GTI HOLDINGS LIMITED
共享集團有限公司

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

(Stock Code: 3344)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

HIGHLIGHTS

- Turnover increased by approximately 121.3% to approximately HK$233.7 million.
- Loss for the period was approximately HK$118.8 million for the period under review.
- The directors did not recommend the payment of an interim dividend for the period under review.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2018

The board (the "**Board**") of directors (the "**Directors**") of GTI Holdings Limited (the "**Company**") hereby announces the unaudited results of the Company and its subsidiaries for the six months ended 30th June, 2018, together with the unaudited comparative figures for the corresponding period of the year 2017, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June, 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June, 2018

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

	NOTE	30.6.2018 HK$'000 (unaudited)	31.12.2017 HK$'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	*11*	**185,248**	162,127
Tax liabilities		**1,343**	1,319
Bank and other borrowings-due within one year		**354,193**	302,449
Bank overdrafts		**118**	149
Obligations under finance leases		**135**	132
Contract liabilities		**22**	–
		541,059	466,176
NET CURRENT LIABILITIES		**(276,929)**	(189,970)
TOTAL ASSETS LESS CURRENT LIABILITIES		**131,411**	243,837
CAPITAL AND RESERVES			
Share capital		**53,967**	53,967
Reserves		**(39,516)**	82,878
		14,451	136,845
Non-controlling interests		**776**	1,909
		15,227	138,754
NON-CURRENT LIABILITIES			
Bank and other borrowings-due after one year		**92,863**	76,122
Obligations under finance leases		**448**	517
Amounts due to related parties		**19,229**	24,800
Deferred tax liabilities		**3,644**	3,644
		116,184	105,083
		131,411	243,837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30th June, 2018

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The condensed consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

In preparing the condensed consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Company and its subsidiaries (the "Group") in light of the fact that (a) the Group incurred a loss of approximately HK$118,806,000 for the six months ended 30th June, 2018 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$276,929,000; and (b) the legal proceeding with a former related party was still pending.

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

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

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

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

(ii) Fund raising activities

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

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

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

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Application of new and amendments to IFRSs

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

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

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

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

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

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

Summary of effects arising from initial application of IFRS 15

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

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

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

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

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

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

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

Impact on the condensed consolidated statement of financial position

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

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

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

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

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

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

Summary of effects arising from initial application of IFRS 9

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

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

Note:

(a) Available-for-sale investments

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

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

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

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

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

3. REVENUE AND SEGMENT INFORMATION

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

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

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

Six months ended 30th June, 2018

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

Six months ended 30th June, 2017

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

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

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

As at 30th June, 2018

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

As at 31st December, 2017

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

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

4. OTHER INCOME

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

5. OTHER GAINS AND LOSSES

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

6. INCOME TAX EXPENSE

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

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

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

7. LOSS FOR THE PERIOD

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

8. DIVIDEND

The directors of the Company did not recommend the payment of an interim dividend for the six months ended 30th June, 2018 (six months ended 30th June, 2017: nil).

9. LOSS PER SHARE

The calculation of basic loss per share for the period is based on the loss for the period attributable to the owners of the Company of HK$117,927,000 (six months ended 30th June, 2017: HK$79,716,000) and on the weighted average number of shares in issue of 5,396,730,909 (six months ended 30th June, 2017: 3,120,764,058).

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

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

11. TRADE AND OTHER PAYABLES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

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

Textile Business

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

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

Trading of petroleum

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

Provision of financial services

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

Prospects

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

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

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

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

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

FINANCIAL REVIEW

Turnover

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

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

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

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

Cost of sales and gross loss margin

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

Other income and other gains and losses

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Net loss margin

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

Borrowings

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

Liquidity and financial resources

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

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

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

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

Capital Commitments

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

Dividend Policy

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

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

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

CORPORATE GOVERNANCE

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

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

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

INTERIM DIVIDEND

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

SUBSEQUENT EVENT AFTER 30TH JUNE, 2018

On 28th August 2018, the Group entered into a sale and purchase agreement (the "**Sale and Purchase Agreement**") with 羅定市大也貿易有限公司 (Luoding Daye Trading Company Limited) ("**Luoding Daye**"), an independent third party, pursuant to which, the Group agreed to dispose of all its equity interests in 羅定互益染廠有限公司 (Luoding Addchance Dyeing Factory Limited) (the "**Sale Interest**") at a cash consideration of RMB32,000,000 (equivalent to approximately HK$36,809,000) (the "**Disposal**"). The Disposal has not yet been completed up to the date of this announcement.

Supplemental information on the Disposal

Reference is made to the announcement dated 28th August 2018 (the "**Announcement**") of the Company in relation to (i) the termination of the transfer agreement (the "**Transfer Agreement**") dated 6th July 2018 entered into between 羅定互益染廠有限公司 (Luoding Addchance Dyeing Factory Company Limited) and Luoding Daye and (ii) the discloseable transaction in relation to the Disposal.

Transfer Agreement

On 6th July 2018, the Transfer Agreement (as referred to in the announcements of 6th July 2018 and 28th August 2018) was entered between 羅定互益染廠有限公司 (Luoding Addchance Dyeing Factory Company Limited) as vendor and Luoding Daye as purchaser, pursuant to which the vendor agreed to sell and the purchaser agreed to purchase, the properties comprising the land use right in respect of a land parcel located at Bailiding, Chen Pi Village, Shuangdong Street, Luoding City, Guangdong Province, PRC with a total site area of approximately 62,832 square metres (the "**Land Use Rights**") together with the structure(s) erected thereon (the "**Properties**").

Further details about the reason for termination of the Transfer Agreement

Subsequent to the entering into of the Transfer Agreement, Luoding Daye considered that the acquisition of the Sale Interest, instead of the Properties, would facilitate it in handling all application and approval processes in connection with the useful rights of the Properties from the relevant PRC governmental authorities.

In light of the aforesaid, on 28th August 2018, the Transfer Agreement was terminated and a termination agreement was entered into between the parties. The Sale and Purchase Agreement was then entered into between the Group and Luoding Daye.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement will be published on both the websites of the Company (www.gtiholdings.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 30th June 2018 will be dispatched to shareholders and published on the aforesaid websites in due course.

By Order of the Board
GTI Holdings Limited
Poon Sum
Chairman & Executive Director

Hong Kong, 30th August 2018

As at the date of this announcement, the Board comprises (i) Mr. Poon Sum (Chairman) and Mr. Cheung Tat Chung (Chief Executive Officer) as executive Directors; and (ii) Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu as independent non-executive Directors.