



# GTI Holdings Limited 共享集團有限公司

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



Second Interim Report  
**2020**

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# CORPORATE INFORMATION

## EXECUTIVE DIRECTORS

Mr. POON Sum (*Chairman*)  
(resigned with effect from 30 November 2020)  
Mr. NG Kwok Hung Perry  
Mr. HAO Xiangbin  
Mr. HUANG Bin  
(retired with effect from 16 October 2020)  
Mr. TAN Teng Hong  
(appointed with effect from 2 November 2020)

## NON-EXECUTIVE DIRECTOR

Mr. SUI Fuxiang  
(retired with effect from 16 October 2020)  
Mr. CHEUNG Kiu Cho Vincent  
(appointed with effect from 2 November 2020)

## INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. CHAN Shu Kin  
Dr. TSE Kwok Sang  
(resigned with effect from 2 November 2020)  
Mr. CHIU Wai Piu  
(resigned with effect from 2 November 2020)  
Mr. CHUNG Lim Tung  
(appointed with effect from 2 November 2020)  
Mr. NG Ka Lun  
(appointed with effect from 2 November 2020)  
Mr. ZHOU Weijia alias Zhou Yi  
(appointed with effect from 2 November 2020)

## COMPANY SECRETARY

Mr. CHAN Ching

## AUDIT COMMITTEE

Mr. CHAN Shu Kin (*Chairman*)  
Dr. TSE Kwok Sang  
(resigned with effect from 2 November 2020)

Mr. CHIU Wai Piu  
(resigned with effect from 2 November 2020)  
Mr. CHEUNG Kiu Cho Vincent  
(appointed with effect from 2 November 2020)  
Mr. CHUNG Lim Tung  
(appointed with effect from 2 November 2020)

## REMUNERATION COMMITTEE

Dr. TSE Kwok Sang (*Chairman*)  
(resigned with effect from 2 November 2020)  
Mr. CHAN Shu Kin (*Chairman*)  
(re-designated with effect from 2 November 2020)  
Mr. CHIU Wai Piu  
(resigned with effect from 2 November 2020)  
Mr. NG Kwok Hung Perry  
(appointed with effect from 2 November 2020)  
Mr. NG Ka Lun  
(appointed with effect from 2 November 2020)  
Mr. ZHOU Weijia alias Zhou Yi  
(appointed with effect from 2 November 2020)  
Mr. CHEUNG Kiu Cho Vincent  
(appointed with effect from 2 November 2020)

## NOMINATION COMMITTEE

Dr. TSE Kwok Sang (*Chairman*)  
(resigned with effect from 2 November 2020)  
Mr. CHUNG Lim Tung (*Chairman*)  
(appointed with effect from 2 November 2020)  
Mr. CHAN Shu Kin  
Mr. CHIU Wai Piu  
(resigned with effect from 2 November 2020)  
Mr. NG Kwok Hung Perry  
(appointed with effect from 2 November 2020)  
Mr. NG Ka Lun  
(appointed with effect from 2 November 2020)  
Mr. CHEUNG Kiu Cho Vincent  
(appointed with effect from 2 November 2020)

### CORPORATE GOVERNANCE COMMITTEE

Mr. CHUNG Lim Tung (*Chairman*)  
(appointed with effect from 2 November 2020)  
Mr. CHAN Shu Kin  
(re-designated with effect from 2 November 2020)  
Dr. TSE Kwok Sang  
(resigned with effect from 2 November 2020)  
Mr. CHIU Wai Piu  
(resigned with effect from 2 November 2020)  
Mr. NG Kwok Hung Perry  
(appointed with effect from 2 November 2020)  
Mr. ZHOU Weijia alias Zhou Yi  
(appointed with effect from 2 November 2020)

### AUTHORIZED REPRESENTATIVES

Mr. POON Sum  
(resigned with effect from 30 November 2020)  
Mr. NG Kwok Hung Perry  
(appointed with effect from 30 November 2020)  
Mr. CHAN Ching

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

Unit B, 13/F  
Winsan Tower  
98 Thomson Road  
Wanchai  
Hong Kong

### REGISTERED OFFICE

Cricket Square  
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 TWELVE MONTHS ENDED 31 DECEMBER 2020

		Twelve months ended 31 December 2020 HK\$'000 (Unaudited)	Year ended 31 December 2019 HK\$'000 (Audited)
	<i>Notes</i>		
Revenue	5	319,276	704,356
Cost of sales		<u>(303,523)</u>	<u>(735,299)</u>
Gross profit/(loss)		15,753	(30,943)
Interest revenue		2,575	647
Other income	6	3,586	4,977
Share of result of associates		(624)	(942)
Other gains and losses	7	(275,444)	(358,757)
Selling and distribution costs		(1,110)	(15,298)
Administrative expenses		(138,696)	(98,900)
Finance costs	8	<u>(242,579)</u>	<u>(129,877)</u>
Loss before tax		(636,539)	(629,093)
Income tax expense	9	<u>(4,783)</u>	<u>(3,666)</u>
Loss for the period/year	10	(641,322)	(632,759)
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investment at fair value through other comprehensive income		<u>—</u>	<u>(5,412)</u>

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

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

	Notes	Twelve months ended 31 December 2020 HK\$'000 (Unaudited)	Year ended 31 December 2019 HK\$'000 (Audited)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		12,487	(199)
Share of foreign currency translation reserve of an associate		–	(393)
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary/subsidiaries		(1,975)	(9,776)
		<u>10,512</u>	<u>(10,368)</u>
Total comprehensive loss for the period/year		<u>(630,810)</u>	<u>(648,539)</u>
Loss for the period/year attributable to:			
Owners of the Company		(640,432)	(585,613)
Non-controlling interests		(890)	(47,146)
		<u>(641,322)</u>	<u>(632,759)</u>
Total comprehensive loss for the period/year attributable to:			
Owners of the Company		(631,991)	(601,247)
Non-controlling interests		1,181	(47,292)
		<u>(630,810)</u>	<u>(648,539)</u>
Loss per share	12		
Basic and diluted (HK cents)		<u>(10.17)</u>	<u>(9.40)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	As at 31 December 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	13	57,023	108,983
Right-of-use assets		17,751	13,031
Deposit paid for acquisition of land use right and property, plant and equipment		13,159	12,572
Goodwill		983	6
Intangible assets		15,181	18,353
Investment in associates		–	13,923
Equity investments at fair value through other comprehensive income		–	–
Derivative financial instruments		22,710	37,520
Trade and other receivables, deposits and prepayments	14	16,876	27,693
		<u>143,683</u>	<u>232,081</u>
<b>Current assets</b>			
Inventories		7,477	3,408
Trade and other receivables, deposits and prepayments	14	300,137	203,395
Tax recoverable		286	–
Bank balances and cash		10,510	3,242
		<u>318,410</u>	<u>210,045</u>
Assets classified as held for sale		<u>9,477</u>	<u>9,054</u>
		<u>327,887</u>	<u>219,099</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	Notes	As at 31 December 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
<b>Current liabilities</b>			
Trade and other payables	15	350,145	280,823
Contract liabilities		1,044	533
Tax liabilities		14,795	9,526
Bank and other borrowings – due within one year	16	916,356	425,414
Lease liabilities		2,783	2,618
Amount due to a former subsidiary		244,288	–
Amount due to a related party	22	–	5,095
		<u>1,529,411</u>	<u>724,009</u>
Liabilities associated with assets classified as held for sale		<u>24,552</u>	<u>23,456</u>
		<u>1,553,963</u>	<u>747,465</u>
<b>Net current liabilities</b>		<u>(1,226,076)</u>	<u>(528,366)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,082,393)</u>	<u>(296,285)</u>

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

		As at 31 December 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
	Notes		
<b>Non-current liabilities</b>			
Bank and other borrowings – due after one year	16	11,876	186,141
Promissory note payable		11,385	–
Lease liabilities		4,383	1,285
Deferred tax liabilities		7,958	8,751
		<u>35,602</u>	<u>196,177</u>
<b>NET LIABILITIES</b>		<u>(1,117,995)</u>	<u>(492,462)</u>
<b>Capital and reserves</b>			
Share capital		62,988	62,988
Share premium and reserves		<u>(1,201,519)</u>	<u>(569,528)</u>
<b>Deficits attributable to owners of the Company</b>		<u>(1,138,531)</u>	<u>(506,540)</u>
Non-controlling interests		<u>20,536</u>	<u>14,078</u>
<b>TOTAL DEFICITS</b>		<u>(1,117,995)</u>	<u>(492,462)</u>



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

	Attributable to owners of the Company									Non-controlling interests	Total
	Share capital HK\$'000	Share premium HK\$'000	Contributed surplus HK\$'000 (Note i)	Special reserves HK\$'000 (Note ii)	Statutory reserves HK\$'000 (Note iii)	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000		
At 1 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
Total comprehensive loss for the year (audited)	-	-	-	-	-	(5,133)	(10,501)	(585,613)	(601,247)	(47,292)	(648,539)
Ordinary shares issued (audited)	3,994	68,598	-	-	-	-	-	-	72,592	-	72,592
Disposal of subsidiaries (audited)	-	-	-	113	-	-	-	(113)	-	(752)	(752)
Capital injection from non-controlling shareholder (audited)	-	-	-	(18,765)	-	-	-	-	(18,765)	35,205	16,440
Equity transaction (iv) (audited)	-	-	-	2,754	-	-	-	-	2,754	570	3,324
At 31 December 2019 (audited)	<u>62,988</u>	<u>1,022,243</u>	<u>73,232</u>	<u>7,953</u>	<u>15,127</u>	<u>(3,119)</u>	<u>88,563</u>	<u>(1,773,527)</u>	<u>(506,540)</u>	<u>14,078</u>	<u>(492,462)</u>
At 1 January 2020 (audited)	62,988	1,022,243	73,232	7,953	15,127	(3,119)	88,563	(1,773,527)	(506,540)	14,078	(492,462)
Total comprehensive loss for the period (unaudited)	-	-	-	-	-	-	8,441	(640,432)	(631,991)	1,181	(630,810)
Acquisition of subsidiaries (Note 17) (unaudited)	-	-	-	-	-	-	-	-	-	5,277	5,277
Deregistration of subsidiary (Note v) (unaudited)	-	-	-	(50,700)	-	-	-	50,700	-	-	-
At 31 December 2020 (unaudited)	<u>62,988</u>	<u>1,022,243</u>	<u>73,232</u>	<u>(42,747)</u>	<u>15,127</u>	<u>(3,119)</u>	<u>97,004</u>	<u>(2,363,259)</u>	<u>(1,138,531)</u>	<u>20,536</u>	<u>(1,117,995)</u>

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## Notes:

- (i) 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.
- (ii) 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 23 September 2004; (ii) the contribution from non-controlling interests of net assets value shared by them to a former shareholder of Interlink Atlantic Limited; (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 (the "LW Asset"), an indirect non-wholly owned subsidiary of the Company, that do not result in changes in control over that subsidiary; and (iv) the difference between capital contribution from 中晨匯裕科技服務有限公司 non-controlling interests and 中晨匯裕科技服務有限公司 of net assets value.
- (iii) 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.
- (iv) During 1 January 2019 to 30 September 2019, the Group's interest in LW Asset Management Advisors Limited ("LW Asset") decreased from 82.03% to 50.44%. The decrease of the Group's equity interests in LW Asset of 31.59% did not result in any changes of the Group's control over LW Asset and was accordingly accounted for as equity transaction. The surplus of approximately HK\$2,754,000, representing the difference between the consideration of HK\$3,324,000 and the amount of non-controlling interests approximately HK\$570,000, was credited to the special reserves.
- (v) On 18 September 2020, Good Spread Industrial Limited, an indirect wholly owned subsidiary of the Company, was deregistered. The special reserves of approximately HK\$50,700,000 are transferred to the accumulated losses.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

	Notes	Twelve months ended 31 December 2020 HK\$'000 (Unaudited)	Year ended 31 December 2019 HK\$'000 (Audited)
Net cash used in operating activities		<u>(47,377)</u>	<u>(150,652)</u>
<b>Cash flows from investing activities</b>			
Proceeds on disposal of property, plant and equipment		–	10
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	17	166	–
Interest received		2,575	647
Purchase of property, plant and equipment		(1,529)	(2,003)
Deconsolidation of subsidiaries (net of cash and cash equivalents disposed of)	18	(354)	–
Disposal/deregistration of subsidiaries (net of cash and cash equivalents disposed of)	19	(4)	24,016
Acquisition of investment at fair value through profit or loss		–	(195)
Proceeds on disposal of investment at fair value through profit or loss		<u>–</u>	<u>1,671</u>
Net cash generated from investing activities		<u>854</u>	<u>24,146</u>
<b>Cash flows from financing activities</b>			
Proceeds from other borrowings		822	59,463
Repayments of other borrowings		(2,045)	(11,201)
New bank borrowings raised		104,540	28,899
Repayments of bank borrowings		(53,847)	(2,203)
Proceeds from issue of bonds		4,350	125,815
Redemption of bonds		–	(92,670)
Interest paid		–	(32,381)
Lease interest paid		(114)	(458)
Repayments of leases liabilities		(1,813)	(10,487)
Advances from related parties		–	2,151
Proceeds from issue of shares		–	31,259
Equity transaction with non-controlling shareholders		–	3,324
Capital injection from a non-controlling shareholder		<u>–</u>	<u>16,440</u>
Net cash generated from financing activities		<u>51,893</u>	<u>117,951</u>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

	Notes	Twelve months ended 31 December 2020 HK\$'000 (Unaudited)	Year ended 31 December 2019 HK\$'000 (Audited)
Net increase/(decrease) in cash and cash equivalents		5,370	(8,555)
Cash and cash equivalents at the beginning of the period/ year		5,513	14,745
Effect of changes in foreign exchange rate		2,004	(677)
Cash and cash equivalents at the end of the period/year		<u>12,887</u>	<u>5,513</u>
Analysis of cash and cash equivalents			
Bank and cash balances		10,510	3,242
Bank and cash balances included in assets held for sale		<u>2,377</u>	<u>2,271</u>
		<u>12,887</u>	<u>5,513</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020*

## 1. GENERAL INFORMATION

GTI Holdings Limited (In provisional liquidation for the purpose of restructuring) (the “Company”) was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 9 June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its registered office and principal place of business are Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Unit B, 13/F, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong, respectively.

The consolidated financial statements of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are presented in Hong Kong dollars (“HK\$”) which is the same as the functional currency of the Company and all values are rounded to the nearest thousand unless otherwise stated.

## 2. BASIS OF PREPARATION

The unaudited 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 unaudited condensed consolidated financial statements should be read in conjunction with the 2019 audited annual financial statements. The accounting policies and methods of computation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2019.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION *(Continued)*

### Appointment of provisional liquidators

On 26 May 2020, the Company filed a winding up petition together with an application for the appointment of joint provisional liquidators (the “JPLs”) of the Company with the Grand Court of the Cayman Islands (“Cayman Court”).

On 28 May 2020 (Cayman time), upon the hearing at the Cayman Court regarding the application of JPLs, an order (the “Order”) in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Ms. Claire Marie Loebell of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes.

The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose.

The Order also provides that, for the avoidance of any doubt, no payment or disposition of the Company’s property or any transfer of shares or any alteration in the status of the Company’s members shall be made or effected without the direct or indirect approval of the JPLs but no such payment or other disposition or transfer of shares or alteration in the status of the Company’s members made or effected by or with the authority or approval of the JPLs in carrying out their duties and functions and in the exercise of their powers under the Order shall be avoided by virtue of the provisions of section 99 of the Companies Law of the Cayman Islands.

### Deconsolidation of subsidiaries

The unaudited condensed consolidated financial statements have been prepared based on the books and records maintained by the Group. In July 2020, administrator was appointed for the Group’s major subsidiaries in Cambodia which were engaged in production, sale and trading of textile products. The Directors considered that the control over four 100% owned subsidiaries, Dignity Knitter Limited, Great Honour Textile Factory Limited, Eco Base Factory Ltd and Chung Yick Textile Factory Limited (the “Cambodia Group”) had been lost. Since then, the Directors neither had control over the operating and financial activities, nor any access to the underlying accounting books and records of the Cambodia Group. Due to the lack of control and unavailability of these financial records of the Cambodia Group for the period from 14 July 2020, the Directors considered to deconsolidate the results, assets, liabilities and cash flows of the Cambodia Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 2. BASIS OF PREPARATION *(Continued)*

### Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$640,432,000 for the twelve months ended 31 December 2020 and as at 31 December 2020, the Group had net current liabilities and net liabilities of approximately HK\$1,226,076,000 and HK\$1,117,995,000, respectively. 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 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 complete the debt restructuring with the creditors; (ii) the Group will be able to raise fund to meet a level sufficient to finance the working capital requirements of the Group; (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position; and (iv) the Directors believe that the performance of the Group will be significantly improved in the forthcoming year.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the unaudited 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 unaudited 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 unaudited condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period/year, 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 period/year beginning on 1 January 2020. 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.

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 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 TWELVE MONTHS ENDED 31 DECEMBER 2020

## 4. FAIR VALUE MEASUREMENTS (Continued)

(a) Disclosures of level in fair value hierarchy at 31 December 2020:

	Fair value measurements using			
	Level 1: HK\$'000 (Unaudited)	Level 2: HK\$'000 (Unaudited)	Level 3: HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	—	—	—	—
Derivative financial instruments	—	—	22,710	22,710
Total recurring fair value measurements	—	—	22,710	22,710

Disclosures of level in fair value hierarchy at 31 December 2019:

	Fair value measurements using			
	Level 1: HK\$'000 (Audited)	Level 2: HK\$'000 (Audited)	Level 3: HK\$'000 (Audited)	Total HK\$'000 (Audited)
Recurring fair value measurements:				
Equity investments at fair value through other comprehensive income	—	—	—	—
Derivative financial instruments	—	—	37,520	37,520
Total recurring fair value measurements	—	—	37,520	37,520

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 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	Derivative financial instruments HK\$'000	Total HK\$'000
At 1 January 2019 (Audited)	5,414	1,412	6,826
Fair value loss recognised in other comprehensive income (Audited)	(5,414)	–	(5,414)
Transfer to other receivables, deposits and prepayments (Audited)	–	(12,131)	(12,131)
Fair value gain recognised in profit or loss (#) (Audited)	–	48,239	48,239
	<u>–</u>	<u>48,239</u>	<u>48,239</u>
At 31 December 2019 and 1 January 2020 (Audited)	–	37,520	37,520
Transfer to other receivables, deposits and prepayments (Unaudited)	–	(16,576)	(16,576)
Fair value gain recognised in profit or loss (#) (Unaudited)	–	1,766	1,766
	<u>–</u>	<u>1,766</u>	<u>1,766</u>
At 31 December 2020 (Unaudited)	<u>–</u>	<u>22,710</u>	<u>22,710</u>
(#) Include gains or losses for assets held at 2019 (Audited)	<u>–</u>	<u>48,239</u>	<u>48,239</u>
(#) Include gains or losses for assets held at 2020 (Unaudited)	<u>–</u>	<u>1,766</u>	<u>1,766</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 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 management is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The management reports directly to the Board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the management 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 31 December 2020 HK\$'000 (Unaudited)	At 31 December 2019 HK\$'000 (Audited)
Unlisted equity securities, classified as						
Equity investments at fair value through other comprehensive income	Assets approach	Net assets	N/A	Increase	-	-
Derivative financial instruments, profit guarantee	Income approach	Probabilities	5%	Increase	22,710	37,520

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION

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.

For the twelve months ended 31 December 2020, the Group has three operating and reportable segments, namely (i) Production, sale and trading of textile products, (ii) Trading of petroleum and chemical products and (iii) RMB banknotes clearing up services and others.

For the year ended 31 December 2019, the Group has four operating and reportable segments, namely (i) Production, sale and trading of textile products, (ii) Trading of petroleum and chemical products, (iii) Provision of financial services and (iv) RMB banknotes clearing up services and others.

Segment profit/(loss) represents the profit/(loss) before taxation of each segment without allocation of share of result of associates, 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 investment in associates, tax recoverable, deposits and prepayments, assets classified as held for sale, and unallocated corporate assets while segment liabilities exclude bank and other borrowings, amount due to a related party, amount due to a former subsidiary, current and deferred tax liabilities, promissory note payable, 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 TWELVE MONTHS ENDED 31 DECEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

For the twelve months ended 31 December 2020

	RMB banknotes clearing up services and others HK\$'000 (Unaudited)	Production, sale and trading of textile products HK\$'000 (Unaudited)	Trading of petroleum and chemical products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue	31,995	7,440	279,841	319,276
Segment profit/(loss)	6,241	(22,512)	(1,074)	(17,345)
Unallocated expenses				(106,708)
Interest revenue				2,575
Other income				3,586
Other gains and losses				(275,444)
Finance costs				(242,579)
Share of result of associates				(624)
Loss before tax				(636,539)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2019

	RMB banknotes clearing up services and others HK\$'000 (Audited)	Production, sale and trading of textile products HK\$'000 (Audited)	Trading of petroleum and chemical products HK\$'000 (Audited)	Provision of financial services HK\$'000 (Audited)	Total HK\$'000 (Audited)
Revenue	37,345	147,946	518,627	438	704,356
Segment profit/(loss)	145	(178,446)	(53,281)	(2,890)	(234,472)
Unallocated expenses					(104,330)
Interest revenue					647
Other income					4,977
Other gains and losses					(165,096)
Finance costs					(129,877)
Share of result of associates					(942)
Loss before tax					(629,093)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers:

	RMB banknotes clearing up services and others HK\$'000 (Unaudited)	Production, sale and trading of textile products HK\$'000 (Unaudited)	Trading of petroleum and chemical products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
For the twelve months ended 31 December 2020				
Geographical markets				
PRC	31,995	1,940	278,151	312,086
Hong Kong	–	5,500	1,690	7,190
	<u>31,995</u>	<u>7,440</u>	<u>279,841</u>	<u>319,276</u>
Timing of revenue recognition				
At a point in time	<u>31,995</u>	<u>7,440</u>	<u>279,841</u>	<u>319,276</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

For the year ended 31 December 2019	RMB banknotes clearing up services and others HK\$'000 (Audited)	Production, sale and trading of textile products HK\$'000 (Audited)	Trading of petroleum and chemical products HK\$'000 (Audited)	Provision of financial services HK\$'000 (Audited)	Total HK\$'000 (Audited)
Geographical markets					
PRC	37,345	4,788	303,076	–	345,209
Hong Kong	–	27,131	215,551	438	243,120
Other Asian countries	–	17,941	–	–	17,941
Europe	–	49,196	–	–	49,196
North America	–	48,890	–	–	48,890
	<u>37,345</u>	<u>147,946</u>	<u>518,627</u>	<u>438</u>	<u>704,356</u>
Timing of revenue recognition					
At a point in time	37,345	147,946	518,627	41	703,959
Over time	–	–	–	397	397
	<u>–</u>	<u>–</u>	<u>–</u>	<u>397</u>	<u>397</u>
Total	<u>37,345</u>	<u>147,946</u>	<u>518,627</u>	<u>438</u>	<u>704,356</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

As at 31 December 2020

	RMB banknotes clearing up services and others HK\$'000 (Unaudited)	Production, sale and trading of textile products HK\$'000 (Unaudited)	Trading of petroleum and chemical products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Segment assets	310,684	101,987	9,980	422,651
Assets classified as held for sale				9,477
Tax recoverable				286
Unallocated corporate assets				39,156
Consolidated total assets				471,570
Segment liabilities	35,320	114,927	12,370	162,617
Bank and other borrowings				928,232
Promissory note payable				11,385
Amount due to a former subsidiary				244,288
Current and deferred tax liabilities				22,753
Liabilities associated with assets classified as held for sale				24,552
Unallocated corporate liabilities				195,738
Consolidated total liabilities				1,589,565

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 5. REVENUE AND SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

As at 31 December 2019

	RMB banknotes clearing up services and others HK\$'000 (Audited)	Production, sale and trading of textile products HK\$'000 (Audited)	Trading of petroleum and chemical products HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment assets	<u>219,454</u>	<u>158,154</u>	<u>28,188</u>	405,796
Assets classified as held for sale				9,054
Investment in associates				13,923
Unallocated corporate assets				<u>22,407</u>
Consolidated total assets				<u>451,180</u>
Segment liabilities	<u>28,109</u>	<u>124,177</u>	<u>1,548</u>	153,834
Bank and other borrowings				611,555
Amount due to a related party				5,095
Current and deferred tax liabilities				18,277
Liabilities associated with assets classified as held for sale				23,456
Unallocated corporate liabilities				<u>131,425</u>
Consolidated total liabilities				<u>943,642</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 6. OTHER INCOME

	For the twelve months ended 31 December 2020 <i>HK\$'000</i> (Unaudited)	For the year ended 31 December 2019 <i>HK\$'000</i> (Audited)
Income from sales of scrap materials	–	425
Sundry income	<u>3,586</u>	<u>4,552</u>
	<u>3,586</u>	<u>4,977</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 7. OTHER GAINS AND LOSSES

	For the twelve months ended 31 December 2020 HK\$'000 (Unaudited)	For the year ended 31 December 2019 HK\$'000 (Audited)
Loss on deconsolidation of subsidiaries	(14,489)	–
Loss on disposal/deregistration of subsidiaries	(244,294)	(7,982)
Loss on disposal of investment in associates	(568)	–
Loss on disposal of investments at fair value through profit or loss	–	(723)
Net exchange gain	–	755
(Loss)/gain on disposal/written off of property, plant and equipment	(5,072)	9
Loss on extinguishing financial liabilities with equity instruments	–	(1,333)
Fair value gain on derivative financial instruments	1,766	48,239
Impairment losses recognised in respect of property, plant and equipment	(204)	(42,406)
Impairment losses recognised on trade and other receivables, net	(333)	(153,315)
Impairment losses recognised on goodwill	–	(34,311)
Impairment losses recognised on right-of-use assets	(313)	(2,598)
Impairment losses recognised on intangible assets	–	(4,080)
Impairment losses recognised on investment in associates	(11,937)	(160,813)
Impairment loss on deposit paid for acquisition of land use right and property, plant and equipment	–	(5,230)
Gain on fair value changes on modification of other borrowings	–	5,031
	<u>(275,444)</u>	<u>(358,757)</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 8. FINANCE COSTS

	For the twelve months ended 31 December 2020 HK\$'000 (Unaudited)	For the year ended 31 December 2019 HK\$'000 (Audited)
Interest on bank and other borrowings	242,182	129,419
Interest on promissory note payable	244	–
Interest on lease liabilities	153	458
	<u>242,579</u>	<u>129,877</u>

## 9. INCOME TAX EXPENSE

	For the twelve months ended 31 December 2020 HK\$'000 (Unaudited)	For the year ended 31 December 2019 HK\$'000 (Audited)
Hong Kong Profits Tax:		
– Current tax	157	–
PRC Enterprise Income Tax:		
– Current tax	373	2,176
Deferred tax	4,253	1,490
	<u>4,783</u>	<u>3,666</u>

For the twelve months ended 31 December 2020 and year ended 31 December 2019, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK\$2 million of estimated assessable profits is taxed at a reduced rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

Under the Law of the Cambodian Income Tax, the tax rate of the Cambodia subsidiaries is 20%.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 10. LOSS FOR THE PERIOD/YEAR

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

	For the twelve months ended 31 December 2020 HK\$'000 (Unaudited)	For the year ended 31 December 2019 HK\$'000 (Audited)
Cost of inventories sold	303,523	735,299
Amortisation of intangible assets	3,172	3,877
Depreciation of property, plant and equipment	6,949	24,696
Depreciation of right-of-use assets	967	5,671
Directors' remuneration	1,905	5,509
	<u>316,516</u>	<u>775,052</u>

## 11. DIVIDENDS

The Directors do not recommend the payment of any dividend for the twelve months ended 31 December 2020 and year ended 31 December 2019.

## 12. LOSS PER SHARE

The calculation of the basic loss per share for the period/year is based on the loss for the period/year attributable to the owners of the Company of approximately HK\$640,432,000 (2019: HK\$585,613,000) and on the weighted average number of shares in issue during the period/year of approximately 6,298,816,000 (2019: 6,232,086,000).

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

## 13. PROPERTY, PLANT AND EQUIPMENT

During the twelve months ended 31 December 2020, the additions of property, plant and equipment are approximately HK\$1,529,000 (2019: HK\$2,003,000).



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 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.

	31 December 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0 – 30 days	7,640	5,295
31 – 60 days	2,023	2,449
61 – 90 days	621	3,317
91 – 120 days	1,037	1,156
Over 120 days	54,807	38,899
	<u>66,128</u>	<u>51,116</u>

## 15. TRADE AND OTHER PAYABLES

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

	31 December 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
0-60 days	5,314	9,133
61-90 days	103	560
Over 90 days	48,634	49,623
	<u>54,051</u>	<u>59,316</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 16. BANK AND OTHER BORROWINGS

During the current period, the Group obtained new bank and other borrowings amounting to approximately HK\$109,712,000 (2019: HK\$214,177,000) as additional working capital and repaid approximately HK\$55,892,000 (2019: HK\$106,074,000). All the new borrowings are bearing fixed interest at the rates ranging from 6% to 31.2% (2019: 0.1% to 55%) per annum.

## 17. ACQUISITION OF SUBSIDIARIES

On 25 September 2020, the Group acquired 66% of the issued share capital of Titok Investment Limited and its subsidiaries for issuance of a promissory note of approximately HK\$11,141,000 (face value: approximately HK\$12,717,000). Titok Investment Limited and its subsidiaries were engaged in production, sale and trading of surgical masks during the period.

The fair value of the identifiable assets and liabilities of Titok Investment Limited and its subsidiaries acquired as at its date of acquisition, which has no significant difference from its carrying amount, is as follows:

	HK\$'000
Property, plant and equipment	11,713
Right-of-use assets	483
Inventories	2,300
Other receivables, deposits and prepayment	2,167
Bank and cash balances	166
Trade payables	(29)
Accrual and other payables	(846)
Lease liabilities	(513)
	<hr/>
Total identifiable net assets at fair value	15,441
Non-controlling interests	(5,277)
Goodwill	977
	<hr/>
	11,141
	<hr/>
Satisfied by:	
Promissory note	11,141
	<hr/>
Net cash inflow arising on acquisition:	
Cash consideration paid	—
Cash and cash equivalents acquired	166
	<hr/>
	166
	<hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 18. DECONSOLIDATION OF SUBSIDIARIES

As mentioned in note 2, on 14 July 2020, the Group deconsolidated the results, assets, liabilities and cash flows of the Cambodia Group.

Net assets of the Cambodia Group at the date of deconsolidation were as follows:

	Cambodia Group HK\$'000 (Unaudited)
Property, plant and equipment	54,795
Right-of-use assets	822
Trade and other receivables, deposits and prepayments	4,863
Bank balances and cash	354
Trade and other payables	(43,523)
Lease liabilities	(847)
	<hr/>
Net assets deconsolidated:	16,464
Release of foreign currency translation reserve	(1,975)
	<hr/>
Loss on deconsolidation of subsidiaries	14,489
	<hr/> <hr/>
Net cash outflow arising on deconsolidation:	
Cash and cash equivalents deconsolidated	(354)
	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 19. DISPOSAL/DEREGISTRATION OF SUBSIDIARIES

On 2 April 2020, Champion Alliance Industries Limited (the “Lender”) executed the share mortgage over the issued shares of Champion Forever Group Limited (“Champion Forever”), a wholly owned subsidiary of the Group, in favour of the Lender.

On 20 July 2020, the Group disposed of 100% equity interest of Unique Wealth Management Limited (“Unique Wealth”) to Top Sense Marketing Company Limited, an independent third party.

Net assets at the date of disposal/deregistration were as follows:

	Champion Forever HK\$'000 (Unaudited)	Unique Wealth HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Other receivables, deposits and prepayments	–	2	2
Bank balances and cash	2	2	4
Amount due from former fellow subsidiaries	291,339	–	291,339
Amount due to former ultimate holding company	(46,551)	–	(46,551)
Amount due to former fellow subsidiaries	(500)	–	(500)
Net assets disposed/deregistrated of:	244,290	4	244,294
Loss on disposal/deregistration of subsidiaries	(244,290)	(4)	(244,294)
Total consideration	–	–	–
Net cash outflow arising on disposal/ deregistration:			
Cash and cash equivalents disposed/ deregistrated of	(2)	(2)	(4)

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 20. CONTINGENT LIABILITIES

At the end of the reporting period, the Group and the Company did not have any significant contingent liabilities (2019: Nil).

## 21. 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:

	31 December 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Right-of-use assets	5,150	5,471
Property, plant and equipment	<u>28,543</u>	<u>29,333</u>
	<u>33,693</u>	<u>34,804</u>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 22. RELATED PARTY DISCLOSURE

### Related party balance

Details of the outstanding balance with the related party are set out as below. The amount due to a related party is unsecured, interest-free and has no fixed repayment terms.

	31 December 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Amount due to:		
– Mr. Poon Sum	–	5,095

In addition, Mr. Poon Sum, a director of the Company up to 30 November 2020, provided a personal guarantee to an independent third party for the Group's borrowing of principal amount of HK\$160,000,000 (2019: HK\$160,000,000) as at 31 December 2020.

## 23. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcements dated 13 November 2018, 24 December 2018 and 28 December 2018 in relation to the acquisition of Jiu Zhou Financial Group Co. Limited, Mr. Hao Zhao (the "Vendor") has warranted and guaranteed that the audited consolidated net profit after tax of Zhongcheng Huiyu Technology Services Company Limited ("Zhongcheng Huiyu") for the financial years ending 31 December 2019, 31 December 2020 and 31 December 2021 shall not be less than RMB23,000,000, RMB28,000,000 and RMB34,000,000 (the "Original Guaranteed Profit(s)") respectively and personal guarantee has been given by Mr. Hao Xiangbin (the "Guarantor") to guarantee the performance of the obligations by the Vendor under the sales and purchase agreement and supplemental agreement dated 13 November 2018 and 24 November 2018, respectively (the "Existing Agreements").

As disclosed in the Company's announcement dated 29 January 2021, pursuant to the conditional supplemental deed (the "Supplemental Deed") dated 29 January 2021, the Vendor irrevocably warrants and guarantees to the Group that the audited consolidated net profit after tax of Zhongcheng Huiyu for the financial year ended 31 December 2019 and for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not be less than RMB23,000,000, RMB8,000,000, RMB30,000,000 and RMB36,000,000 (the "New Guaranteed Profits") respectively and the Guarantor has agreed to guarantee the performance of the obligations by the Vendor under the Supplemental Deed.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2020

## 23. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

Completion of the Supplemental Deed is conditional upon:

- (i) the passing of the relevant resolution(s) by the independent shareholder at the extraordinary general meeting to approve the Supplemental Deed and the transactions contemplated thereunder; and
- (ii) all necessary consents and approvals required to be obtained on the part of the Group and the Vendor in respect of the Supplemental Deed and the transactions contemplated thereunder having been obtained.

None of the above conditions can be waived. If any of the conditions mentioned above have not been fulfilled on or before 30 June 2021 or such later date as the parties to the Supplemental Deed may otherwise agree in writing, the Supplemental Deed shall cease and determine. None of the parties to the Supplemental Deed shall have any liability to the other parties under the Supplemental Deed, save for any antecedent breaches.

## 24. APPROVAL OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements were approved and authorised for issue by the Board of Directors on 26 February 2021.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

### Business Review

GTI Holdings Limited (the “Company”) was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liabilities on 9 June 2004. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company and its subsidiaries (the “Group”) are principally engaged in sales and trading of textile products (including surgical masks), trading of petroleum and chemical products, RMB banknotes clearing up services and others.

The Group’s consolidated revenue for the twelve months ended 31 December 2020 decreased by 54.7% from approximately HK\$704,356,000 for the year ended 31 December 2019 to approximately HK\$319,276,000, while the net loss for the period increased to approximately HK\$641,322,000 as compared to approximately HK\$632,759,000 for the corresponding period last year.

### Textile business

During the twelve months ended 31 December 2020, the revenue from the textile business was approximately HK\$7,440,000. Compared to the year ended 31 December 2019, the revenue from the textile business dropped significantly by 95.0%. The overall segment loss from textile business improved from the loss of approximately HK\$178,446,000 in the same period last year to approximately HK\$22,512,000 this year.

During the period under review, the production in our Cambodia site was abandoned because operation of the factory was suspended under court orders of the Kandel Provisional Court in Cambodia (the “Kandel Court”). Based on the latest financial information, the net assets value of the Group’s Cambodia group companies as at 31 December 2019 was approximately HK\$16,464,000, including total assets and total liabilities of approximately HK\$60,834,000 and HK\$44,370,000, respectively, while the total claims against the operating subsidiaries (namely Eco Base Factory Limited and Dignity Knitter Limited) in Cambodia were approximately HK\$34,008,000 (equivalent to approximately US\$4,360,000), including certain outstanding employees’ salaries, tax expenses, rental expenses and trade balances etc. With reference to the Court Orders issued from the Kandel Court and the Notices issued by the administrator in June 2020 and July 2020, respectively, insolvency proceedings were opened and the administrator was appointed for the operating subsidiaries in Cambodia. In accordance with the Articles of the General Provisions in Cambodia, the management and power over all debtor’s assets shall vest in the administrator, as such, the Board considers that the financial information of the operating subsidiaries was deconsolidated from the consolidation financial statements of the Group during the twelve months ended 31 December 2020 with loss on deconsolidation of approximately HK\$14,489,000 recorded under other gains and losses.

## MANAGEMENT DISCUSSION AND ANALYSIS

Due to the outbreak of COVID-19 (“**Outbreak**”) in the People’s Republic of China (the “**PRC**”) during the period under review, the Group’s operation for the production and sale of yarn in the PRC has ceased.

Nevertheless, the Group had implemented the restructuring on and extension of the textile business by entering into the surgical mask industry through acquisition of Titok Investment Limited in September 2020, which has enriched the Group’s textile business and profile. Particularly, the Board considers that the synergy between the ordinary textile business and surgical mask business through sharing experience and resources can benefit the development and expansion of this business segment. In light of the latest market development and surging demand for personal protective equipment against the Outbreak, the Board considers such investment would have great prospect.

### Trading of petroleum and chemical products

Trading of chemical products was the major source of the revenue of the Group during the twelve months ended 31 December 2020. Due to the unfavourable market condition and intensive oil price volatility in 2020, the Group has implemented a risk averse approach in the trading of petroleum for the twelve months ended 31 December 2020, with revenue dropped significantly from approximately HK\$518,627,000 for the year ended 31 December 2019 to approximately HK\$279,841,000 for the current period. However, the trading of petroleum and chemical products business remains as the Group’s major source of revenue, representing over 87.6% of the Group’s total revenue for the twelve months ended 31 December 2020.

### RMB banknotes clearing up services business

Our Group’s equity interest in Zhongcheng Huiyu Technology Services Company Limited, together with its subsidiaries (“Zhongcheng Huiyu”), were principally engaged in the provision of financial outsourcing services of RMB banknotes clearing up services in the PRC. We offer one-stop professional financial outsourcing services for the branches of the People’s Bank of China and its local commercial banks in the PRC. During the twelve months ended 31 December 2020, the revenue from RMB banknotes clearing up services business was approximately HK\$31,995,000, as compared to approximately HK\$37,345,000 for year ended 31 December 2019, representing a drop in revenue of 14.3%. However, this segment managed to significantly improve its contribution to the Group with segment profit of approximately HK\$6,241,000 for the twelve months ended 31 December 2020, compared to approximately HK\$145,000 for the corresponding period last year.

As disclosed in the Company’s announcement dated 29 January 2021, Mr. Hao Zhao (the “**Vendor**”) had provided profit guarantee in favour of the Group for the performance of Zhongcheng Huiyu in the year 2019, 2020 and 2021 and personal guarantee had been given by Mr. Hao Xiangbin (the “**Guarantor**”), executive director of the Company, to guarantee the performance of the obligations by the Vendor.

## MANAGEMENT DISCUSSION AND ANALYSIS

According to the audited financial statements of Zhongcheng Huiyu for the year ended 31 December 2019, the profit of Zhongcheng Huiyu for the year 2019 falls below the guaranteed profit and the Vendor shall compensate the Group in the amount of approximately RMB10,423,000. The non-fulfilment of the guaranteed profit in the year 2019 was mainly due to the winding up petition filed against the Company in the High Court in August 2019 which has seriously damaged the Group's image and stopped certain customers (mainly financial institutions in the PRC) to start new businesses with Zhongcheng Huiyu.

Considering that the business performance of Zhongcheng Huiyu was affected by the above unforeseeable event and further affected by the Outbreak, which are beyond the control of the Company, the Vendor and the Guarantor, the Group has entered into a conditional supplemental deed dated 29 January 2021 with the Vendor and the Guarantor to extend the profit guarantee period, pursuant to which the Vendor irrevocably warrants and guarantees to the Group that the audited consolidated net profit after tax of Zhongcheng Huiyu for the financial year ended 31 December 2019 and for the financial years ending 31 December 2021, 31 December 2022 and 31 December 2023 shall not be less than RMB23,000,000, RMB8,000,000, RMB30,000,000 and RMB36,000,000 (the **"New Guaranteed Profits"**) respectively and the Guarantor has agreed to guarantee the performance of the obligations by the Vendor.

### Prospects

The global economic outlook beyond 2020 will remain highly uncertain, externally with the continuance of the US-China trade war and the current situation of the Outbreak surrounding all over the world. Internally, as previously announced by the Company, The Company has certain liabilities that have fallen due and is facing legal actions for the repayment of debts. Several bondholders/creditors of the Company have filed winding up petitions against the Company in the High Court in August 2019 and 2020, business activities of the Group are still subject to additional challenge.

Despite the uncertainties and challenges casted by the macroeconomic and political factors, during the period, the Board has reviewed the businesses of the Group with a view to improving the shareholders' returns, streamlining and strengthening the business operations.

On 28 May 2020, an order from the Grand Court of the Cayman Islands in favour of the Company was granted and the Joint Provisional Liquidators (the "JPLs") were appointed for restructuring purposes on a light touch approach. On 19 August 2020, the Company, Mega Yield Enterprise Development Limited and the JPLs entered into a funding agreement in relation to the provision of funding to facilitate the preparation and implementation of the restructuring plan of the Company. As announced by the Company from time to time, the Company and the JPLs are working together to formulate a debt restructuring plan of the Company, in order to relieve the winding up petitions against the Company and ultimately to ensure the Company will continue to be in satisfaction of the listing requirements.

## MANAGEMENT DISCUSSION AND ANALYSIS

Despite of the hard hit of the Outbreak earlier 2020, the Group managed to take advantage of this opportunity to bring much prospect of the textile industry by introducing the surgical mask business. Based on the current situation with increasing case numbers all over the world recently, surgical masks are popularly worn by the general public to reduce the chance of spreading diseases to others, and to prevent from the breathing in germs, the Board will continue to seek business opportunity in order to increase the customer based and expand the surgical mask business.

During 2020, the Group maintained its cautious and conservative approach on the trading of petroleum and chemical business in view of the uncertain economic conditions with the oil price volatility. However, the Directors consider the possibility on expansion of value-added services into the chemical business by assigning more resources in this segment, with a view to increase this segment's sales volume and gross margin in the long run. In addition, the management will continue to seek business opportunity to expand any sort of natural resources and energy related business in the future.

The management expects that the current situation in the RMB banknotes clearing up services business will gradually recover and improve once the Group's restructuring plan is concluded and the proposed scheme of arrangement between the Company and its creditors has been implemented.

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. The financial restructuring will further proceed subject to the supervision of the JPLs. The management of the Company will minimise all non-core assets and liabilities so that the Group will restore into a healthier financial position.

### FINANCIAL REVIEW

#### Revenue

During the twelve months ended 31 December 2020, the revenue of the Group decreased by approximately 54.7% from approximately HK\$704,356,000 for the year ended 31 December 2019 to approximately HK\$319,276,000.

For twelve months ended 31 December 2020, the revenue from the textile business (including surgical masks) was approximately HK\$7,440,000 which accounted for approximately 2.3% of the revenue of the Group owing to the fact that textile business had ceased its production of cotton and yarns since the closedown of the factory in the Cambodia site, and only the Anhui factory remains in operation. Nevertheless, revenue of approximately HK\$5,905,000 was contributed from the newly introduced mask business.

## MANAGEMENT DISCUSSION AND ANALYSIS

The trading of petroleum and chemical products became the major contributor of revenue of the Group and it represented approximately over 87.6% of the Group's total revenue during the period under review. The trading of petroleum and chemical products was mainly carried out in Hong Kong and the PRC during the current period.

During the period under review, the revenue from RMB banknotes clearing up services business was approximately HK\$31,995,000 and represented approximately 10.0% of the Group's total revenue.

### Cost of sales and gross profit/loss margin

The cost of sales decreased by approximately 58.7% from approximately HK\$735,299,000 in the corresponding period last year to approximately HK\$303,523,000 during the period under review. There had been a turnaround in gross profit of approximately HK\$15,753,000 as compared to gross loss of approximately HK\$30,943,000 in the corresponding period, because of the contribution made by the RMB banknote clearing up services business.

### Other gains and losses

During the twelve months period under review, the other net losses of approximately HK\$275,444,000 decreased as compared to approximately HK\$358,757,000 for the year ended 31 December 2019. During the last year ended 31 December 2019, (i) the impairment losses were recognised on trade and other receivables of approximately HK\$153,315,000, in which the impaired other receivables of approximately HK\$100,182,000 mainly represented deposits paid for services and potential business opportunities and deposits paid to certain suppliers, given the long outstanding of those balances, the Board considers that the recoverability of those other receivables was remote, nevertheless, the management has implemented certain class of actions during the period at various status, including issuing demand notes, legal letters and further legal actions are/to be taken to recover the other receivables; (ii) the impairment losses of approximately HK\$160,813,000 were recognised on investment in associates, Coulman International Limited and its group companies, which are principally engaged in natural gas business. To the best knowledge of the management, the Group's effective interest in the associates' operating companies was passively diluted from 24.3% to 6.1% through capital injection from other investor during the year ended 31 December 2019.



## MANAGEMENT DISCUSSION AND ANALYSIS

During the twelve months period ended 31 December 2020, the other net losses were mainly derived from the loss on deconsolidation of Cambodia operating subsidiaries approximately HK\$14,489,000, the loss on disposal of a subsidiary, Champion Forever Group Limited, of approximately HK\$244,294,000 (in which amount due to the former subsidiary was recognised of approximately HK\$244,288,000 as at 31 December 2020), and further impairment loss was recognised on the investment in associates of approximately HK\$11,937,000, since the financial information would not be able to obtain due to the fact that the Group's effective interest in the associates' operating companies was further dropped from 6.1% to less than 2% due to a passive disposal of registered capital the associates' operating companies during the period. Nevertheless, the Company has appointed a PRC legal adviser to consider the possible claim and demand for compensation from the counterparties on the subjected matter.

### Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the period under review, with the suspended operation in Cambodia, the Group's overall selling and distribution costs decreased significantly to approximately HK\$1,110,000, representing approximately 0.3% of the Group's revenue.

### Administrative expenses

Administrative expenses increased by approximately 40.2% to approximately HK\$138,696,000 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. The increase in administrative expenses was mainly attributable to commission expenses for bonds renewal.

### Finance costs

Finance costs were mainly comprised of interests on bank and other borrowings which increased to approximately HK\$242,579,000 for the period under review. The increase in finance costs of approximately HK\$112,702,000 from HK\$129,877,000 for the corresponding period last year was attributable to additional bonds and bank borrowings and the interest expenses recognised during the period under review.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Borrowings

As at 31 December 2020, the Group had outstanding bank and other borrowings (including promissory note payable) of approximately HK\$939,617,000, including bonds payable, bank and other borrowings and promissory notes of approximately HK\$554,909,000, HK\$373,323,000 and HK\$11,385,000, respectively, in which approximately HK\$23,261,000 was due more than one year and the remaining balance of approximately HK\$916,356,000 was due within one year. The total bank and other borrowings increased by approximately HK\$328,062,000 when comparing with the balance as at 31 December 2019 due to the increase of bank borrowings of approximately HK\$55,028,000 in order to support the working capital of the Group. Besides, the increase in bonds payable of approximately HK\$273,628,000, was mainly attributable to new bonds, transfer of other payables, commission payable for bonds renewal and interest payables of approximately HK\$4,350,000, HK\$27,997,000, HK\$58,515,000 and HK\$182,771,000, respectively.

## Liquidity and financial resources

As at 31 December 2020, the Group's bank balances and cash increased from approximately HK\$3,242,000 as at 31 December 2019 to approximately HK\$10,510,000 as at 31 December 2020. The Group's total assets were approximately HK\$471,570,000 as at 31 December 2020.

The Group will continue to focus on improving the net cash from operating activities and asset restructuring and to meet its funding requirements in its usual course of operation 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 dollars, US dollar and Renminbi. The Group will remain concerned about the fluctuations in exchange rate of foreign currencies such as US dollar and Renminbi. To mitigate the foreign currency risk, the Group will consider entering into appropriate hedging arrangements from time to time.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Important Events after the Reporting Period

No important event which materially affected the Group has taken place since 31 December 2020 and up to the date of this report except the following:

1. As mentioned above, the Group has entered into a Supplemental Deed, in which the Vendor irrevocably warrants and guarantees to the Group that the audited consolidated net profit after tax of Zhongcheng Huiyu for the respective financial years shall not be less than the New Guaranteed Profits and the Guarantor has agreed to guarantee the performance of the obligations by the Vendor under the Supplemental Deed.

Completion of the Supplemental Deed is conditional upon:

- (i) the passing of the relevant resolution(s) by the Independent Shareholders at the extraordinary general meeting to approve the Supplemental Deed and the transactions contemplated thereunder; and
- (ii) all necessary consents and approvals required to be obtained on the part of the Group and the Vendor in respect of the Supplemental Deed and the transactions contemplated thereunder having been obtained.

None of the above conditions can be waived. If any of the conditions mentioned above have not been fulfilled on or before 30 June 2021 or such later date as the parties to the Supplemental Deed may otherwise agree in writing, the Supplemental Deed shall cease and determine. None of the parties to the Supplemental Deed shall have any liability to the other parties under the Supplemental Deed, save for any antecedent breaches.

Refer to the announcement of the Company dated 29 January 2021 for further details up to the date of this announcement, none of the above conditions are fulfilled.

2. On 11 March 2020, Ms. Wong Wing Sze Tiffany and Ms. Yeung Mei Lee of Alvarez & Marsal Asia Limited (the “Receivers”) were appointed as joint and several receivers and managers over the relevant shares, being 2,752,332,765 shares of the Company, held by Gold Train Investments Limited (“Gold Train”), representing approximately 43.70% of the entire issued share capital of the Company. Since the said appointment and up to the date of this announcement, the Company has not been advised by the Receivers of any proposed change of the ownership of the Relevant Shares which may or may not involve a change of the controlling shareholder of the Company, however, they are in the process of identifying purchaser(s) for the Relevant Shares and if materialised, may trigger a mandatory general offer for all the issued securities of the Company (the “Possible Transaction”).

## MANAGEMENT DISCUSSION AND ANALYSIS

In accordance with Rule 3.8 of the Takeovers Code, as of the date of this announcement, the Company has (i) a total of 6,298,816,169 shares in issue; and (ii) an aggregate of 1,000,000,000 shares which may fall to be issued in the event that the lender under the funding agreement dated 19 August 2020 elected to exercise its option to request the Company to allot and issue such new shares to settle the funding provided under the funding agreement, as detailed in the announcement of the Company dated 20 August 2020. Save as disclosed above, the Company has no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) as of the date of this report.

- References are made to the announcements of the Company dated 7 July 2020, 20 August 2020, 27 August 2020, 28 September 2020, 5 November 2020 and 30 December 2020 (collectively, the “Hearing Announcements”) in relation to, among other things, the hearings for application for directions and sanction of Scheme of Arrangement. In the hearing, the High Court has given directions on the preparation of the documents in relation to the Scheme of Arrangement and the Company will make further submissions for the High Court’s approval. Also, the hearing for sanction of the proposed Scheme of Arrangement has been tentatively rescheduled on 12 March 2021.

### Capital Commitments

The Group did not have any capital commitments as at 31 December 2020.

### 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 losses of the Company, the Board of Directors of the Company does not recommend the payment of an interim dividend for the twelve months ended 31 December 2020.

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

As at 31 December 2020, the interests of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of the Securities and Futures Ordinance (the "SFO")) which had been notified to the Company and The Stock Exchange of Hong Kong Limited (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 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	Number of shares held	Percentage of shareholding
Hao Xiangbin	The Company	Beneficial owner	96,100,000	1.53%

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

As at 31 December 2020, 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
Poon Sum ("Mr. Poon")	Interest in controlled corporation	3,097,476,000	49.18%
Gold Train	Beneficial owner ( <i>Note 1 and 3</i> )	3,097,476,000	49.18%
China Great Wall AMC (International) Holdings Company Limited ("China Great")	Security interest ( <i>Note 2</i> )	2,752,332,765	43.70%
Wong Wing Sze Tiffany	the Receiver	2,752,332,765	43.70%
Yeung Mei Lee	the Receiver	2,752,332,765	43.70%

## OTHER INFORMATION

### *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. 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, of which China Great filed a winding-up petition and a bankruptcy petition against Gold Train and Mr. Poon. Details were set out in the announcement of the Company dated 19 January 2020.
3. Pursuant to the order of the High Court of the Hong Kong Special Administrative Region (the “High Court”), Gold Train has been wound up by the order of the High Court on 9 September 2020.

Save as disclosed above, as at 31 December 2020, 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 23 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 23 May 2017 and will expire on 22 May 2027.

No options were granted, exercised, cancelled or lapsed during the twelve months ended 31 December 2020 nor outstanding as at 31 December 2020.

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

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

### **DISCLOSURE OF CHANGES IN INFORMATION OF DIRECTOR**

Pursuant to Rule 13.51B(1) of the Listing Rules, changes in Directors' information since the date of the 2020 Interim Report are set out below:

Mr. Huang Bin has retired and ceased to be an executive director of the Company with effect from 16 October 2020.

Mr. Sui Fuxiang has retired and ceased to be a non-executive director of the Company with effect from 16 October 2020.

Mr. Ng Kwok Hung Perry has been appointed as an executive director of China Bozza Development Holdings Limited (stock code: 1069), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited with effect from 30 November 2020. He has been appointed as the member of each of the nomination committee, remuneration committee and corporate governance committee of the Company with effect from 2 November 2020.

## OTHER INFORMATION

Mr. Tan Teng Hong has been appointed as an executive director of the Company with effect from 2 November 2020.

Dr. Tse Kwok Sang has resigned as an independent non-executive director, the chairman of each of the nomination committee and remuneration committee and the member of each of the audit committee and corporate governance committee of the Company with effect from 2 November 2020.

Mr. Chiu Wai Piu has resigned as an independent non-executive director and the member of each of the audit committee, remuneration committee, nomination committee and corporate governance committee of the Company with effect from 2 November 2020.

Mr. Cheung Kiu Cho Vincent has been appointed as a non-executive director and the member of each of the audit committee, remuneration committee and nomination committee of the Company with effect from 2 November 2020.

Mr. Chung Lim Tung has been appointed as an independent non-executive director, the chairman of each of the nomination committee and corporate governance committee and the member of the audit committee of the Company with effect from 2 November 2020.

Mr. Ng Ka Lun has been appointed as an independent non-executive director and the member of each of the nomination committee and remuneration committee of the Company with effect from 2 November 2020.

Mr. Zhou Weijia (alias Zhou Yi) has been appointed as an independent non-executive director and the member of each of the remuneration committee and corporate governance committee of the Company with effect from 2 November 2020.

Mr. Chan Shu Kin has been appointed as the chairman of the remuneration committee and re-designated from chairman to member of the corporate governance committee of the Company with effect from 2 November 2020. He has resigned as an independent non-executive director of PYI Corporation Limited (stock code: 498), a company listed on the Main Board of the Stock Exchange of Hong Kong Limited with effect from 3 February 2021.

Mr. Poon Sum has resigned as the chairman of the board of the Company with effect from 2 November 2020 but will remain as an executive director. He has resigned as an executive director of the Company with effect from 30 November 2020.



### CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance to safeguard the interest of its shareholders (the “Shareholders”) and enhance its corporate value. The Company has complied with the principles as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance and confirms that it has complied with all code provisions of the CG Code during the period under review.

The Board reviews the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

### INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the twelve months ended 31 December 2020 (year ended 31 December 2019: 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 twelve months ended 31 December 2020.

### REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group’s unaudited interim results for the twelve months ended 31 December 2020. 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 twelve months ended 31 December 2020.



## OTHER INFORMATION

### 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

**Ng Kwok Hung Perry**

*Executive Director*

26 February 2021