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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)

(Stock Code: 3344)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

- Turnover increased by approximately 41.9% to approximately HK$331.6 million.
- Loss for the period was approximately HK$132.4 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 30 JUNE 2019

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 30 June 2019, together with the unaudited comparative figures for the corresponding period of the year 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	NOTE	As at 30.6.2019 HK$'000 (Unaudited)	As at 31.12.2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**163,458**	186,351
Prepaid lease payments		–	23,005
Right-of-use assets		**12,206**	–
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**17,797**	18,717
Goodwill		**34,315**	34,317
Intangible assets		**24,371**	26,310
Investment in an associate		**170,975**	173,643
Equity investments at fair value through other comprehensive income		**5,412**	5,414
Derivative financial instruments		**1,412**	1,412
Deferred tax assets		**3,426**	3,439
		433,372	472,608
CURRENT ASSETS			
Prepaid lease payments		–	586
Investment at fair value through profit or loss		**1,886**	2,199
Inventories		**37,278**	26,428
Trade and other receivables, deposits and prepayments	*12*	**294,713**	254,570
Tax recoverable		**1,641**	1,659
Bank balances and cash		**11,155**	15,591
		346,673	301,033
Assets classified as held for sale		**52,732**	20,823
		399,405	321,856

	NOTE	As at 30.6.2019 HK$'000 (Unaudited)	As at 31.12.2018 HK$'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*13*	**206,661**	166,585
Lease liabilities		**4,449**	–
Contract liabilities		**572**	683
Tax liabilities		**7,905**	7,998
Bank and other borrowings – due within one year		**419,226**	422,581
Bank overdrafts		**4,541**	846
Obligation under a finance lease		**–**	139
Amounts due to related parties		**18,299**	2,944
		661,653	601,776
Liabilities associated with assets classified as held for sale		**36,686**	20,110
		698,339	621,886
NET CURRENT LIABILITIES		**(298,934)**	(300,030)
TOTAL ASSETS LESS CURRENT LIABILITIES		**134,438**	172,578
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		**115,491**	96,982
Obligation under a finance lease		**–**	378
Lease liabilities		**1,692**	–
Deferred tax liabilities		**10,745**	10,745
		127,928	108,105
NET ASSETS		**6,510**	64,473
CAPITAL AND RESERVES			
Share capital		**62,988**	58,994
Reserves		**(79,622)**	(20,868)
(Deficit)/equity attributable to owners of the Company		**(16,634)**	38,126
Non-controlling interests		**23,144**	26,347
TOTAL EQUITY		**6,510**	64,473

1. BASIS OF PREPARATION

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

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

Leases

"The Group as lessee"

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

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

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

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

2. GOING CONCERN BASIS

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

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

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

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

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

IFRS 16 “Leases”

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

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

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

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

– the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;

– reliance on previous assessments on whether leases are onerous;

– the exclusion of lease which lease term ends within 12 months of the date of initial application for the measurement of the right-of-use asset at the date of initial application;

– the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and

– the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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

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

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

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

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

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

4. 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.

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

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

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

Six months ended 30 June 2019

	RMB banknotes clearing up services *HK$'000* (Unaudited)	Production, sale and trading of textile products *HK$'000* (Unaudited)	Trading of petroleum and chemical products *HK$'000* (Unaudited)	Provision of financial services and others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
REVENUE					
Recognised at a point in time	**15,863**	**75,107**	**235,149**	**–**	**326,119**
Recognised over time	**–**	**–**	**–**	**5,446**	**5,446**
	15,863	**75,107**	**235,149**	**5,446**	**331,565**
SEGMENT LOSS	**(5,659)**	**(61,794)**	**(1,393)**	**(2,381)**	**(71,227)**
Unallocated expenses					**(19,064)**
Interest revenue					**281**
Other income					**621**
Other gains and losses					**(370)**
Finance costs					**(42,040)**
Loss before tax					**(131,799)**

Six months ended 30 June 2018

	Production, sale and trading of textile products *HK$'000* (Unaudited)	Trading of petroleum *HK$'000* (Unaudited)	Provision of financial services and others *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
REVENUE				
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)
Interest revenue				182
Other income				2,647
Other gains and losses				4,937
Finance costs				(40,124)
Loss before tax				(117,234)

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

As at 30 June 2019

	RMB banknotes clearing up services *HK$'000* **(Unaudited)**	**Production, sale and trading of textile products** *HK$'000* **(Unaudited)**	**Trading of petroleum and chemical products** *HK$'000* **(Unaudited)**	**Provision of financial services and others** *HK$'000* **(Unaudited)**	**Total** *HK$'000* **(Unaudited)**
ASSETS					
Segment assets	**137,407**	**252,952**	**86,401**	**3,741**	**480,501**
Equity investments at fair value through other comprehensive income					**5,412**
Investment at fair value through profit or loss					**1,886**
Assets classified as held for sale					**52,732**
Tax recoverable					**1,641**
Unallocated corporate assets					**290,605**
CONSOLIDATED TOTAL ASSETS					**832,777**

As at 31 December 2018

	RMB banknotes clearing up services *HK$'000* (Audited)	Production, sale and trading of textile products *HK$'000* (Audited)	Trading of petroleum *HK$'000* (Audited)	Provision of financial services and others *HK$'000* (Audited)	Total *HK$'000* (Audited)
ASSETS					
Segment assets	137,958	274,980	54,328	132	467,398
Equity investments at fair value through other comprehensive income					5,414
Investment at fair value through profit or loss					2,199
Assets classified as held for sale					20,823
Tax recoverable					1,659
Unallocated corporate assets					296,971
CONSOLIDATED TOTAL ASSETS					794,464

5. OTHER INCOME

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

6. OTHER GAINS AND LOSSES

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

7. FINANCE COSTS

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

8. INCOME TAX

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

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

Under the Law of the PRC Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2018 onwards.

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

9. LOSS FOR THE PERIOD

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

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

10. DIVIDEND

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

11. LOSS PER SHARE

Basic loss per share

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

Diluted loss per share

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

12. 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.

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Aged:		
0-30 days	**23,139**	16,783
31-60 days	**6,805**	8,948
61-90 days	**1,880**	7,361
91-120 days	**826**	9,805
Over 120 days	**72,611**	72,115
	105,261	115,012

13. TRADE AND OTHER PAYABLES

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

	30.6.2019	31.12.2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Aged:		
0-60 days	**21,361**	13,031
61-90 days	**4,497**	6,002
Over 90 days	**34,878**	24,129
	60,736	43,162

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

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

Trading of petroleum and chemical products

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

Textile business

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

Even though the Group had implemented the restructuring of the textile business and stringent cost saving measures in order to improve the performance of textile business, the lack of banking facilities in Hong Kong throughout the first half of 2019 affected the flexibility of the operation and ability of the Group to further improve the performance in short run.

RMB banknotes clearing up services business

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

Prospects

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

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

In order to cope with the uncertainties of the global textile market, the Group will continue to explore more overseas markets to diversify the risks. On the other hand, as a result of the US-China trade war, the Group was slowing down the pace of development of the sales of branded textile products in the PRC. However, the Group is still continuing to look for any suitable business partners in the PRC to sell branded textile products but with a more conservative approach.

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

Looking forward, the Group will need to continue to implement cautious approach on the development of the existing businesses and seek for better business opportunities to mitigate the impacts of the market's current volatility and to improve the performance of the Group so as to pursue a satisfactory return to our shareholders.

FINANCIAL REVIEW

Turnover

During the six months ended 30th June 2019, the turnover of the Group increased by approximately 41.9% from approximately HK$233,654,000 to HK$331,565,000.

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

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

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

Cost of sales and gross loss margin

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

Other income and other gains and losses

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

Selling and distribution costs

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

Administrative expenses

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

Finance costs

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

Net loss margin

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

Borrowings

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

Liquidity and financial resources

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

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

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

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

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

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

Important Events since the Period

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

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

Capital Commitments

The Group did not have any capital commitments as at 30th June 2019.

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 interim dividend for the six months ended 30th June 2019.

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.

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 six months ended 30th June 2019 (six months ended 30th June 2018: Nil) to the shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code for the six months ended 30th June 2019.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

The Board has established an audit committee (the "Audit Committee") in accordance with the corporate governance requirements of listed companies of the Stock Exchange. As at the date of this announcement, the Audit Committee consists of three members, all of whom are independent non-executive Directors, namely Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu.

The Audit Committee has reviewed the Group's unaudited interim results for the six months ended 30th June 2019. The Audit Committee has reviewed with the management of the Group the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 30th June 2019.

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 2019 containing all the information required by the Listing Rules will be despatched 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, 29th August 2019

As at the date of this announcement, the Board comprises (i) Mr. Poon Sum (Chairman), Mr. Ng Kwok Hung Perry and Mr. Hao Xiangbin as executive Directors; and (ii) Mr. Chan Shu Kin, Dr. Tse Kwok Sang and Mr. Chiu Wai Piu as independent non-executive Directors.