GTI HOLDINGS LIMITED
共享集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3344)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31ST DECEMBER, 2017

The board of directors of the Company ("the Board") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December, 2017 with comparative figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st December, 2017

	Notes	**2017** ***HK$'000***	2016 *HK$'000*
Revenue	*4*	**413,861**	467,138
Cost of sales		**(481,304)**	(795,684)
Gross loss		**(67,443)**	(328,546)
Other income	*5*	**13,270**	17,460
Other gains and losses	*6*	**200,966**	181,721
Selling and distribution costs		**(23,209)**	(35,208)
Administrative expenses		**(130,192)**	(146,631)
Finance costs		**(95,210)**	(38,969)
Loss before taxation	*7*	**(101,818)**	(350,173)
Income tax (expense) credit	*8*	**(429)**	405
Loss for the year		**(102,247)**	(349,768)

	Note	2017 HK$'000	2016 HK$'000
Other comprehensive (expense) income that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**7,327**	(56,651)
Fair value loss on available-for-sale financial assets		**(13,061)**	–
Reclassification of investment revaluation reserve to profit or loss on impairment of an available-for-sale investment		**15,420**	–
Reclassification of translation reserve to profit or loss upon disposal of subsidiaries		**(43,851)**	10,986
		(34,165)	(45,665)
Total comprehensive expense for the year		**(136,412)**	(395,433)
(Loss) profit for the year attributable to:			
Owners of the Company		**(101,333)**	(349,771)
Non-controlling interests		**(914)**	3
		(102,247)	(349,768)
Total comprehensive (expense) income attributable to:			
Owners of the company		**(135,498)**	(395,436)
Non-controlling interests		**(914)**	3
		(136,412)	(395,433)
Loss per share, in HK cents	*10*		
Basic		**(2.37)**	(46.34)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**276,239**	334,671
Prepaid lease payments		**44,479**	43,500
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**14,221**	13,309
Goodwill		**14,553**	–
Available-for-sale investments		**84,315**	97,376
Other assets		**–**	16,000
		433,807	504,856
CURRENT ASSETS			
Prepaid lease payments		**1,121**	1,049
Held-for-trading investments		**2,565**	–
Inventories		**28,635**	46,595
Trade and other receivables, deposits and prepayments	*11*	**172,086**	105,274
Tax recoverable		**1,572**	1,572
Bank balances and cash		**62,435**	107,996
		268,414	262,486
Assets classified as held for sale		**7,792**	114,313
		276,206	376,799

	Note	2017 HK$'000	2016 HK$'000
CURRENT LIABILITIES			
Trade and other payables	*12*	**162,127**	153,693
Tax liabilities		**1,319**	783
Bank and other borrowings – due within one year		**302,449**	590,396
Bank overdrafts		**149**	68,128
Obligations under finance leases		**132**	–
		466,176	813,000
Liabilities associated with assets classified as held for sale		–	133,703
		466,176	946,703
NET CURRENT LIABILITIES		**(189,970)**	(569,904)
TOTAL ASSETS LESS CURRENT LIABILITIES		**243,837**	(65,048)
CAPITAL AND RESERVES			
Share capital		**53,967**	8,467
Reserves		**82,878**	(98,118)
Equity attributable to owners of the Company		**136,845**	(89,651)
Non-controlling interests		**1,909**	(1)
		138,754	(89,652)
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		**76,122**	20,860
Obligations under finance leases		**517**	–
Amounts due to related parties		**24,800**	–
Deferred tax liabilities		**3,644**	3,744
		105,083	24,604
		243,837	(65,048)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31st December, 2017

1. GENERAL AND BASIS OF PREPARATION

GTI Holdings Limited (the "Company", formerly known as Addchance Holdings Limited) was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 9th June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate holding company is Gold Train Investments Limited which was incorporated in the British Virgin Islands.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 23rd February, 2018 and upon the approval from the Registrar of Companies in the Cayman Islands, the name of the Company was changed from Addchance Holdings Limited to GTI Holdings Limited with effect from 23rd February, 2018.

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that (a) the Group incurred a loss of approximately HK$102,247,000 for the year ended 31st December, 2017 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$189,970,000; 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) Outcome 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 against an indirectly wholly-owned subsidiary of the Company, Addchance Limited 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 outcome of this legal proceeding could not be assessed at this stage. As at 31st December, 2017, the amount claimed in this proceeding of HK$20,950,000 is included in trade and other payables on the consolidated statement of financial position.

(ii) Fund raising activities

The Group is actively identifying 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 outcome 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 consolidated financial statements. However, should any unfavourable outcome of the legal proceeding emerge and the Group is unable to find alternative sources of funding, the Group may not be able to operate as a going concern, in which case adjustments might have to be made to the carrying values of the Group's assets to state them at their recoverable amounts, to provide for any further liabilities which might arise and/or to reclassify its non-current assets and non-current liabilities to current assets and current liabilities.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

During the year, the Group has applied, for the first time, certain amendments to IFRSs issued by the HKICPA.

Amendments to IAS 7 "Disclosure Initiative" require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold excluding value added taxes, less returns and allowances and services provided by the Group to outside customers during the year.

An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Production, sale and trading of textile products	**268,312**	467,105
Trading of petroleum	**144,805**	33
Provision of financial services	**744**	–
	413,861	467,138

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 had six operating and reportable segments under IFRS 8 for the year ended 31st December, 2016, when the Group's operation included principally the production and sale of cotton yarn, production and sale of knitted sweater, production and sale of dyed yarns, provision of dyed service, trading of cotton yarns and trading of petroleum.

During the year ended 31st December, 2017, upon change of the the Company's executive directors, the CODM has revisited and determined that the number of the Group's reportable segments has been modified as three, namely (i) Production, sale and trading of textile products, (ii) Trading of petroleum and (iii) Provision of financial services. Comparatives have been restated accordingly.

Segment revenue and results

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

For the year ended 31st December, 2017

	Production, sale and trading of textile products	**Trading of petroleum**	**Provision of financial services**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Revenue	**268,312**	**144,805**	**744**	**413,861**
Segment (loss) profit	**(201,173)**	**2,114**	**(4,825)**	**(203,884)**
Unallocated expenses				**(29,897)**
Other income				**2,913**
Other gains and losses				**224,260**
Finance costs				**(95,210)**
Loss before taxation				**(101,818)**

For the year ended 31st December, 2016 (restated)

	Production, sale and trading of textile products	Trading of petroleum	Total
	HK$'000	*HK$'000*	*HK$'000*
Revenue	467,105	33	467,138
Segment (loss) profit	(579,940)	6	(579,934)
Unallocated expenses			(18,125)
Other gains and losses			286,855
Finance costs			(38,969)
Loss before taxation			(350,173)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss) profit before taxation of each segment without allocation of central administration costs, directors' salaries, finance cost and other income and other gains and losses not attributable to segment (loss) profit. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Other income:		
Bank interest income	**806**	1,291
Interest income on loan receivables *(Note)*	**2,913**	–
Income from sales of scrap materials	**2,453**	3,198
Income from electricity and steaming charges	**–**	5,964
Sundry income	**7,098**	7,007
	13,270	17,460

Note: During the year ended 31st December, 2017, the Group provided independent third parties with loans of HK$42,000,000 in total, bearing fixed interest rates ranging from 2% to 24% per annum. Loans receivable of HK$34,000,000 has been fully settled in current year and loan receivable of HK$8,000,000 was derecognised through on a disposal of a subsidiary (note 33(b)).

6. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Other gains and losses:		
Gain on surrender of insurance policies	**–**	17
Gain on disposal of subsidiaries	**72,366**	328,995
Gain on debt restructuring	**166,396**	–
Gain on fair value changes of held-for-trading investments	**918**	–
Gain on written back of trade and other payables	**1,277**	–
Net exchange gain (loss)	**2,510**	(10,061)
Reversal of impairment losses recognised in respect of property, plant and equipment	**10,906**	–
Loss on disposal/written off of property, plant and equipment and prepaid lease payments *(Note)*	**(756)**	(26,615)
Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments	**(32,534)**	(59,110)
Impairment loss recognised on available-for-sale investments	**(15,420)**	(42,124)
Impairment losses recognised on trade and other receivables (net of bad debt recovered) *(Note)*	**(4,697)**	(9,381)
	200,966	181,721

Note: In August 2016, the Group has lodged an application for voluntary liquidation of a subsidiary, Great Honour Textile Factory Limited ("Great Honour"), which was engaged in production and sale of textile products in Cambodia. The relevant assets of the said subsidiary in Cambodia amounting to HK$15,182,000 have been taken over by the relevant local authority and the ownership of which does not belong to the Group anymore. Accordingly, property, plant and equipment and trade and other receivables amounting to HK$12,733,000 and HK$2,449,000, respectively, were written off or fully impaired during the year ended 31st December, 2016. On 28th October, 2016, a provincial court in Cambodia issued a verdict, pursuant to which the Group has to settle the unpaid salaries and other staff benefits to the relevant workers in the manufacturing plant of Great Honour for an aggregate amount of approximately HK$22,454,000 and the relevant provision was made during the year ended 31st December, 2016. As at both 31st December, 2016 and 31st December, 2017, no amount has been paid and the above amount was included in accrued salary under trade and other payables.

7. LOSS BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Directors' remuneration	**5,265**	8,485
Other staff costs	**136,354**	212,504
Retirement benefits scheme contributions, excluding directors	**5,029**	6,756
Less: capitalised in inventories	**(4,383)**	(5,482)
Total staff costs	**142,265**	222,263
Auditor's remuneration (including fees for non-audit services)	**3,880**	4,245
Cost of inventories recognised as an expense	**481,304**	795,684
Write-down of inventories (included in cost of sales)	**16,521**	217,540
Depreciation of property, plant and equipment	**43,288**	64,805
Less: capitalised in inventories	**(1,818)**	(2,994)
	41,470	61,811
Amortisation of prepaid lease payments	**1,095**	1,460
Amortisation of other assets	**–**	55

8. INCOME TAX EXPENSE (CREDIT)

	2017	2016
	HK$'000	*HK$'000*
The charge (credit) comprises:		
Hong Kong Profits Tax		
– Current year	**536**	–
– Underprovision in prior years	**–**	11
	536	11
Deferred taxation	**(107)**	(416)
	429	(405)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31st December, 2016 and 2017, nor has any dividend been proposed since the end of the reporting period.

10. LOSS PER SHARE

The calculation of the basic loss per share for the year is based on the loss for the year attributable to the owners of the Company of HK$101,333,000 (2016: HK$349,771,000) and on the weighted average number of shares in issue during the year of approximately 4,277,690,000 (2016: 754,791,000).

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

11. TRADE RECEIVABLES

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:

	2017	2016
	HK$'000	*HK$'000*
Trade receivables (net), aged:		
0-30 days	**11,008**	17,879
31-60 days	**7,138**	13,943
61-90 days	**6,924**	9,240
91-120 days	**1,685**	7,481
Over 120 days	**4,722**	2,588
	31,477	51,131

Before accepting any new customer, the Group will assess and understand the potential customer's credit quality and defines its credit limits. Credit limits attributed to each customer are reviewed regularly.

12. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Aged:		
0-60 days	**9,122**	6,220
61-90 days	**10,795**	722
Over 90 days	**4,845**	12,634
	24,762	19,576

The average credit period on purchases of goods is 60 days to 90 days.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business Review

We are pleased to report the audited results of the Group for the year ended 31st December, 2017. The Group's consolidated revenue continuously decreased by approximately 11.4% to approximately HK$413.9 million, while the net loss further decreased by approximately 70.8% from approximately HK$349.8 million in 2016 to approximately HK$102.2 million for the year ended 31st December, 2017. Other than the write-down of inventories and the impairment loss recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$16.5 million and HK$32.5 million respectively, the impairment losses recognised on trade and other receivables of approximately HK$4.7 million, the impairment loss recognised on available-for-sale investments of approximately HK$15.4 million, the gain on disposal of subsidiaries of approximately HK$72.4 million and gain on debt restructuring of approximately HK$166.4 million, the loss contributed by the major business operations was approximately HK$271.9 million, representing a decrease of the loss contributed by the core business operations by approximately 22.5% compared to the 2016.

Textile Business

Over the past few years, there was a significant increase in loss of the Group due to the decrease in revenue in textile business given the unfavourable economic environment of textile industry as the demand for textile products remained sluggish while the gradual increase in price of cotton in the PRC increased the cost of the products, and severe cash flow situation faced by the Group. The Group's decrease in revenue in textile business by approximately 42.6% as compared with 2016 was mainly due to the continuing sluggish demand in domestic and overseas markets and the disposal of some PRC subsidiaries engaged in textile business. Such decrease in revenue was further adversely affected by the tight cash flow position faced by the Group. The decrease in demand of the products resulted in the reduction of average selling price of the Group's textile products. The continuing intensified international competition and the rapid development of textile products in neighbouring countries such as Bangladesh also led to the decrease in the number of orders received from European countries during the year of 2017. In addition, the cash flow problem faced by the Group also affected the competitiveness of the Group which in turn affected the number of orders and operating performance of the textile business.

Although the Group successfully entered into the debt restructuring deed with certain banks on 9th March, 2017 following the breach of certain loan covenants of certain bank facilities and failure to make repayment of certain bank borrowings when they became due in 2015, the Group did not have any other banking facilities in Hong Kong throughout the year of 2017, the absence of which also severely affected the operation of the textile business of the Group.

On the other hand, even though the revenue decreased during the year, as a result of implementation of stringent cost control and cost saving measures such as reducing the number of employees from approximately 4,000 employees at the beginning of 2017 to approximately 2,500 employees at the end of 2017, the gross loss was further reduced in 2017 compared to that of 2016. Besides, the disposal of some loss-making PRC subsidiaries in early 2017 also reduced the gross loss of the textile business.

Trading of petroleum

In order to broaden and diversify the business of the Group, the Group commenced the trading of petroleum in late 2016. During the year of 2017, the revenue contributed by trading of petroleum was approximately HK$144.8 million, representing a substantial increase by more than 4,387 times from approximately HK$33,000 in 2016. In addition to the trading of petroleum in overseas markets, the commencement of trading of petroleum in Hong Kong in 2017, which accounted for approximately 99.3% of the revenue of trading of petroleum business, was the major reason for the substantial increase in the revenue from trading of petroleum business.

Provision of financial services

During early 2017, the Group acquired an asset management company in Hong Kong which is a licensed corporation authorized to carry out Type 9 (asset management) regulated activity under the Securities and Futures Ordinance (Cap. 571) in order to further diversify the business. The asset management company, through its PRC wholly-owned fund management company, successfully obtained the status of the qualified foreign limited partner in 2017 which enables the Group to commence the asset management service in the PRC so as to strengthen the development of asset management service in future.

Others

In mid-2017, the Group acquired a PRC company engaged in big data industry. However, despite the fast and strong development momentum of big data technologies and the promising prospects of the big data industry, considerable resources would have to be drawn from the Group to successfully commercialise the products and develop this new line of business into a profitable one. The Group, therefore, after careful considerations, sold the said PRC company in the end of 2017 and reallocated the resources to capture new business opportunities in other areas which appeared to be more profitable than the big data industry in the near future.

Prospects

Looking forward, the global economy is still expected to be surrounded by the uncertainties of the softening consumer sentiments. We remained cautiously optimistic on the outlook of the textile and garment industry in view of its rigid demand for textile products as necessity goods. To cope with the severe business environment of the textile business, the Group will continue to improve the performance of its textile business through strict cost control measures and increasing diversity of products and securing more new customers. Besides, the Group will continue to focus on consolidating its business operations in Cambodia in 2018 in order to optimize the effectiveness and efficiency of the production in Cambodia. The Directors will also adopt more stringent cost control measures to further reduce the operating costs in the Cambodia factories, such as to further reduce the number of employees during 2018. The Company considers that the restructured operation in Cambodia will serve as a driving force of the textile business of the Group. At the same time, the Group will actively consider introducing more high-caliber personnel or business partners of the textile industry for further market development and enhancing performance of the textile business. Demand for middle and high-end textile products is expected to grow with the growing China domestic consumption and the Group will carefully consider the development of the China market. In addition, the Group is also looking for the opportunities and seeking for any business partners for possible development of branded textile products. In view of the years of experience in textile business and established strong production bases of the Group, the management considered that there would be advantage for the Group to develop the branded textile products.

On the other hand, in view of the fast growing revenue, the Group will continue to develop the trading of petroleum business in Hong Kong and in overseas markets during the year of 2018 and to broaden the customer and supplier base.

The commencement of asset management business in the PRC with the status of the qualified foreign limited partner in 2018 will be another major growth driver of the Group, especially in light of the booming financial market in the PRC during past several years.

The Group will continue to explore more business opportunities such as the possible acquisition of a company engaged in provision of RMB banknotes clearing services as announced by the Company on 6th October, 2017 in order to diversify the business and source of revenue.

In conclusion, the global economy will remain uncertain. However, after the successful implementation of the debt restructuring deed and business re-structuring of the Group, we believe that we are now in a much better position to grasp any market 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 2017, the Group was principally engaged in the textile business with its major products of knitted sweaters and socks. The Group's total revenue from textile business for the year ended 31st December, 2017 was approximately HK$268.3 million. Comparing with the year ended 31st December, 2016, the revenue dropped by approximately 42.6%, representing a decrease of approximately HK$198.8 million.

The Group's turnover of the sweater business decreased by 22.9%, from approximately HK$229.7 million for the year ended 31st December, 2016 to approximately HK$177.0 million for the year ended 31st December, 2017, representing approximately 66.0% of the Group's turnover from textile business. Similar to previous year, the Group's sales contribution of sweater business was mainly from the orders from Europe and North America. The Group has continued to focus on the sales to overseas customers by utilizing the competitive advantages of low labour cost in our production plants in Cambodia and the advantage of import tax exemption for textile products to those European customers.

Trading of petroleum is another core business segment of the Group under rapid development and it represents approximately 35.0% of the Group's total turnover during the year ended 31st December, 2017. The major reasons for the substantial increase in turnover was mainly due to the commencement of trading of petroleum in Hong Kong which represented 99.3% of the turnover from trading of petroleum business in 2017.

Cost of Sales

The cost of sales dropped by approximately 39.5% from approximately HK$795.7 million in 2016 to approximately HK$481.3 million in 2017. Apart from the write-down of inventories of approximately HK$16.5 million (2016: approximately HK$217.5 million), the drop in cost of sales, which was approximately 19.6%, was mainly due to the decrease in sales of textile products and the result of stringent cost control.

Gross loss and gross loss margin

The Group recorded a gross loss of approximately HK$67.4 million (2016: HK$328.5 million) for the year ended 31st December, 2017. Among the total gross loss, there was write-down of inventories of approximately HK$16.5 million (2016: HK$217.5 million) as at year end. Similar to 2016, the Group made provision on those inventories with age over nine months and those costs above the net realizable value. Although the Group adopted different measures to reduce the cost, with the continuous decrease in sales, the variable and fixed production costs are unable to be leveraged down substantially so as the sales volumes are not optimized in the production cycles. The Group will continuously endeavour to manage the gross profit margin by improving the operating efficiency as well as the utilization rate of the production facilities. On the other hand, the trading of petroleum recorded a gross profit of approximately HK$3.1 million during 2017, representing a gross profit margin of approximately 2.1%.

Net loss margin

Except for the written-down of inventories as at year end of approximately HK$16.5 million (2016: HK$217.5 million), the impairment losses recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$32.5 million (2016: HK$59.1 million), impairment losses recognised on trade and other receivables of approximately HK$4.7 million (2016: HK$9.4 million), the impairment loss recognised on available-for-sale investments of approximately HK$15.4 million (2016: HK$42.1 million), the overall gain on disposal of subsidiaries of approximately HK$72.4 million (2016: HK$329.0 million) and the gain on the hair cut of the bank indebtedness of HK$166.4 million, a net loss of approximately HK$271.9 million (2016: HK$350.7 million) was from the businesses of the Group.

If the orders from textile business can be further increased and resumed to the optimum level, it is anticipated that the overall margin for the year ending 31st December, 2018 will be improved. The Group will continuously strive for orders with better profit margin and use its best endeavours to overcome the challenges by sharpening its competitive edge. Besides, with the expansion of the trading of petroleum business with positive gross profit margin, the overall net profit margin for the year ending 31st December 2018 is expected to be further improved.

Selling and distribution costs

Selling and distribution costs mainly included transportation costs, accessories and packing expenses. For the year ended 31st December, 2017, the Group's selling and distribution costs was approximately HK$23.2 million (2016: HK$35.2 million), representing a drop by 34.1% as compared to that of 2016 which was mainly due to the drop in the revenue of textile business, and it accounted for approximately 5.6% (2016: 7.5%) of the Group's revenue.

Administrative expenses

Administrative expenses of approximately HK$130.2 million (2016: HK$146.6 million), representing a drop by 11.2% as compared to that of 2016, mainly consisted of staff cost, including employees' salary and welfare and redundancy costs, directors' remuneration, legal and professional fees and depreciation. The decrease during 2017 was mainly due to the disposal of some subsidiaries.

Finance costs

Finance costs mainly comprised interests on bank and other borrowings which increased to approximately HK$95.2 million (2016: HK$39.0 million) representing approximately 23.0% (2016: 8.3%) of the Group's revenue. The finance cost increased substantially as compared to 2016 as a result of the issuance of bonds with higher effective interest rates than before and the overdue interests charged pursuant to the debt restructuring deed signed on 9th March 2017.

Borrowings

As at 31st December, 2017, the Group had outstanding bank and other borrowings of approximately HK$378.7 million (2016: HK$679.4 million), in which approximately HK$76.1 million (2016: HK$20.9 million) was classified as falling due more than one year and the remaining balance of approximately HK$302.6 million (2016: HK$658.5 million) was classified as falling due within one year. The total bank and other borrowings decreased by approximately HK$300.7 million when comparing with the balance as at 31st December, 2016 as a result of repayments and waiver of certain bank indebtedness pursuant to the debt restructuring deed dated 9th March 2017 during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2017, the Group's cash and cash equivalents have increased slightly from approximately HK$44.6 million to approximately HK$62.3 million. The Group's total assets was approximately HK$710.0 million (2016: HK$881.7 million) as at year end.

More net cash was used for operating activities for the year ended 31st December, 2017 with the net effect of the operating loss, the decrease in inventories and trade receivables, increase in other receivables, deposits and prepayment and more net cash which was used for repayment of bank and other borrowings during the year. Moreover, less cash was generated from investing activities compared to that of 2016 mainly due to less cash generated from disposal of subsidiaries. However, subscriptions of 4,550,000,000 shares as detailed below with net proceeds of approximately HK$359.2 million were completed on 28th April 2017. As a result, the net cash and cash equivalents increased to approximately HK$62.3 million as at 31st December, 2017 from HK$44.6 million last year.

On 6th January, 2017, the Company entered into four subscription agreements with four independent subscribers respectively, pursuant to which those subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a maximum of 4,550,000,000 shares in total to the subscribers at the price of HK$0.08 per share with gross proceeds of approximately HK$364 million. Details of which have been disclosed in the announcements of the Company dated 6th January, 2017, 17th March, 2017, 31st March, 2017 and 28th April 2017 and the circular of the Company dated 28th February, 2017. During the year, the net proceeds of approximately HK$359.2 million were fully utilized as follows: (i) approximately HK$255.7 million were used to repay the bank and other borrowings; (ii) approximately HK$64.1 million were used for the working capital of textile business; (iii) approximately HK$19.3 million were used for the working capital of trading of petroleum trading business; (iv) approximately HK$3.1 million were used for the working capital of provision of financial services; and (v) approximately HK$17.0 million were used for the other general working capital of the Group.

The Group will continue 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 foreign currencies such as the US dollar and the 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.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2017 was similar to that of 2016 at approximately 22 days (2016: 21 days). The Group will continuously monitor and maintain its inventory level at a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days was decreased to 28 days for the year ended 31st December, 2017 from 40 days last year. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner. Generally, the Group offers credit terms of 30 days to 120 days to its trade customers subject to the trading history and the individual creditability of the customers.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors only when the Company has distributable reserve 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 does not recommend the payment of final dividend for the year ended 31st December, 2017.

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

During the year ended 31st December, 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 year ended 31st December, 2017 (the "Relevant Period"), save for those deviations as set out below:

(a) certain non-executive Director did not attend the general meeting of the Company; and

(b) the chairman of the Board did not attend the annual general meeting of the Company.

DIRECTORS' INDEMNITY

The Company has taken out appropriate insurance cover in respect of legal action against the Directors during the year ended 31st December, 2017.

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 year ended 31st December, 2017.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of the independent auditor's report on the Group's audited consolidated financial statements for the year ended 31st December, 2017. The report includes paragraphs of an emphasis of matter, without qualification.

"OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 1 to the consolidated financial statements, which indicates that (a) the Group incurred a loss of approximately HK$102,247,000 for the year ended 31st December, 2017 and as of that date, the Group's current liabilities exceeded its current assets by approximately HK$189,970,000; and (b) the legal proceeding with a former related party was still pending. In order to improve its liquidity and financial position, the Company is actively identifying alternative sources of fundings and has been implementing certain cost-control and cost-saving measures.

However, the ultimate outcome of the legal proceeding with the former related party and the likelihood of raising any new fundings could not be assessed at the date of our report. As stated in note 1 to the consolidated financial statements, these events or conditions, along with other matters as set forth in note 1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Group's final results for the year ended 31st December, 2017 and the internal control review report of the Company. 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, the annual results for the year ended 31st December, 2017 and the internal control review report of the Company.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31st December, 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 30 May 2018 to 4 June 2018 (both dates inclusive), during which period no transfer of shares will be effected. In order to qualify for the entitlement to attend and vote at the forthcoming annual general meeting, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 29 May 2018.

PUBLICATION OF FURTHER INFORMATION

The 2017 annual report containing all the information required by the Listing Rules will be published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.gtiholdings.com.hk in due course.

By Order of the Board
GTI Holdings Limited
Poon Sum
Chairman

Hong Kong, 29th March, 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.