents at beginning of period	14,745	62,286
Effect of changes in foreign exchange rate	<u>104</u>	<u>–</u>
Cash and cash equivalents at end of period	<u><u>6,614</u></u>	<u><u>22,539</u></u>
<b>Analysis of cash and cash equivalents</b>		
Bank and cash balances	11,155	22,657
Bank overdrafts	<u>(4,541)</u>	<u>(118)</u>
	<u><u>6,614</u></u>	<u><u>22,539</u></u>

## 1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the 2018 annual financial statements. The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31st December 2018 except as stated below.

### Leases

#### The Group as lessee

Leases are recognised as right-of-use assets and corresponding lease liabilities when the leased assets are available for use by the Group. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset’s useful life and the lease term on a straight-line basis. The principal annual rates are as follows:

Land use rights	2% – 5%
Land and buildings	25% – 50%

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liabilities, lease payments prepaid, initial direct costs and the restoration costs. Lease liabilities include the net present value of the lease payments discounted using the interest rate implicit in the lease if that rate can be determined, or otherwise the Group’s incremental borrowing rate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US\$ 5,000.

## 2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK\$128,124,000 for the six months ended 30th June 2019 and as at 30th June 2019, the Group had net current liabilities of approximately HK\$298,934,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due given that (i) the Group will be able to successfully negotiate and agree with the creditors to renew or extend the existing borrowings or complete debt financing; (ii) the financial support of the substantial shareholder, at a level sufficient to finance the working capital requirements of the Group. The substantial shareholder has agreed to provide adequate funds to the Group; and (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position. The directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year.

Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the condensed consolidated financial statements on the going concern basis. Should the Group be unable to continue as a going concern, adjustments would have to be made to the condensed consolidated financial statements, to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board that are relevant to its operations and effective for its accounting year beginning on 1st January 2019. IFRSs comprise International Financial Reporting Standards (“IFRS”); International Accounting Standards (“IAS”); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior years except as stated below.

#### IFRS 16 “Leases”

This note explains the impact of the adoption of IFRS 16 “Leases” (“IFRS 16”) on the Group’s financial information and the new accounting policies that have been applied from 1st January 2019, where they are different to those applied in prior periods.

The Group has adopted IFRS 16 retrospectively from 1st January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1st January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1st January 2019. The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1st January 2019 was 6.09%.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;

## 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### IFRS 16 “Leases” *(Continued)*

- the exclusion of lease which lease term ends within 12 months of the date of initial application for the measurement of the right-of-use asset at the date of initial application;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

As a lessee, the Group’s leases are mainly rentals of offices. The right-of-use assets were measured at the amount equal to the lease liability and there were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application. IFRS 16 has been applied and resulted in changes in consolidated amounts reported in the condensed consolidated financial statements as follows:

	HK\$’000 (Unaudited)
Increase in right-of-use assets	30,929
Decrease in property, plant and equipment	(472)
Decrease in prepaid land lease payments	(23,591)
Decrease in obligation under a finance lease	517
Increase in lease liabilities	<u>(7,383)</u>

The operating lease commitments disclosed as at 31st December 2018 were HK\$8,179,000, while the lease liabilities recognised as at 1st January 2019 were HK\$7,383,000, of which HK\$4,368,000 were current lease liabilities and HK\$3,015,000 were non-current lease liabilities.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

#### IFRS 16 “Leases” *(Continued)*

The differences between the operating lease commitments discounted using the lessee’s incremental borrowing rate and the total lease liabilities recognised in the condensed consolidated statement of financial position at the date of initial application of IFRS 16 comprised the exclusion of low-value assets and short-term leases recognised on a straight-line basis as expenses and the inclusion of obligation under a finance lease.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the condensed consolidated financial statements of the Group.

### 4. FAIR VALUE MEASUREMENTS

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. The following disclosures of fair value measurements use a fair value hierarchy that categorises into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group’s policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 30th June 2019:

	Fair value measurements using			Total HK\$'000 (Unaudited)
	Level 1:	Level 2:	Level 3:	
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	
<b>Recurring fair value measurements:</b>				
Equity investments at fair value through other comprehensive income	-	-	5,412	5,412
Investment at fair value through profit or loss	1,886	-	-	1,886
Derivative financial instruments	-	-	1,412	1,412
	<u>-</u>	<u>-</u>	<u>1,412</u>	<u>1,412</u>
Total recurring fair value measurements	<u>1,886</u>	<u>-</u>	<u>6,824</u>	<u>8,710</u>

Disclosures of level in fair value hierarchy at 31st December 2018:

	Fair value measurements using			Total HK\$'000 (Audited)
	Level 1:	Level 2:	Level 3:	
	HK\$'000 (Audited)	HK\$'000 (Audited)	HK\$'000 (Audited)	
<b>Recurring fair value measurements:</b>				
Equity investments at fair value through other comprehensive income	-	-	5,414	5,414
Investment at fair value through profit or loss	2,199	-	-	2,199
Derivative financial instruments	-	-	1,412	1,412
	<u>-</u>	<u>-</u>	<u>1,412</u>	<u>1,412</u>
Total recurring fair value measurements	<u>2,199</u>	<u>-</u>	<u>6,826</u>	<u>9,025</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 4. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets measured at fair value based on level 3:

	Equity investments at fair value through other comprehensive income HK\$'000 (Unaudited)	Investment at fair value through profit or loss HK\$'000 (Unaudited)	Available- for-sale investments HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1st January 2018 (Audited)	–	–	81,484	81,484
Effect of changes in accounting policies	<u>3,570</u>	<u>81,484</u>	<u>(81,484)</u>	<u>3,570</u>
At 1st January 2018, as restated	3,570	81,484	–	85,054
Fair value loss recognised in other comprehensive income	(205)	–	–	(205)
Fair value gain recognised in profit or loss (#)	<u>–</u>	<u>3,412</u>	<u>–</u>	<u>3,412</u>
At 30th June 2018	<u><u>3,365</u></u>	<u><u>84,896</u></u>	<u><u>–</u></u>	<u><u>88,261</u></u>
(#) Include gains or losses for assets held at 2018	<u><u>–</u></u>	<u><u>3,412</u></u>	<u><u>–</u></u>	<u><u>3,412</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 4. FAIR VALUE MEASUREMENTS (Continued)

(b) Reconciliation of assets measured at fair value based on level 3: (Continued)

	Equity investments at fair value through other comprehensive income HK\$'000 (Unaudited)	Derivative financial instruments HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
At 1st January 2019 (Audited)	5,414	1,412	6,826
Exchange difference	(2)	-	(2)
At 30th June 2019	<u>5,412</u>	<u>1,412</u>	<u>6,824</u>
(#) Include gains or losses for assets held at 2019	<u>-</u>	<u>-</u>	<u>-</u>

As at 30th June 2019, equity investments at fair value through other comprehensive income of approximately HK\$5,412,000 (31st December 2018: HK\$5,414,000) was valued by reference to a Level 3 fair value measurement using discounted cash flows based on unobservable inputs including growth rates, operating margin and discount rate which is a pre-tax rate taking into account the risks specific to the equity investments at fair value through other comprehensive income. Where there was material change in the fair value of equity investments at fair value through other comprehensive income, the cause of the fluctuations would be reported to the management of the Group.

An increase in the growth rates and operating margin used in discounted cash flows would result in increase in the carrying amount of the equity investments at fair value through other comprehensive income, and vice versa. A slight increase in discount rate used in discounted cash flows would result in decrease in the carrying amount of the equity investments at fair value through other comprehensive income, and vice versa.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 4. FAIR VALUE MEASUREMENTS *(Continued)*

- (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the Board of Directors at least twice a year.

### Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Effect on fair value for increase of inputs	At 30th June 2019 HK\$'000 (Unaudited)	At 31st December 2018 HK\$'000 (Audited)
Unlisted equity securities, classified as Equity investments at fair value through other comprehensive income	Market approach	Lack of marketability discount	30%	Decrease	5,412	5,414
Derivative financial instruments, profit guarantee	Income approach	Probabilities	5%	Decrease	1,412	1,412

## 5. REVENUE AND SEGMENT INFORMATION

### (a) Segment results

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), 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.

The Group's operating and reportable segments has been modified as four, namely (i) Production, sale and trading of textile products, (ii) Trading of petroleum and chemical products, (iii) Provision of financial services and others, and (iv) RMB banknotes clearing up services.

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

For the purposes of monitoring segment performances and allocating resources among segments, all assets and liabilities are allocated to operating segments on the basis of the revenue earned by individual reportable segments. Segment assets exclude equity investments at fair value through other comprehensive income, investment at fair value through profit or loss, tax recoverable, deposits and prepayments, assets classified as held for sale, bank balances and cash, and unallocated corporate assets while segment liabilities exclude bank and other borrowings, bank overdrafts, amounts due to former related parties/related parties, current and deferred tax liabilities, obligations under a finance leases, liabilities associated with assets classified as held for sale, and unallocated corporate liabilities. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results

Six months ended 30th June 2019

	RMB banknotes clearing up services HK\$'000 (Unaudited)	Production, sale and trading of textile products HK\$'000 (Unaudited)	Trading of petroleum and chemical products HK\$'000 (Unaudited)	Provision of financial services and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	<u>15,863</u>	<u>75,107</u>	<u>235,149</u>	<u>5,446</u>	<u>331,565</u>
Segment loss	<u>(5,659)</u>	<u>(61,794)</u>	<u>(1,393)</u>	<u>(2,381)</u>	(71,227)
Unallocated expenses					(19,064)
Interest revenue					281
Other income					621
Other gains and losses					(370)
Finance costs					<u>(42,040)</u>
Loss before tax					<u>(131,799)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

GTI Holdings Limited  
FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

Six months ended 30th June 2018

	Production, sale and trading of textile products HK\$'000 (Unaudited)	Trading of petroleum HK\$'000 (Unaudited)	Provision of financial services and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	<u>105,008</u>	<u>128,033</u>	<u>613</u>	<u>233,654</u>
Segment loss	<u>(64,734)</u>	<u>(941)</u>	<u>(2,324)</u>	(67,999)
Unallocated expenses				(16,877)
Interest revenue				182
Other income				2,647
Other gains and losses				4,937
Finance costs				<u>(40,124)</u>
Loss before tax				<u>(117,234)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

Disaggregation of revenue from contracts with customers:

Six months ended 30th June 2019	RMB banknotes clearing up services HK\$'000 (Unaudited)	Production, sale and trading of textile products HK\$'000 (Unaudited)	Trading of petroleum and chemical products HK\$'000 (Unaudited)	Provision of financial services and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Geographical markets</b>					
PRC	15,863	4,832	72,884	-	93,579
Hong Kong	-	11,312	162,265	5,446	179,023
Other Asian countries	-	7,521	-	-	7,521
Europe	-	33,048	-	-	33,048
North America	-	18,394	-	-	18,394
	<u>15,863</u>	<u>75,107</u>	<u>235,149</u>	<u>5,446</u>	<u>331,565</u>
<b>Timing of revenue recognition</b>					
At a point in time	15,863	75,107	235,149	-	326,119
Over time	-	-	-	5,446	5,446
	<u>15,863</u>	<u>75,107</u>	<u>235,149</u>	<u>5,446</u>	<u>331,565</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Segment revenue and results *(Continued)*

Disaggregation of revenue from contracts with customers: *(Continued)*

Six months ended 30th June 2018	Production, sale and trading of textile products HK\$'000 (Unaudited)	Trading of petroleum products HK\$'000 (Unaudited)	Provision of financial services and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
<b>Geographical markets</b>				
PRC	36,291	-	521	36,812
Hong Kong	55,153	128,033	92	183,278
Other Asian countries	2,250	-	-	2,250
Europe	5,408	-	-	5,408
North America	5,906	-	-	5,906
	<u>105,008</u>	<u>128,033</u>	<u>613</u>	<u>233,654</u>
<b>Timing of revenue recognition</b>				
At a point in time	105,008	128,033	-	233,041
Over time	-	-	613	613
	<u>105,008</u>	<u>128,033</u>	<u>613</u>	<u>233,654</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

As at 30th June 2019	RMB banknotes clearing up services HK\$'000 (Unaudited)	Production, sale and trading of textile products HK\$'000 (Unaudited)	Trading of petroleum and chemical products HK\$'000 (Unaudited)	Provision of financial services and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	<u>137,407</u>	<u>252,952</u>	<u>86,401</u>	<u>3,741</u>	480,501
Equity investments at fair value through other comprehensive income					5,412
Investment at fair value through profit or loss					1,886
Assets classified as held for sale					52,732
Tax recoverable					1,641
Unallocated corporate assets					<u>290,605</u>
Consolidated total assets					<u>832,777</u>
Segment liabilities	<u>15,474</u>	<u>118,021</u>	<u>8,066</u>	<u>508</u>	142,069
Bank and other borrowings					534,717
Bank overdrafts					4,541
Amounts due to former related parties/ related parties					38,726
Current and deferred liabilities					18,650
Liabilities associated with assets classified as held for sale					36,686
Unallocated corporate liabilities					<u>50,878</u>
Consolidated total liabilities					<u>826,267</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

As at 31st December 2018	RMB banknotes clearing up services HK\$'000 (Audited)	Production, sale and trading of textile products HK\$'000 (Audited)	Trading of petroleum HK\$'000 (Audited)	Provision of financial services and others HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	<u>137,958</u>	<u>274,980</u>	<u>54,328</u>	<u>132</u>	467,398
Equity investments at fair value through other comprehensive income					5,414
Investment at fair value through profit or loss					2,199
Assets classified as held for sale					20,823
Tax recoverable					1,659
Unallocated corporate assets					<u>296,971</u>
Consolidated total assets					<u>794,464</u>
Segment liabilities	<u>14,495</u>	<u>97,086</u>	<u>2,489</u>	<u>8</u>	114,078
Bank and other borrowings					519,563
Bank overdrafts					846
Amounts due to former related parties/ related parties					23,894
Current and deferred liabilities					18,743
Obligations under finance leases					517
Liabilities associated with assets classified as held for sale					20,110
Unallocated corporate liabilities					<u>32,240</u>
Consolidated total liabilities					<u>729,991</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 6. OTHER INCOME

	For the six months ended 30th June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Income from sales of scrap materials	223	1,595
Sundry income	398	1,052
	<u>621</u>	<u>2,647</u>

## 7. OTHER GAINS AND LOSSES

	For the six months ended 30th June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
(Loss)/gain on fair value changes of investment at fair value through profit or loss	(370)	2,489
Net exchange gains	–	2,448
Gain on disposal of property, plant and equipment	–	2,385
Allowance for impairment loss of trade receivables	(9,413)	–
Gain on fair value changes on modification of other borrowings	5,031	–
	<u>(4,752)</u>	<u>7,322</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 8. FINANCE COSTS

	For the six months ended 30th June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on bank and other borrowings	41,703	40,109
Interest on finance leases	–	15
Lease interests	337	–
	<u>42,040</u>	<u>40,124</u>

## 9. INCOME TAX

	For the six months ended 30th June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current tax:		
– Hong Kong Profits Tax – underprovision in prior years	–	1,572
– PRC Enterprise Income Tax	583	–
	<u>583</u>	<u>1,572</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 30th June 2019 and 2018. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for that period.

Under the Law of the PRC 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 2018 onwards.

No provision for Cambodia Income Tax has been made as the Group had no assessable profits for the six months ended 30th June 2019 and 2018.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 10. LOSS FOR THE PERIOD

The Group's loss for the period is stated after charging the following:

	For the six months ended 30th June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cost of inventories sold	344,631	247,736
Depreciation	12,506	19,518
Depreciation of right-of-use assets	2,277	–
Amortisation of prepaid lease payments	–	524
Directors' emoluments	2,096	2,469
	<u>361,509</u>	<u>270,247</u>

## 11. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30th June 2019 (2018: HK\$Nil).

## 12. LOSS PER SHARE

### Basic loss per share

The calculation of basic loss per share attributable to owners of the Company is based on the loss for period attributable to owners of the Company of approximately HK\$128,124,000 (2018: approximately HK\$117,927,000) and the weighted average number of 6,164,249,000 (2018: 5,396,731,000) ordinary shares in issue during the period.

### Diluted loss per share

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

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 13. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30th June 2019, the additions of property, plant and equipment is approximately HK\$1,941,000 (30th June 2018: HK\$224,000) and there was transfer of the carrying amount of HK\$11,849,000 (30 June 2018: Nil) to assets classified as held for sale.

## 14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for trade receivables, presented based on the invoice date at the end of the reporting period.

	30th June 2019 HK\$'000 (Unaudited)	31st December 2018 HK\$'000 (Audited)
0-30 days	23,139	16,783
31-60 days	6,805	8,948
61-90 days	1,880	7,361
91-120 days	826	9,805
Over 120 days	<u>72,611</u>	<u>72,115</u>
	<u><u>105,261</u></u>	<u><u>115,012</u></u>

## 15. TRADE AND OTHER PAYABLES

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

	30th June 2019 HK\$'000 (Unaudited)	31st December 2018 HK\$'000 (Audited)
0-60 days	21,361	13,031
61-90 days	4,497	6,002
Over 90 days	<u>34,878</u>	<u>24,129</u>
	<u><u>60,736</u></u>	<u><u>43,162</u></u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 16. BANK AND OTHER BORROWINGS

During the current period, the Group obtained new bank and other borrowings amounting to HK\$151,715,000 (six months ended 30th June 2018: HK\$119,170,000) as additional working capital and there were repayments of HK\$108,583,000 (six months ended 30th June 2018: HK\$62,607,000). All the new borrowings are bearing fixed interest at the rates ranging from 0.4% to 55% (31st December 2018: 0.1% to 12%) per annum.

## 17. SHARE CAPITAL

	Number of shares	HK\$'000 (Unaudited)
Authorised:		
Ordinary shares of HK\$0.01 each		
At 1st January 2018, 31st December 2018, 1st January 2019 and 30th June 2019	10,000,000,000	100,000
Issued and fully paid of HK\$0.01 each:		
At 1st January 2018 (audited)	5,396,730,909	53,967
Issue of new shares	261,658,031	2,617
Issue of new shares	240,997,229	2,410
At 31st December 2018 and 1st January 2019 (audited)	5,899,386,169	58,994
Issue of new shares (note i)	222,222,000	2,222
Issue of new shares (note ii)	177,208,000	1,772
At 30th June 2019	6,298,816,169	62,988

Note:

- (i) The Company entered into the supplemental loan agreement and to amend the terms and conditions of the original loan agreement (including but not limited to the extension of the term of the loan), it is agreed the Company shall make prepayment of HK\$40,000,000 as partial repayment of the outstanding principal amount of the loan by way of allotment and issuance of the settlement shares comprise 222,222,000 new shares. The premium on the issue of shares, amounting to approximately HK\$39,111,000 was credited to the Company's share premium account.

## 17. SHARE CAPITAL (Continued)

Note: (Continued)

- (ii) On 15th February 2019, the Company entered into the placing agreement with the placing agent, pursuant to which the placing agent agrees, as agent of the Company, to procure on a best effort basis not fewer than six placees, who will be independent third parties, to subscribe for up to 354,000,000 placing shares at the placing price of HK\$0.18 per placing share. On 18 March 2019, an aggregate of 177,208,000 placing shares were issued. The premium on the issue of shares, amounting to approximately HK\$30,125,000, net of share issue expenses of approximately HK\$29,487,000, was credited to the Company's share premium account.

## 18. 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:

	30th June 2019 HK\$'000 (Unaudited)	31st December 2018 HK\$'000 (Audited)
Prepaid lease payments	–	4,826
Right-of-use assets	4,747	–
Property, plant and equipment	30,365	32,337
	<u>35,112</u>	<u>37,163</u>

In addition, the entire shareholdings in a subsidiary of the Company as at 30th June 2019 and 31st December 2018 were pledged to an independent third party for the advances therefrom to the relevant subsidiary.

## 19. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (at 31st December 2018: HK\$Nil).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30TH JUNE 2019

## 20. CAPITAL COMMITMENTS

The Group's capital commitments at the end of the reporting period are as follows:

	30th June 2019 HK\$'000 (Unaudited)	31st December 2018 HK\$'000 (Audited)
Property, plant and equipment		
– Contracted but not provided for	<u>2,794</u>	<u>2,794</u>

## 21. RELATED PARTY TRANSACTIONS

### (a) Related party balances

Details of the outstanding balances with related parties are set out as below. As at 30th June 2019, the amounts due to related parties are unsecured, interest-free and have no fixed repayment term. As at 31st December 2018, the amounts due to related parties are unsecured, interest-free and repayable in August 2019. The effective interest rate is 7.5% per annum.

	30th June 2019 HK\$'000 (Unaudited)	31st December 2018 HK\$'000 (Audited)
Amounts due to:		
– Mr. Poon Sum	<u>18,299</u>	<u>2,944</u>

- (b) In addition, Mr. Poon Sum, a director of the Company, provided a personal guarantee to an independent third party for the Group's borrowings of principal amount of HK\$160,000,000 as at 30th June 2019 (31st December 2018: HK\$200,000,000).

## 22. APPROVAL OF FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board of Directors on 29th August 2019.

## BUSINESS REVIEW AND PROSPECTS

### Business Review

The Group's consolidated revenue for the six months ended 30th June 2019 increased by approximately 41.9% from approximately HK\$233,654,000 in the corresponding period last year to HK\$331,565,000 while the net loss for the period increased by approximately 11.4% to HK\$132,382,000 as compared with the corresponding period last year.

### Trading of petroleum and chemical products

Trading of petroleum and chemical products was the major source of the revenue of the Group during the first half of 2019. The revenue from trading of petroleum and chemical products was approximately HK\$235,149,000, representing an increase by approximately 83.7% from approximately HK\$128,033,000 in the first half of 2018, and accounted for approximately 70.9% of the Group's revenue. The increase in revenue was mainly attributable to the commencement of trading of chemical products in the first half of 2019 which contributed approximately 31.0% of the revenue derived from trading of petroleum and chemical products. On the other hand, the revenue of trading of petroleum was also increased by approximately 26.7% to approximately HK\$162,265,000 compared to corresponding period last year. Although the revenue increased, as a result of the volatility of the market price of petroleum during the current interim period, and the increase in cost and expenses incurred for the expansion of the trading of petroleum business and commencement of trading of chemical products business, the Group still suffered a loss in trading of petroleum and chemical products business during the six months ended 30th June 2019.

### Textile business

During the six months ended 30th June 2019, the revenue from the textile business was approximately HK\$75,107,000, which represented approximately 22.7% of the Group's revenue. Compared to the same period last year, the revenue from the textile business dropped by approximately 28.5%. On the other hand, the overall segment loss from textile business slightly improved from loss of approximately HK\$64,734,000 in the same period last year to approximately HK\$61,794,000. During the current period under review, over 78% of the revenue of textile business was contributed by the production and sale of knitted sweaters and socks in Cambodia, which was similar to that of corresponding period last year. However, due to the US-China trade war which began in early 2019 and the uncertainty in the economic growth of China during the period under review, the Group placed less emphasis on the production and sale of yarn in the PRC which resulted in the drop in revenue from the production and sale of yarn in the PRC by more than 90% to approximately HK\$3 million.

Even though the Group had 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 2019 affected the flexibility of the operation and ability of the Group to further improve the performance in short run.

### RMB banknotes clearing up services business

Our Group successfully acquired the entire equity interest in Jiu Zhou Financial Group Co. Ltd ("Jiu Zhou") in December 2018. Jiu Zhou indirectly holds 66% equity interest in Zhongcheng Huiyu Technology Services Company Limited, which, together with its subsidiaries, were principally engaged in the provision of financial outsourcing services of RMB banknotes clearing up services in Mainland China. They offer one-stop professional financial outsourcing services for the branches of the People's Bank of China and its local commercial banks in Mainland China. During the first half of 2019, the revenue from RMB banknotes clearing up services business was approximately HK\$15,863,000. However, due to the allowance for impairment loss of trade receivables of approximately HK\$9,413,000 made in the period under review, the Group suffered a loss of approximately HK\$5,659,000 on this business segment.

## Prospects

The continuance of the US-China trade war, the pending Brexit (the withdrawal of the United Kingdom from the European Union), and the seemingly weakening of the world's major economies continue to add uncertainties to the global economy in 2019. These factors will continue to affect the overall strategy on the Group's business including the trading of petroleum and chemical products business and textile business.

In view of the fast-growing revenue of trading of petroleum, the Group will continue to develop the trading of petroleum business in Hong Kong in the second half of 2019. In order to broaden the sources of revenue, during the six months ended 30th June 2019, the Group has commenced the trading of chemical products which was mainly ethylene glycol. In view of the promising growth in the first half of 2019, the Group will continue to develop the trading of chemical products business in the second half of 2019.

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. On the other hand, as a result of the US-China trade war, the Group was slowing down the pace of development of the sales of branded textile products in the PRC. However, the Group is still continuing to look for any suitable business partners in the PRC to sell branded textile products but with a more conservative approach.

The Group will also continue to develop the PRC banknotes clearing up services business in the Mainland China and will continue to expand this business into more cities in the Mainland China. Besides, the Group plans to launch a new coin machine in the second half of 2019 and is expecting more revenue to be generated from the sales of coin machines to commercial banks in the Mainland China.

Looking forward, the Group will need to continue to implement cautious approach on the development of the existing businesses and seek for better business opportunities to mitigate the impacts of the market's current volatility and to improve 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 2019, the turnover of the Group increased by approximately 41.9% from approximately HK\$233,654,000 to HK\$331,565,000.

The rapid development of trading of petroleum and chemical products became the major contributor of the growth of turnover of the Group and it represented approximately 70.9% of the Group's total revenue during the period under review. The trading of petroleum was mainly carried out in Hong Kong during the current interim period while the trading of chemical products was mainly carried out in the Mainland China.

For the six months ended 30th June 2019, the turnover from the textile business was approximately HK\$75,107,000 which accounted for approximately 22.7% of the turnover of the Group. Our textile business is principally engaged in the production and sale of knitted products and the trading of cotton and yarns. Production and sales of knitted sweaters remained as the principal operation of textile business. The Group's sales contribution of production and sales of knitted products, which accounted for over approximately 78.0% of total turnover from textile business, was mainly from the orders from Europe and North America. However, as a result of change in strategy of production and sale of yarn in the PRC, the overall revenue from textile business dropped by approximately 28.5%.

During the period under review, the revenue from RMB banknotes clearing up services business, which was acquired last year, was approximately HK\$15,863,000 and represented approximately 4.8% of the Group's total revenue.

### Cost of sales and gross loss margin

The cost of sales increased by approximately 39.1% from HK\$247,736,000 in the corresponding period last year to approximately HK\$344,631,000 during the period under review. The increase in cost of sales was mainly due to the significant increase in revenue from trading of petroleum and chemical products business. On the other hand, due to the change of the business mix, the overall gross loss margin of the Group improved from approximately 6.0% in the corresponding period last year to approximately 3.9% for the current interim period.

## Other income and other gains and losses

During the period under review, other income decreased by approximately 76.5% compared to that of the corresponding period last year to approximately HK\$621,000 as a result of significant decrease in sales of scrap materials and sundry income. Other gains mainly comprised those income derived from the gain on fair value changes on modification of other borrowings. Other losses incurred during the first half of 2019 was mainly from an allowance for impairment loss of trade receivables arising from RMB banknotes clearing up service business.

## Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the period under review, with the implementation of stringent cost control and the significant increase in overall revenue which was contributed by the trading of petroleum and chemical products business, the Group's overall selling and distribution costs, however, slightly decreased by approximately 1.3% to approximately HK\$11,134,000, representing approximately 3.4% of the Group's revenue.

## Administrative expenses

Administrative expenses slightly decreased by approximately 4.6% to approximately HK\$59,040,000 during the period under review. It mainly consisted of staff costs which covered employees' salaries and welfare and directors' remuneration, depreciation and legal and professional fees. It represented approximately 17.8% of the Group's revenue.

## Finance costs

Finance costs were mainly comprised of interests on bank and other borrowings which increased to approximately HK\$42,040,000 for the period under review. The finance costs increased slightly as compared to the corresponding period last year as a result of the issuance of new bonds and other borrowings and the higher borrowing rate for some short-term borrowings raised during the end of 2018.

## Net loss margin

Except for the loss or gain on fair value changes of investments at fair value through profit or loss, gain on disposal of property, plant and equipment, allowance for impairment loss of trade receivables and gain on fair value changes on modification of other borrowings, net loss of the Group was approximately HK\$127,630,000, representing an increase in net loss by approximately 3.2% from the net loss of approximately HK\$123,680,000 under the same basis in the corresponding period last year.

## Borrowings

As at 30th June, 2019, the Group had outstanding bank and other borrowings of approximately HK\$534,717,000, in which approximately HK\$115,491,000 was classified as falling due more than one year and the remaining balance of approximately HK\$419,226,000 was classified as falling due within one year. The total bank and other borrowings increased by approximately HK\$15,154,000 when comparing with the balance as at 31st December, 2018 as a result of increase of other borrowings during the period under review in order to support the working capital of the Group.

## Liquidity and financial resources

As at 30th June, 2019, the Group's bank balances and cash decreased from approximately HK\$15,591,000 as at 31st December, 2018 to HK\$11,155,000 as at 30th June, 2019. The Group's total assets was approximately HK\$832,777,000 as at 30th June 2019.

As a result of the increase in the operating loss, more net cash was used for the operating activities for the current period under review as compared to that of the corresponding period last year. On the other hand, during the first half of 2019, due to lack of proceeds from disposal of property, plant and equipment, there was net cash used in investing activities instead of net cash generated from investing activities in the corresponding period in last year. Net cash generated from financing activities was mainly due to the proceeds from issuance of shares and issuance of new bonds.

On 8th February 2019, the Company agreed to, among other things, allot and issue 222,222,000 shares to an independent third party in order to settle part of the principal amount of a loan in the sum of HK\$40,000,000 due by a subsidiary of the Company to such independent third party and the issuance was completed on 19th February 2019.

On 15th February 2019, the Company entered into a placing agreement with a placing agent for the placing of up to 354,000,000 shares at the placing price of HK\$0.18 per share at best effort basis. The placing was completed on 18th March 2019 with an aggregate of 177,208,000 shares issued to not less than six placees with net proceeds of approximately HK\$31,259,000. During the six month ended 30th June 2019, the net proceeds were fully utilised as follows: (i) approximately HK\$15,918,000 were used to repay the bank and other borrowings and (ii) approximately HK\$15,341,000 were used for the general working capital of the Group.

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. The Group will remain concerned about the fluctuations in exchange rate of foreign currencies such as US dollar and Renminbi under the influence of US-China trade war. To mitigate the foreign currency risk, the Group will consider entering into appropriate hedging arrangements from time to time.

## Important Events since the Period

Mr. Cheung Tat Chung has resigned as an executive director, chief executive of the Company and such other positions in the Group with effect from 1st August 2019.

Except as disclosed herein, no other important event which materially affecting the Group has taken place since 30th June 2019 and up to the date of this report.

## Pledge of assets

Details of the Group's pledge of assets at 30th June 2019 are set out in Note 18 to the condensed consolidated interim financial statements.

## Capital Commitments

The Group did not have any material capital commitments as at 30th June 2019. Details of the Group's capital commitments at 30th June 2019 are set out in Note 20 to the condensed consolidated interim financial statements.

## 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.



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

As at 30th June 2019, 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	Interest of spouse ( <i>Note 1</i> )	4,000,000	0.06%
		Interest in controlled corporation ( <i>Note 2</i> )	3,339,422,000	53.02%

#### Notes:

- Mr. Poon was regarded as interested in all the Shares in which Ms. Wong Hiu Hung, his wife, was interested by virtue of the SFO.
- 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 2019, 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 2019, 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)	3,339,422,000	53.02%
Wong Hiu Hung ("Ms. Wong")	Beneficial owner Interest of spouse (Note 2)	4,000,000 3,339,422,000	0.06% 53.02%
China Great Wall AMC (International) Holdings Company Limited ("China Great")	Security interest (Note 3)	2,752,332,765	43.70%

#### 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 2019, 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 and will expire on 22nd May 2027.

No options were granted, exercised, cancelled or lapsed during the six months ended 30th June 2019 nor outstanding as at 30th June 2019.

## **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.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the six months ended 30th June 2019 (six months ended 30th June 2018: 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 2019.

## **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 2019. 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 2019.

## 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*

29 August 2019