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## **GTI HOLDINGS LIMITED**

**共享集團有限公司**

*(a company incorporated in the Cayman Islands with limited liability)*

*(Provisional Liquidators Appointed)*

*(For Restructuring Purposes)*

**(Stock Code: 3344)**

### **ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE EIGHTEEN MONTHS ENDED 30 JUNE 2021**

The board of directors (the “**Directors**”) of the Company (the “**Board**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the eighteen months from 1 January 2020 to 30 June 2021 with comparative figures for the previous year as follows:

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the eighteen months ended 30 June 2021

	<i>Notes</i>	<b>For the eighteen months ended 30 June 2021 <i>HK\$'000</i> <i>(Unaudited)</i></b>	<b>For the year ended 31 December 2019 <i>HK\$'000</i> <i>(Audited)</i></b>
Revenue	4	643,426	704,356
Cost of sales		<u>(627,790)</u>	<u>(735,299)</u>
Gross profit/(loss)		15,636	(30,943)
Interest revenue		3,021	647
Other income	5	6,723	4,977
Other gains and losses	6	(106,429)	(358,757)
Share of results of associates		(624)	(942)
Selling and distribution costs		(3,065)	(15,298)
Administrative expenses		(133,426)	(98,900)
Finance costs		<u>(376,399)</u>	<u>(129,877)</u>
<b>Loss before tax</b>		<b>(594,563)</b>	<b>(629,093)</b>
Income tax expense	7	<u>(4,486)</u>	<u>(3,666)</u>
<b>Loss for the period/year</b>	8	<b><u>(599,049)</u></b>	<b><u>(632,759)</u></b>

		<b>For the eighteen months ended 30 June 2021 HK\$'000 (Unaudited)</b>	<b>For the year ended 31 December 2019 HK\$'000 (Audited)</b>
<b>Loss for the period/year</b>	8	<b>(599,049)</b>	<b>(632,759)</b>
<b>Other comprehensive loss</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investment at fair value through other comprehensive income		—	(5,412)
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(68)	(199)
Share of foreign currency translation reserve of an associate		—	(393)
Reclassification of translation reserve to profit or loss upon disposal of foreign subsidiaries/associate		12,056	(9,776)
		<u>11,988</u>	<u>(10,368)</u>
<b>Total comprehensive loss for the period/year</b>		<b><u>(587,061)</u></b>	<b><u>(648,539)</u></b>
<b>Loss for the period/year attributable to:</b>			
Owners of the Company		(594,780)	(585,613)
Non-controlling interests		(4,269)	(47,146)
		<u>(599,049)</u>	<u>(632,759)</u>
<b>Total comprehensive loss for the period/year attributable to:</b>			
Owners of the Company		(585,437)	(601,247)
Non-controlling interests		(1,624)	(47,292)
		<u>(587,061)</u>	<u>(648,539)</u>
<b>Loss per share</b>			
Basic and diluted (HK cents)	10	<b><u>(9.54)</u></b>	<b><u>(9.40)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	<i>Notes</i>	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2019 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		72,362	108,983
Right-of-use assets		16,996	13,031
Deposit paid for acquisition of land use right and property, plant and equipment		13,317	12,572
Goodwill		1,582	6
Intangible assets		12,561	18,353
Investments in associates		—	13,923
Derivative financial instruments		12,969	37,520
Trade and other receivables, deposits and prepayments		5,000	27,693
		<u>134,787</u>	<u>232,081</u>
<b>CURRENT ASSETS</b>			
Inventories		5,367	3,408
Trade and other receivables, deposits and prepayments	<i>11</i>	237,274	203,395
Bank balances and cash		22,988	3,242
		<u>265,629</u>	<u>210,045</u>
Assets classified as held for sale		—	9,054
		<u>265,629</u>	<u>219,099</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<i>12</i>	234,823	280,823
Contract liabilities		—	533
Tax liabilities		2,310	9,526
Bank and other borrowings — due within one year		922,164	425,414
Lease liabilities		2,925	2,618
Amount due to a former subsidiary		274,329	—
Amount due to a related party		586	5,095
		<u>1,437,137</u>	<u>724,009</u>
Liabilities classified as held for sale		—	23,456
		<u>1,437,137</u>	<u>747,465</u>
<b>Net current liabilities</b>		<u>(1,171,508)</u>	<u>(528,366)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,036,721)</u>	<u>(296,285)</u>

	<b>30 June 2021</b>	31 December 2019
<i>Notes</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b><i>(Unaudited)</i></b>	<i>(Audited)</i>
<b>NON-CURRENT LIABILITIES</b>		
Bank and other borrowings — due after one year	<b>24,038</b>	186,141
Lease liabilities	<b>3,670</b>	1,285
Deferred tax liabilities	<b>7,303</b>	8,751
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Total non-current liabilities	<b>35,011</b>	196,177
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<b>Net liabilities</b>	<b>(1,071,732)</b>	(492,462)
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<b>Capital and reserves</b>		
Share capital	<b>62,988</b>	62,988
Share premium and reserves	<b>(1,152,018)</b>	(569,528)
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<b>Deficit attributable to owners of the Company</b>	<b>(1,089,030)</b>	(506,540)
Non-controlling interests	<b>17,298</b>	14,078
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<b>TOTAL DEFICIT</b>	<b>(1,071,732)</b>	(492,462)
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# NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION

For the eighteen months ended 30 June 2021

## 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 addresses 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.

On 13 November 2020, the Company announced to change the financial year end date of the Company from 31 December to 30 June. Accordingly, the current financial period will cover a period of eighteen months from 1 January 2020 to 30 June 2021 with the comparative audited financial period from 1 January 2019 to 31 December 2019.

## 2. BASIS OF PREPARATION

### Appointment of provisional liquidators

On 26 May 2020, the Company filed a winding up petition (the “**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.

On 28 May 2020 (Cayman time), upon the hearing at the Cayman Court of the JPL Application, 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.

### Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$594,780,000 for the eighteen months ended 30 June 2021 and as at that date, the Group had net current liabilities and net liabilities of approximately HK\$1,171,508,000 and approximately HK\$1,071,732,000, 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 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 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 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 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 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 consolidated financial statements.

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

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) that are relevant to its operations and effective for its accounting period 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 consolidated financial statements and amounts reported for the current year and prior years.

### 4. REVENUE AND SEGMENT INFORMATION

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

**For the eighteen months ended 30 June 2021 (Unaudited)**

	RMB banknotes clearing up services and others <i>HK\$’000</i>	Production, sale and trading of textile products <i>HK\$’000</i>	Trading of petroleum <i>HK\$’000</i>	Provision of financial services <i>HK\$’000</i>	Total <i>HK\$’000</i>
Revenue	<u>34,670</u>	<u>31,992</u>	<u>576,764</u>	<u>—</u>	<u>643,426</u>
Segment (loss)/profit	<u>(2,683)</u>	<u>(70,179)</u>	<u>259</u>	<u>—</u>	<u>(72,603)</u>
Unallocated expenses					(126,642)
Interest revenue					3,021
Other income					6,723
Other gains and losses					(34,254)
Share of result of associates					(624)
Finance costs					<u>(370,184)</u>
Loss before tax					<u>(594,563)</u>

**For the year ended 31 December 2019 (Audited)**

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

**5. OTHER INCOME**

	<b>For the eighteen months ended 30 June 2021 <i>HK\$'000</i> (Unaudited)</b>	<b>For the year ended 31 December 2019 <i>HK\$'000</i> (Audited)</b>
Income from sales of scrap materials	—	425
Sundry income	<u>6,723</u>	<u>4,552</u>
	<u><b>6,723</b></u>	<u><b>4,977</b></u>



## 6. OTHER GAINS AND LOSSES

	<b>For the eighteen months ended 30 June 2021 HK\$'000 (Unaudited)</b>	<b>For the year ended 31 December 2019 HK\$'000 (Audited)</b>
Loss on deconsolidation of subsidiaries	(14,489)	—
Gain/(loss) on disposal of subsidiaries	6,517	(7,982)
Loss on disposal of investments at fair value through profit or loss	—	(723)
Net exchange (loss)/gain	(280)	755
Gain on disposal/written off of property, plant and equipment	181	9
Loss on extinguishing financial liabilities with equity instruments	—	(1,333)
Fair value (loss)/gain on derivative financial instruments	(24,551)	48,239
Impairment losses recognised in respect of property, plant and equipment	(1,886)	(42,406)
Impairment losses recognised on trade and other receivables, net	(58,783)	(153,315)
Impairment losses recognised on goodwill	—	(34,311)
Impairment losses recognised on right-of-use assets	(1,307)	(2,598)
Impairment losses recognised on intangible assets	(14)	(4,080)
Impairment losses recognised on investments in associates	(11,817)	(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
	<b><u>(106,429)</u></b>	<b><u>(358,757)</u></b>

## 7. INCOME TAX EXPENSE

	<b>For the eighteen months ended 30 June 2021 HK\$'000 (Unaudited)</b>	<b>For the year ended 31 December 2019 HK\$'000 (Audited)</b>
Hong Kong Profits Tax:		
— Current tax	—	241
— Overprovision in prior year	(99)	(30)
People's Republic of China's Enterprise Income Tax:		
— Current tax	6,033	—
Deferred tax	5,934	211
	<b><u>(1,448)</u></b>	<b><u>531</u></b>
	<b><u>4,486</u></b>	<b><u>742</u></b>

For the eighteen months ended 30 June 2021 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 People Republic of China (“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%.

## 8. LOSS FOR THE PERIOD/YEAR

The Group’s loss for the eighteen months ended 30 June 2021 is stated after charging the following:

	<b>For the eighteen months ended 30 June 2021 HK\$’000 (Unaudited)</b>	For the year ended 31 December 2019 HK\$’000 (Audited)
Auditor’s remuneration	2,523	1,900
Cost of inventories sold	619,149	735,299
Write-down of inventories (included in cost of sales)	—	14,091
Depreciation of property, plant and equipment	5,134	24,696
Depreciation of right-of-use assets	5,791	5,671
Expenses related to short-term leases	1,881	1,016
Directors’ remuneration	7,779	5,509
	<u>          </u>	<u>          </u>

## 9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the eighteen months ended 30 June 2021 and the year ended 31 December 2019.

## 10. LOSS PER SHARE

The calculation of the basic loss per share for the eighteen months ended 30 June 2021 is based on the loss for the period attributable to the owners of the Company of approximately HK\$594,780,000 (For the year ended 31 December 2019: HK\$585,631,000) and on the weighted average number of shares in issue during the period of approximately 6,232,086,000 (For the year ended 31 December 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 both periods.

## 11. TRADE RECEIVABLES

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

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2019 <i>HK\$'000</i> <i>(Audited)</i>
0–30 days	1,453	5,295
31–60 days	1,114	2,449
61–90 days	5,568	3,317
91–120 days	2,635	1,156
121–180 days	1,470	2,203
181–365 days	6,085	12,639
Over 1 year	41,255	—
	<u>59,580</u>	<u>27,059</u>

## 12. TRADE PAYABLES

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

	As at <b>30 June</b> <b>2021</b> <i>HK\$'000</i> <i>(Unaudited)</i>	As at 31 December 2019 <i>HK\$'000</i> <i>(Audited)</i>
0–60 days	627	9,133
61–90 days	4,554	560
Over 90 days	50,750	49,623
	<u>55,931</u>	<u>59,316</u>

## 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 eighteen months ended 30 June 2021 decreased by 8.7% from approximately HK\$704,356,000 for the year ended 31 December 2019 to approximately HK\$643,426,000 for the eighteen months ended 30 June 2021, while the net loss for the period decreased to approximately HK\$599,049,000 as compared to approximately HK\$632,759,000 for the year ended 31 December 2019.

#### Textile business

During the eighteen months ended 30 June 2021, the revenue from the textile business was approximately HK\$31,992,000. Compared to the year ended 31 December 2019, the revenue from the textile business dropped significantly by 78.4%. The overall segment loss from textile business improved from the loss of approximately HK\$178,446,000 in last year to approximately HK\$70,179,000 this period.

During the eighteen months ended 30 June 2021, 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 eighteen months ended 30 June 2021 with loss on deconsolidation of subsidiaries of approximately HK\$14,489,000 recorded under other gains and losses.

Due to the outbreak of COVID-19 (“**Outbreak**”) in the People’s Republic of China (the “**PRC**”) during the eighteen months ended 30 June 2021, 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 and Profit Fortune International Limited in September 2020 and April 2021 respectively, 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 eighteen months ended 30 June 2021. Due to the unfavourable market condition and intensive oil price volatility during the period, the Group has implemented a risk averse approach in the trading of petroleum for the eighteen months ended 30 June 2021, with revenue increased slightly from approximately HK\$518,627,000 for the year ended 31 December 2019 to approximately HK\$576,764,000 for the eighteen months ended 30 June 2021. The trading of petroleum and chemical products business remains as the Group’s major source of revenue, representing over 89.6% of the Group’s total revenue for the eighteen months ended 30 June 2021.

### **RMB banknotes clearing up services business**

Our Group’s subsidiary, 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 eighteen months ended 30 June 2021, the revenue from RMB banknotes clearing up services business was approximately HK\$34,670,000, as compared to approximately HK\$37,345,000 for year ended 31 December 2019, representing a drop in revenue of 7.2%. Affected by the drop in revenue, this segment resulted a loss of approximately HK\$2,683,000 for the eighteen months ended 30 June 2021, compared to segment profit of approximately HK\$145,000 for 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 years 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.

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 June 2021 will remain highly uncertain, externally with the continuance of 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. Further details are set out in the Company's announcements dated 5 June 2020, 26 June 2020, 13 July 2020, 15 July 2020, 18 August 2020, 23 September 2020, 17 November 2020, 1 February 2021, 22 March 2021, 30 June 2021 and 19 July 2021.

Despite of the hard hit of the Outbreak in early 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 base and expand the surgical mask business.

During 2020 and 2021, 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 eighteen months ended 30 June 2021, the revenue of the Group decreased by approximately 8.7% from approximately HK\$704,356,000 for the year ended 31 December 2019 to approximately HK\$643,426,000.

For eighteen months ended 30 June 2021, the revenue from the textile business (including surgical masks) was approximately HK\$31,992,000 which accounted for approximately 5.0% 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, only revenue of approximately HK\$28,800,000 was contributed from the newly introduced mask business.

The trading of petroleum and chemical products became the major contributor of revenue of the Group and it represented approximately over 89.6% of the Group's total revenue during the eighteen months ended 30 June 2021. The trading of petroleum and chemical products was mainly carried out in Hong Kong and the PRC during the eighteen months ended 30 June 2021.

During the eighteen months ended 30 June 2021, the revenue from RMB banknotes clearing up services business was approximately HK\$34,670,000 and represented approximately 5.4% of the Group's total revenue.

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

The cost of sales decreased by approximately 14.6% from approximately HK\$735,299,000 in the year ended 31 December 2019 to approximately HK\$627,790,000 during the eighteen months ended 30 June 2021. There had been a turnaround in gross profit of approximately HK\$15,636,000 as compared to gross loss of approximately HK\$30,943,000 in the year ended 31 December 2019, because of the contribution made by the newly acquired surgical mask industry.

### **Other gains and losses**

During the eighteen months ended 30 June 2021, the other net losses of approximately HK\$106,429,000 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 considered 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 investments 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.

During the eighteen months ended 30 June 2021, 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 subsidiaries of approximately HK\$7,972,000, and further impairment loss was recognised on the investments in associates and other receivables of approximately HK\$11,817,000 and HK\$58,783,000 respectively. The interest in associate was fully impaired during the 2020 Second Interim and the subsidiary holding the associate was disposed of at HK\$100,000 during the eighteen months ended 30 June 2021.



## **Selling and distribution costs**

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the eighteen months ended 30 June 2021, with the suspended operation in Cambodia, the Group's overall selling and distribution costs decreased significantly to approximately HK\$3,065,000, representing approximately 0.5% of the Group's revenue.

## **Administrative expenses**

Administrative expenses increased by approximately 34.9% to approximately HK\$133,426,000 during the eighteen months ended 30 June 2021. 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 mainly comprised interests on bank and other borrowings which increased to approximately HK\$376,399,000 for the eighteen months ended 30 June 2021. The increase in finance costs of approximately HK\$234,595,000 during the eighteen months ended 30 June 2021 was attributable to additional interest for bonds and bank and other borrowings recognised during the period, as bonds and bank and other borrowings recognised under amortised costs method in the year ended 31 December 2019 were adjusted to its outstanding principal plus accrued interest after the effect of the JPL appointed for restructuring purposes on 28 May 2020.

## **Borrowings**

As at 30 June 2021, the Group had outstanding bank and other borrowings (including promissory note payable) of approximately HK\$946,202,000, including bonds payable, bank and other borrowings and promissory notes of approximately HK\$652,870,000, HK\$273,211,000 and HK\$20,121,000, respectively, in which approximately HK\$24,038,000 was due more than one year and the remaining balance of approximately HK\$922,164,000 was due within one year. The total bank and other borrowings increased by approximately HK\$334,647,000 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\$376,072,000, was mainly attributable to new bonds, transfer of other payables, commission payable for bonds renewal and interest payables of approximately HK\$28,164,000, HK\$34,119,000, HK\$49,636,000 and HK\$277,282,000, respectively and the repayment of bonds payable amounting to HK\$13,129,000.

## **Liquidity and financial resources**

As at 30 June 2021, the Group's bank balances and cash increased from approximately HK\$3,242,000 as at 31 December 2019 to approximately HK\$22,988,000 as at 30 June 2021. The Group's total assets were approximately HK\$400,416,000 as at 30 June 2021.

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.

## **Important events after the reporting period**

No important event which materially affected the Group has taken place since 30 June 2021 and up to the date of this announcement.

## **Capital commitments**

The Group did not have any capital commitments as at 30 June 2021.

## **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 final dividend for the eighteen months ended 30 June 2021.

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

During the eighteen months ended 30 June 2021, 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 Second Interim Report are set out below:

Mr. Cheung Kiu Cho Vincent has resigned as a non-executive director, member of each of audit committee, remuneration committee and nomination committee of the Company with effect from 21 April 2021.

Mr. Ng Ka Lun has been appointed as a member of audit committee of the Company with effect from 21 April 2021.

## **CORPORATE GOVERNANCE**

The Company is committed to the implementations of good corporate governance practices and procedures.

None of the directors of the Company (the “**Directors**”) is aware of any information which would reasonably indicate that the Company is not, or was not in compliance with the code provisions as set out in the Corporate Governance Code (the “**Corporate Governance Code**”) as set out in Appendix 14 to the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) during the eighteen months ended 30 June 2021, apart from an executive director located in the PRC did not attend the general meeting of the Company.

## **DIVIDENDS**

The Board resolved not to declare any dividend for the eighteen months ended 30 June 2021 (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 eighteen months ended 30 June 2021.

## **EVENTS AFTER REPORTING DATE**

There were no material subsequent events after the eighteen months ended 30 June 2021 and up to the date of this announcement.

## REVIEW OF UNAUDITED ANNUAL RESULTS

Up to the date of this announcement, strict quarantine policies due to the COVID-19 have yet be lifted in certain province in the PRC where the Group has footprints in, e.g. Harbin and Guangzhou. Due to the impact of COVID-19 on quarantine policies, as well the result from work-from-home policies in these area, the preparation of financial statements by the management has been delayed, which affected the audit progress of its auditors, Messrs. Zhonghui Anda CPA Limited (“**Zhonghui Anda**”). As such, the Group and Zonghui Anda encountered significant difficulties in finalising the audit of the consolidated financial statements of the Group for the eighteen months ended 30 June 2021. Accordingly, the annual results for the eighteen months ended 30 June 2021 of the Group based on the financial information agreed with Zhonghui Anda were unable to be published within three months after the year end date. In order to keep the shareholders and potential investors of the Company informed of the Group’s financial information, the Board set forth in this announcement the unaudited results of the Group for the eighteen months ended 30 June 2021, which were extracted from the latest unaudited management accounts of the Group for the eighteen months ended 30 June 2021. The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited financial statements for the eighteen months ended 30 June 2021.

The unaudited annual results have not yet been agreed by Zhonghui Anda with the following items in the unaudited annual results of the Group for the eighteen months ended 30 June 2021 which are subject to uncertainties and final agreement with Zhonghui Anda.

### **(1) Going concern assumption**

As mentioned in note 2 in the unaudited annual result announcement, a number of factors indicate material uncertainly exists that cast significant doubt on the Group’s ability to continue as a going concern. Zhonghui Anda requires further information to assess on the going concern assumption as it considered that the uncertainty of the outcome of the debt restructuring negotiation with creditors would materially affect the basis of preparation of consolidated financial statements of the Group for the eighteen months ended 30 June 2021 on a going concern assumption.

### **(2) Incomplete audit work process**

Due to the impact of COVID-19 on the restrictions of Harbin province in the PRC, the Group encountered significant delay to collect and assess the information requested by auditors, which made the audit work unable to commence as scheduled for the Group’s operating entities located in Harbin province. This, in turn, hinders the audit work progress of Zhonghui Anda regarding the audit of our major operating subsidiaries in Harbin. Moreover, Zhonghui Anda requested additional information in relation to the Harbin subsidiaries and to verify the source documents but management is not able to obtain timely response from local management team due to the restriction policy following the continuing outbreak of COVID-19 in September 2021, and Zhonghui Anda is not able to perform the audit procedures. Thus, the Group requires additional

time to respond to Zhonghui to complete their audit procedures. Therefore, Zhonghui Anda requires more time to follow and complete the audit procedures regarding the Group's annual results for the eighteen months ended 30 June 2021, and the publication of the 2020-21 annual results will be delayed.

The Company is working on with Zhonghui Anda in reaching a common consensus for the necessary additional audit procedures which they believe are necessary to finalise the audit of the Company's consolidated financial statements for the eighteen months ended 30 June 2021 and to reasonably estimate the additional time and fee that will be required to complete the audit. The Company might consider the change of auditor in case a common consensus could not be reached between the Company and Zhonghui Anda for the above matters.

### **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the eighteen months ended 30 June 2021 as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement as and when necessary if there are other material development in the completion of the auditing process. Upon resolving the above uncertainties with the agreement with the auditors of the Company, the Board expected to publish the Group's audited annual results for the eighteen months ended 30 June 2021 on 30 November 2021.

### **PUBLICATION OF FURTHER INFORMATION**

The annual report of the Company for the eighteen months ended 30 June 2021 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.gtiholdings.com.hk](http://www.gtiholdings.com.hk) in due course.

By order of the Board  
**GTI Holdings Limited**  
*(Provisional Liquidators Appointed)*  
*(For Restructuring Purposes)*  
**Ng Kwok Hung Perry**  
*Executive Director*

Hong Kong, 30 September 2021

*As at the date of this announcement, the Board comprises (i) Mr. Ng Kwok Hung Perry, Mr. Hao Xiangbin and Mr. Tan Teng Hong as executive Directors; and (ii) Mr. Chan Shu Kin, Mr. Chung Lim Tung, Mr. Ng Ka Lun and Mr. Zhou Weijia (alias Zhou Yi) as independent non-executive Directors.*