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, 2018

The board of directors (the "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, 2018 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, 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*4*	**611,052**	413,861
Cost of sales		**(618,282)**	(481,304)
Gross loss		**(7,230)**	(67,443)
Interest revenue		**63**	3,719
Other income	*5*	**7,917**	9,551
Other gains and losses	*6*	**(33,799)**	200,966
Selling and distribution costs		**(28,518)**	(23,209)
Administrative expenses		**(126,066)**	(130,192)
Finance costs		**(87,049)**	(95,210)
Loss before tax		**(274,682)**	(101,818)
Income tax expense	*7*	**(742)**	(429)
Loss for the year	*8*	**(275,424)**	(102,247)

	Note	2018 HK$'000	2017 HK$'000
Other comprehensive income/(loss):			
Items that will not be reclassified to profit or loss:			
Fair value changes of equity investment at fair value through other comprehensive income		**1,275**	–
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		**(5,837)**	7,327
Fair value change of available-for-sale investments		–	(13,061)
Reclassification of investment revaluation reserve to profit or loss on impairment of available-for-sale investments		–	15,420
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary/subsidiaries		**7,271**	(43,851)
		1,434	(34,165)
Total comprehensive loss for the year		**(272,715)**	(136,412)
Loss for the year attributable to:			
Owners of the Company		**(275,391)**	(101,333)
Non-controlling interests		**(33)**	(914)
		(275,424)	(102,247)
Total comprehensive loss for the year attributable to:			
Owners of the company		**(272,682)**	(135,498)
Non-controlling interests		**(33)**	(914)
		(272,715)	(136,412)
Loss per share	*10*		
Basic and diluted (HK cents)		**(5.09)**	(2.37)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31st December, 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**186,351**	276,239
Prepaid lease payments		**23,005**	44,479
Deposit paid for acquisition of prepaid lease payments and property, plant and equipment		**18,717**	14,221
Goodwill		**34,317**	14,553
Intangible assets		**26,310**	–
Investment in an associate		**173,643**	–
Equity investments at fair value through other comprehensive income		**5,414**	–
Derivative financial instruments		**1,412**	–
Available-for-sale investments		**–**	84,315
Deferred tax assets		**3,439**	–
		472,608	433,807
CURRENT ASSETS			
Prepaid lease payments		**586**	1,121
Investment at fair value through profit or loss		**2,199**	–
Held-for-trading investments		**–**	2,565
Inventories		**26,428**	28,635
Trade and other receivables, deposits and prepayments	*11*	**254,570**	172,086
Tax recoverable		**1,659**	1,572
Bank balances and cash		**15,591**	62,435
		301,033	268,414
Assets classified as held for sale		**20,823**	7,792
		321,856	276,206

	Note	2018 *HK$'000*	2017 *HK$'000*
CURRENT LIABILITIES			
Trade and other payables	*12*	**166,585**	162,127
Contract liabilities		**683**	–
Tax liabilities		**7,998**	1,319
Bank and other borrowings – due within one year		**422,581**	302,449
Bank overdrafts		**846**	149
Obligations under finance leases		**139**	132
Amounts due to related party		**2,944**	–
		601,776	466,176
Liabilities associated with assets classified as held for sale		**20,110**	–
		621,886	466,176
NET CURRENT LIABILITIES		**(300,030)**	(189,970)
TOTAL ASSETS LESS CURRENT LIABILITIES		**172,578**	243,837
NON-CURRENT LIABILITIES			
Bank and other borrowings – due after one year		**96,982**	76,122
Obligations under finance leases		**378**	517
Amounts due to related parties		**–**	24,800
Deferred tax liabilities		**10,745**	3,644
		108,105	105,083
NET ASSETS		**64,473**	138,754
CAPITAL AND RESERVES			
Share capital		**58,994**	53,967
Share premium and reserves		**(20,868)**	82,878
Equity attributable to owners of the Company		**38,126**	136,845
Non-controlling interests		**26,347**	1,909
TOTAL EQUITY		**64,473**	138,754

1. GENERAL INFORMATION

GTI Holdings Limited (the "Company") was incorporated in Cayman Islands under the Companies Law as an exempted company with limited liability on 9 June, 2004 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and principal place of business are Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and 9/F., 822 Lai Chi Kok Road, Cheung Sha Wan, Kowloon, Hong Kong, respectively.

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

2. GOING CONCERN BASIS

The Group incurred a loss attributable to owners of the Company of approximately HK$275,391,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had net current liabilities of approximately HK$300,030,000. 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; (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year.

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") that are relevant to its operations and effective for its accounting year beginning on 1 January 2018. 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 year and prior years except as stated below.

A. IFRS 9 (2014) "Financial Instruments"

Available-for-sale investments are now classified as investments at fair value through profit or loss and equity investments at fair value through other comprehensive income.

IFRS 9 (2014) has been applied in the amounts reported in the consolidated financial statements as follows:

	As at 1 January 2018 *HK$'000*
Decrease in available-for-sale investments	(84,315)
Increase in investments at fair value through profit or loss	84,049
Increase in equity investments at fair value through other comprehensive income	3,570
Decrease in accumulated losses	(2,359)
Decrease in investment revaluation reserve	1,620
Decrease in held-for-trading investments	(2,565)

B. ***IFRS 15 "Revenue from Contracts with Customers"***

IFRS 15 has been applied in the amounts reported in the consolidated financial statements as follows:

	As at 1 January 2018 *HK$'000*
Decrease in trade and other payables	16,159
Increase in contract liabilities	(16,159)

4. REVENUE AND SEGMENT INFORMATION

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

For the year ended 31 December 2018

	RMB banknotes clearing up services and others *HK$'000*	**Production, sale and trading of textile products** *HK$'000*	**Trading of petroleum** *HK$'000*	**Provision of financial services** *HK$'000*	**Total** *HK$'000*
Revenue	**–**	**285,551**	**324,763**	**738**	**611,052**
Segment (loss)/profit	**–**	**(154,529)**	**1,074**	**(5,278)**	**(158,733)**
Unallocated expenses					**(50,992)**
Interest revenue					**63**
Other income					**7,917**
Other gains and losses					**14,112**
Finance costs					**(87,049)**
Loss before tax					**(274,682)**

For the year ended 31 December 2017

	Production, sale and trading of textile products *HK$'000*	Trading of petroleum *HK$'000*	Provision of financial services *HK$'000*	Total *HK$'000*
Revenue	268,312	144,805	744	413,861
Segment (loss)/profit	(201,173)	2,114	(4,825)	(203,884)
Unallocated expenses				(33,616)
Interest revenue				3,719
Other income				2,913
Other gains and losses				224,260
Finance costs				(95,210)
Loss before tax				(101,818)

5. OTHER INCOME

	2018 *HK$'000*	2017 *HK$'000*
Income from sales of scrap materials	**3,168**	2,453
Sundry income	**4,749**	7,098
	7,917	9,551

6. OTHER GAINS AND LOSSES

	2018 *HK$'000*	2017 *HK$'000*
Gain on disposal of a subsidiary/subsidiaries	**13,273**	72,366
Gain on debt restructuring	**–**	166,396
Gain on fair value changes of investments at fair value through profit or loss/held-for-trading investments	**839**	918
Gain on written back of trade and other payables	**–**	1,277
Net exchange gain	**340**	2,510
Loss on disposal/written off of property, plant and equipment and prepaid lease payments	**(12,085)**	(756)
Impairment losses recognised in respect of property, plant and equipment and prepaid lease payments	**(34,833)**	(21,628)
Impairment loss recognised on available-for-sale investments	**–**	(15,420)
Impairment losses recognised on trade and other receivables (net of bad debt recovered)	**(1,333)**	(4,697)
	(33,799)	200,966

7. INCOME TAX EXPENSE

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax:		
– Current tax	**241**	536
– Overprovision in prior years	**(30)**	–
	211	536
Deferred tax	**531**	(107)
	742	429

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2017. For the year ended 31 December 2018, Hong Kong Profits Tax is calculated under two-tier profits tax system where the first HK$2 million of estimated assessable profits is taxed at a reduced rate of 8.25% and the remaining of estimated assessable profits is taxed at 16.5%.

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

8. LOSS FOR THE YEAR

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

	2018	2017
	HK$'000	*HK$'000*
Directors' remuneration	**5,010**	5,265
Other staff costs	**132,241**	136,354
Retirement benefits scheme contributions, excluding directors	**4,502**	5,029
Total staff costs	**141,753**	146,648
Auditor's remuneration	**1,900**	3,880
Cost of inventories sold	**618,282**	481,304
Write-down of inventories (included in cost of sales)	**1,773**	16,521
Depreciation of property, plant and equipment	**37,392**	43,288
Amortisation of prepaid lease payments	**916**	1,095
Operating lease charges	**6,855**	7,104

9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

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 approximately HK$275,391,000 (2017: HK$101,333,000) and on the weighted average number of shares in issue during the year of approximately 5,408,182,000 (2017: 4,277,690,000).

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:

	2018	2017
	HK$'000	*HK$'000*
0-30 days	**16,783**	11,008
31-60 days	**8,948**	7,138
61-90 days	**7,361**	6,924
91-120 days	**9,805**	1,685
Over 120 days	**72,115**	4,722
	115,012	31,477

12. TRADE PAYABLES

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

	2018	2017
	HK$'000	*HK$'000*
0-60 days	**13,031**	9,122
61-90 days	**6,002**	10,795
Over 90 days	**24,129**	4,845
	43,162	24,762

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 2018. During the year ended 31st December 2018, the Group recorded consolidated revenue of approximately HK$611.1 million, representing an increase of approximately 47.6% as compared with that of approximately HK$413.9 million for the year ended 31st December 2017. The net loss for the year increased by approximately 169.4% from approximately HK$102.2 million in 2017 to HK$275.4 million in 2018. Other than the write-down of inventories and the impairment loss recognised in respect of property, plant and equipment of approximately HK$1.8 million and HK$34.8 million respectively, the impairment losses recognised on trade and other receivables of approximately HK$1.3 million, the gain on disposal of a subsidiary of approximately HK$13.3 million, the loss contributed by the core business operations was approximately HK$250.8 million, representing a decrease of loss contributed by the core business operations by approximately 11.3% from approximately HK$282.7 million in 2017.

Textile business

Textile business remains one of the major business of the Group. For the year ended 31st December 2018, the Group's revenue derived from the textile business was approximately HK$285.6 million, representing an increase of approximately 6.4% as compared to that of approximately HK$268.3 million in 2017. During the year, the Group's textile business still focused on the production and sale of knitted sweaters, which contributed approximately 70.3% of the revenue of the textile business, and represented an increase of approximately 13.4% when compared to that in 2017. In 2018, since the Group has expended more effort in the production and sales of yarn in the PRC in order to improve the utilization rate of the production capacity of the production base in the PRC, more revenue has been generated from the production and sales of yarn. During the year, the revenue derived from the production and sale of yarn increased by approximately 10.4% to approximately HK$61.3 million as compared with that in 2017. On the other hand, due to restructuring of the textile business, no revenue was generated from dyeing services nor production and sale of dyed yarns.

As the Group has ceased or otherwise disposed of those operations with significant loss and implemented stringent cost control during the year, the loss from the textile business has been improved from approximately HK$201.2 million in 2017 to HK$154.5 million in 2018.

Trading of petroleum

In 2018, trading of petroleum business has become the main source of revenue of the Group, which represented approximately 53.1% of the Group's overall revenue. The revenue derived from the trading of petroleum business was approximately HK$324.8 million in 2018, representing a significant increase of approximately 124.3% as compared to that of HK$144.8 million in 2017. The reason for such increase was due to the change of business focus from Southeast Asia market to Hong Kong market, which resulted in the expansion of the petroleum trading business in Hong Kong. Further, due to the expansion of the trading of petroleum business, the cost and expenses correspondingly increased. The profit of the trading of petroleum business during the year was approximately HK$1.1 million, representing a decrease of approximately 49.2% as compared with that of approximately HK$2.1 million in 2017.

In order to further expand the oil industry related business, the Group has acquired the entire equity interest of Daqing Hongyisheng Technology Development Company Limited on 10 December 2018, which became an indirect wholly-owned subsidiary of the Group (the "Subsidiary"). The Subsidiary is principally engaged in the provision of services to petroleum and oil industry, including but not limit to the development of the petroleum drilling technology and provision of technical services to Daqing, China. Subsequently, the Group has, through the Subsidiary, entered into a sale and purchase agreement with a subsidiary of China National Petroleum Corporation Daqing Oilfield for the sale and purchase of equipment in order to sell certain equipment used in petroleum exploration industry. The execution of the said agreement provides an opportunity for the Group to expand its scope of business in the petroleum industry and to commence petroleum-related service.

Financial Service Business

In order to further diversify its business, the Group launched its financial services business in 2017. During the year, the revenue derived from this business segment was approximately HK$738,000, which was similar to that of approximately HK$744,000 in 2017. Since the asset management business in Mainland China has been officially launched in 2018, it resulted in the increase in operation costs, and hence affect the overall performance of the financial services business. In view of the development of the financial service business and in order to better allocate the resources, the Group has decided to dispose part of the financial services business during the year.

Others

In November 2018, the Group acquired a further 14.0% equity interest in Coulman International Limited ("Coulman"), a company which is principally engaged in the business of investment holding in natural gas industry. After the acquisition, the Group holds an aggregate of 27.0% equity interest in Coulman. In view of Coulman's well-developed operating scale, stable financial track records, sustainable growth potential, as well as the market growth in natural gas industry, the Group believes that the acquisition will provide us opportunities to further increase our source of revenue and improve our financial performance, which is in the interest of the Shareholders as a whole. The Group also successfully acquired the entire equity interest in Jiu Zhou Financial Group Co. Ltd ("Jiu Zhou") in December 2018. Jiu Zhou holds 66% equity interest in Zhongcheng Huiyu Technology Services Company Limited, which, together with its subsidiaries, are principally engaged in the provision of financial outsourcing services in Mainland China. They offer one-stop professional financial outsourcing services for the branches of the People's Bank of China and local commercial banks in Mainland China. The Group believes that this acquisition will provide a gateway for the Group to expand its business to RMB banknote clearing services and further increases its stable business income.

Prospects

According to the forecast of World Bank, the global economy is expected to grow steadily in the coming year. However, the global economy is still surrounded by uncertainties since the US-China trade negotiations have not yet concluded. The uncertainties may affect the overall market structure of the textile industry as well as the textile business of the Group. To cope with these challenges, the Group will actively develop new products to enhance its competitiveness and will also explore other overseas markets to reduce the risks. At the same time, in light of the increasing demand for mid-end and high-end textile products in Mainland China driven by the growing salaries and consumption, the Group will increase the sales in Mainland China and consider selling branded textile products in collaboration with suitable business partners.

With the rapid growth in revenue generated from the petroleum trading business and the stability of Hong Kong business environment, the Group will continue to develop petroleum trading business in Hong Kong. Meanwhile, following the successful acquisition of a company engaged in the provision of petroleum service business in 2018, the Group will actively develop the petroleum service business and increase the revenue of this business segment.

In addition, with the acquisition of a further 14.0% of Coulman's equity interest by the Group, resulting in the aggregate equity interest reaching 27.0%; as well as the successful acquisition of the entire equity interest in Jiu Zhou, the Group believes that the operating scale of these companies will bring sustainable growth potentials to the Group and will enhance its financial performance.

Looking forward, the Group will continue to solidify its existing business and implement effective measures to integrate its business, so as to reduce costs and enhance efficiency. Meanwhile, the Group will remain cautiously optimistic about the future development and seek for more business opportunities to mitigate the impact of market volatility.

FINANCIAL REVIEW

Turnover

During 2018, trading of petroleum became one of the major business segments of the Group and it represents approximately 53.1% of the Group's total turnover. During the year, because of better stability of the business environment in Hong Kong, the Group was focusing more on the development of the trading of petroleum business in Hong Kong. In 2018, the overall turnover generated from the trading of petroleum increased substantially because of the continuing development of trading of petroleum in Hong Kong which represented 99.9% of the turnover from trading of petroleum business.

Textile business was still the other major business of the Group with its major products of knitted sweaters and socks. The Group's total revenue generated from textile business for the year ended 31st December, 2018 was approximately HK$285.6 million. Comparing with the year ended 31st December, 2017, the revenue increased slightly by approximately HK$17.3 million, representing an increase of approximately 6.4%.

The Group's turnover of the sweater business increased by 13.4%, from approximately HK$177.0 million for the year ended 31st December, 2017 to approximately HK$200.8 million for the year ended 31st December, 2018, representing approximately 70.3% 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 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.

Cost of Sales

The cost of sales increased by approximately 28.5% from approximately HK$481.3 million in 2017 to approximately HK$618.3 million in 2018. Apart from the write-down of inventories of approximately HK$1.8 million (2017: approximately HK$16.5 million), the increase in the cost of sales was approximately 32.6% which was mainly due to the substantial increase in the trading volume of trading of petroleum business.

Gross loss and gross loss margin

The Group recorded an overall gross loss of approximately HK$7.2 million (2017: HK$67.4 million) for the year ended 31st December, 2018 in which the gross loss for textile business was continuing to improve as compared with that of 2017, and the provision on those long-aged inventories was significantly reduced during 2018. After continuing implementation of stringent cost control measures, improving the operating efficiency and factory utilization rate, the gross loss for textile business was significantly reduced.

The trading of petroleum business recorded a gross profit of approximately HK$3.3 million during 2018, representing a gross profit margin of approximately 1.0%.

Net loss margin

Except for the written-down of inventories as at 31 December 2018 of approximately HK$1.8 million (2017: HK$16.5 million), the net impairment losses recognised in respect of property, plant and equipment and prepaid lease payments of approximately HK$34.8 million (2017: HK$21.6 million), impairment losses recognised on trade and other receivables of approximately HK$1.3 million (2017: HK$4.7 million), the impairment loss recognised on available-for-sale investments of approximately HK$nil (2017: HK$15.4 million), the overall gain on disposal of subsidiaries of approximately HK$13.2 million (2017: HK$72.4 million) and the gain on debt restructuring of HK$166.4 million in 2017, a net loss of approximately HK$250.8 million was from the businesses of the Group, which was improved from a net loss of HK$282.7 million in 2017 under the same basis.

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, 2019 will be further improved. The Group will continuously strive for orders with better profit margin and use its best endeavours to overcome challenges by sharpening its competitive edge. The completion of the acquisition of the RMB banknotes clearing up services business and a petroleum industry service business in 2018 will also further improve the overall net loss margin for the year of 2019.

Selling and distribution costs

Selling and distribution costs mainly included transportation costs, accessories and packing expenses. For the year ended 31st December, 2018, the Group's selling and distribution costs was approximately HK$28.5 million (2017: HK$23.2 million), representing an increase by approximately 22.9% as compared to that of 2017 which was mainly due to the increase in the revenue of textile business and increase in flight charges for textile business, and it accounted for approximately 4.7% (2017: 5.6%) of the Group's revenue.

Administrative expenses

Administrative expenses of approximately HK$126.1 million (2017: HK$130.2 million), representing a drop by approximately 3.2% as compared to that of 2017, mainly consisted of staff cost, including employees' salary and welfare and redundancy costs, directors' remuneration, legal and professional fees and depreciation. The decrease in administrative expenses during 2018 was mainly due to the further disposal of some subsidiaries of the group.

Finance costs

Finance costs mainly comprised interests on bank and other borrowings which decreased to approximately HK$87.0 million (2017: HK$95.2 million), representing approximately 14.2% (2017: 23.0%) of the Group's revenue. The decrease in finance cost as compared to that of 2017 was mainly due to the lack of overdue interests charged pursuant to the debt restructuring deed signed on 9th March 2017 during the year ended 31st December 2018.

Borrowings

As at 31st December, 2018, the Group had outstanding bank and other borrowings of approximately HK$519.6 million (2017: HK$378.6 million), in which approximately HK$97.0 million (2017: HK$76.1 million) was classified as falling due more than one year and the remaining balance of approximately HK$422.6 million (2017: HK$302.5 million) was classified as falling due within one year. The total bank and other borrowings increased by approximately HK$141 million when comparing with the balance as at 31st December, 2017 as a result of issuance of bonds in order to meet the need of the working capital during the year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31st December, 2018, the Group's cash and cash equivalents have decreased from approximately HK$62.4 million to approximately HK$15.6 million. The Group's total assets was approximately HK$794.5 million (2017: HK$710.0 million) as at year end.

Less net cash was used for operating activities for the year ended 31st December, 2018 as the result of the net effect of the operating loss, the decrease in inventories, increase in trade and other receivables, deposits and prepayment and decrease in trade and other payables. In addition, more net cash was generated from investing activities as compared to that of 2017, mainly due to more cash generated from disposal of subsidiaries. On the other hand, less net cash was generated from financing activities during the year ended 31st December 2018 as compared to the year of 2017 during which there was proceeds from share subscriptions of approximately HK$359.0 million during 2017.

The Group mainly met 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. The Group will continue 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.

On 15th February 2019, the Company entered into a placing agreement with a placing agent, pursuant to which the placing agent agreed, as agent of the Company, to procure, on a best effort basis, not less than six placees, who would be independent third parties, to subscribe for up to 354,000,000 placing shares at the placing price of HK$0.18 per placing share. The subscription was completed on 18th March 2019 with an aggregate of 177,208,000 shares being allotted. Details of the placing have been disclosed in the announcements of the Company dated 15th February, 2018, 8th March, 2018 and 18th March, 2018.

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 to enter into appropriate hedging arrangements from time to time.

Stock turnover days

Stock turnover days of the Group for the year ended 31st December, 2018 improved to approximately 16 days (2017: 22 days). The Group will continuously monitor its inventory level to a secure level in the coming year.

Debtors' turnover days

The debtors' turnover days increased to approximately 69 days for the year ended 31st December, 2018 from approximately 28 days last year. Without considering the effect of new businesses acquired during 2018, the debtor's turnover days increased to approximately 46 days. Credit control on debt collection and new customers selection procedures are still being made in a stringent manner. The Group generally offers credit terms of 30 days to 180 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 and may only be declared 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, 2018.

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

During the year ended 31st December, 2018, 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 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, 2018 (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, 2018.

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, 2018.

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, 2018. 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the"IASB") 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 2 to the consolidated financial statements which mentions that the Group incurred a loss attributable to owners of the Company of approximately HK$275,391,000 for the year ended 31st December 2018 and as at 31st December 2018 the Company had net current liabilities of HK$300,030,000. This condition indicates a material uncertainty which 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, 2018 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, 2018 and the internal control review report of the Company.

SCOPE OF WORK PERFORMED BY AUDITOR

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 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31st December 2018. The work performed by ZHONGHUI ANDA CPA Limited 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 ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF FURTHER INFORMATION

The 2018 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, 29 March, 2019

As at the date of this announcement, the Board comprises (i) Mr. Poon Sum (Chairman), Mr. Cheung Tat Chung (Chief Executive Officer), 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.