



## **GTI HOLDINGS LIMITED**

**共享集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

*(In provisional liquidation for the purpose of restructuring)*

**(Stock Code: 3344)**

### **ANNOUNCEMENT OF UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019**

#### **UNAUDITED ANNUAL RESULTS**

For the reasons explained below in the paragraph of “Review of Financial Information”, the audit process of the annual results of GTI Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) for the year ended 31 December 2019 has not been completed and the Company is unable to publish an annual results announcement that has been agreed with the Company’s auditor by 31 March 2020 in accordance with Rule 13.49 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

In the meantime, the board of directors (the “**Board**”) of the Company announces that the unaudited consolidated results of the Group for the year ended 31 December 2019 with comparative figures for the previous corresponding year are as follows:

# UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <b>HK\$'000</b> <b>(audited)</b>
Revenue	4	<b>704,356</b>	611,052
Cost of sales		<b>(735,299)</b>	(618,282)
<b>Gross loss</b>		<b>(30,943)</b>	(7,230)
Interest revenue		<b>647</b>	63
Other income	5	<b>15,548</b>	7,917
Share of results of associates		<b>201</b>	–
Other gains and losses	6	<b>(357,928)</b>	(33,799)
Selling and distribution costs		<b>(15,298)</b>	(28,518)
Administrative expenses		<b>(92,997)</b>	(126,066)
Finance costs		<b>(123,440)</b>	(87,049)
<b>Loss before tax</b>		<b>(604,210)</b>	(274,682)
Income tax expense	7	<b>(3,666)</b>	(742)
<b>Loss for the year</b>	8	<b>(607,876)</b>	(275,424)
<b>Other comprehensive income/(loss):</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Fair value changes of equity investment at fair value through other comprehensive income		<b>(5,412)</b>	1,275
<i>Items that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>(198)</b>	(5,837)
Share of foreign currency translation reserve of an associate		<b>(393)</b>	–
Reclassification of translation reserve to profit or loss upon disposal of a subsidiary/subsidiaries		<b>(9,776)</b>	7,271
		<b>(10,367)</b>	1,434
<b>Total comprehensive loss for the year</b>		<b>(623,655)</b>	(272,715)

	<i>Notes</i>	<b>2019</b> <b><i>HK\$'000</i></b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(560,729)</b>	(275,391)
Non-controlling interests		<b>(47,147)</b>	(33)
		<u><b>(607,876)</b></u>	<u>(275,424)</u>
<b>Total comprehensive loss for the year attributable to:</b>			
Owners of the Company		<b>(576,362)</b>	(272,682)
Non-controlling interests		<b>(47,293)</b>	(33)
		<u><b>(623,655)</b></u>	<u>(272,715)</u>
<b>Loss per share</b>	<i>10</i>		
<i>Basic and diluted (HK cents)</i>		<u><b>(9.00)</b></u>	<u>(5.09)</u>

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>108,983</b>	186,351
Prepaid lease payments		–	23,005
Right-of-use assets		<b>13,031</b>	–
Deposit paid for acquisition of land use right and property, plant and equipment		<b>17,802</b>	18,717
Goodwill		<b>6</b>	34,317
Intangible assets		<b>18,353</b>	26,310
Interest in associates		<b>17,783</b>	173,643
Equity investments at fair value through other comprehensive income		–	5,414
Derivative financial instruments		<b>37,520</b>	1,412
Deferred tax assets		–	3,439
Trade and other receivables, deposits and prepayments	<i>11</i>	<b>5,000</b>	–
		<b>218,478</b>	472,608
<b>Current assets</b>			
Prepaid lease payments		–	586
Investment at fair value through profit or loss		–	2,199
Inventories		<b>3,408</b>	26,428
Trade and other receivables, deposits and prepayments	<i>11</i>	<b>196,653</b>	254,570
Tax recoverable		–	1,659
Bank balances and cash		<b>5,511</b>	15,591
		<b>205,572</b>	301,033
Assets classified as held for sale		<b>6,783</b>	20,823
		<b>212,355</b>	321,856

	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <b>HK\$'000</b> <b>(audited)</b>
<b>Current liabilities</b>			
Trade and other payables	12	244,724	166,585
Contract liabilities		533	683
Tax liabilities		9,526	7,998
Bank and other borrowings – due within one year		446,127	422,581
Bank overdrafts		–	846
Lease liabilities		2,618	–
Obligation under a finance lease		–	139
Amount due to a related party		8,258	2,944
		<u>711,786</u>	<u>601,776</u>
Liabilities associated with assets classified as held for sale		23,456	20,110
		<u>735,242</u>	<u>621,886</u>
<b>Net current liabilities</b>		<u>(522,887)</u>	<u>(300,030)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(304,409)</u>	<u>172,578</u>
<b>Non-current liabilities</b>			
Bank and other borrowings – due after one year		153,128	96,982
Lease liabilities		1,285	–
Obligation under a finance lease		–	378
Deferred tax liabilities		8,756	10,745
		<u>163,169</u>	<u>108,105</u>
<b>NET (LIABILITIES)/ASSETS</b>		<u><u>(467,578)</u></u>	<u><u>64,473</u></u>
<b>Capital and reserves</b>			
Share capital		62,988	58,994
Share premium and reserves		(544,643)	(20,868)
<b>Equity attributable to owners of the Company</b>		<u>(481,655)</u>	<u>38,126</u>
Non-controlling interests		14,077	26,347
<b>TOTAL (DEFICIT)/EQUITY</b>		<u><u>(467,578)</u></u>	<u><u>64,473</u></u>

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

## 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 Unit B, 13/F, Winsan Tower, 98 Thomson Road, Wanchai, Hong Kong, respectively.

The unaudited 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. BASIS OF PREPARATION

### Appointment of provisional liquidators

On 26 May 2020, the Company filed a winding up petition (the “**Petition**”) together with an application for the appointment of joint provisional liquidators (the “**JPLs**”) of the Company with the Grand Court of the Cayman Islands.

On 28 May 2020 (Cayman time), upon the hearing at the Cayman Court of the JPL Application, an order (the “**Order**”) in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Ms. Claire Marie Loebell of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes.

The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose.

The Order also provides that, for the avoidance of any doubt, no payment or disposition of the Company’s property or any transfer of shares or any alteration in the status of the Company’s members shall be made or effected without the direct or indirect approval of the JPLs but no such payment or other disposition or transfer of shares or alteration in the status of the Company’s members made or effected by or with the authority or approval of the JPLs in carrying out their duties and functions and in the exercise of their powers under the Order shall be avoided by virtue of the provisions of section 99 of the Companies Law of the Cayman Islands.

### Going concern basis

The Group incurred a loss attributable to owners of the Company of approximately HK\$560,729,000 for the year ended 31 December 2019 and as at 31 December 2019, the Group had net current liabilities and net liabilities of approximately HK\$522,887,000 and approximately HK\$467,578,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due given that (i) the Group will be able to successfully complete the debt restructuring with the creditors; (ii) the Group is actively seeking to raise fund to meet a level sufficient to finance the working capital requirements of the Group; (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position and the directors of the Company believe that the performance of the Group will be significantly improved in the forthcoming year.

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

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

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

#### A. IFRS 16 “Leases”

On adoption of IFRS 16, the Group recognised right-of-use assets and lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under IAS 17 “Leases.”

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 and leasehold lands. 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 consolidated financial statements as follows:

	As at 1 January 2019 HK\$’000 (unaudited)
Increase in right-of-use assets	30,686
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	(7,140)
	<u><u>                    </u></u>

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\$7,140,000, of which HK\$3,993,000 were current lease liabilities and HK\$3,147,000 were non-current lease liabilities.

The differences between the operating lease commitments discounted using the lessee's incremental borrowing rate from 6.09% to 13.86% and the total lease liabilities recognised in the 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.

#### 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 2019

	<b>RMB banknotes clearing up services and others <i>HK\$'000</i> (unaudited)</b>	<b>Production, sale and trading of textile products <i>HK\$'000</i> (unaudited)</b>	<b>Trading of petroleum and chemical product <i>HK\$'000</i> (unaudited)</b>	<b>Provision of financial services <i>HK\$'000</i> (unaudited)</b>	<b>Total <i>HK\$'000</i> (unaudited)</b>
Revenue	<u>37,345</u>	<u>147,946</u>	<u>518,627</u>	<u>438</u>	<u>704,356</u>
Segment (loss)/profit	<u>140</u>	<u>(177,815)</u>	<u>(53,281)</u>	<u>(2,890)</u>	(233,846)
Unallocated expenses					(105,954)
Interest revenue					647
Other income					15,548
Other gains and losses					(157,366)
Finance costs					(123,440)
Share of results of associates					<u>201</u>
Loss before tax					<u>(604,210)</u>



For the year ended 31 December 2018

	RMB banknotes clearing up services and others <i>HK\$'000</i> (audited)	Production, sale and trading of textile products <i>HK\$'000</i> (audited)	Trading of petroleum <i>HK\$'000</i> (audited)	Provision of financial services <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
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)

#### 5. OTHER INCOME

	<b>2019</b> <b><i>HK\$'000</i></b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
Income from sales of scrap materials	425	3,168
Sundry income	2,992	4,749
Compensation from profit guarantee	12,131	–
	<b>15,548</b>	<b>7,917</b>

## 6. OTHER GAINS AND LOSSES

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
(Loss)/gain on disposal of subsidiaries	(252)	13,273
Loss on disposal of investments at fair value through profit or loss	(723)	–
Gain on fair value changes of investments at fair value through profit or loss	–	839
Net exchange gain	755	340
Gain/(loss) on disposal/written off of property, plant and equipment	9	(12,085)
Loss on extinguishing financial liabilities with equity instruments	(1,333)	–
Fair value gain on derivative financial instruments	36,108	–
Impairment losses recognised in respect of property, plant and equipment	(42,406)	(34,833)
Impairment losses recognised on trade and other receivables, net	(153,315)	(1,333)
Impairment losses recognised on goodwill	(34,311)	–
Impairment losses recognised on right-of-use assets	(2,598)	–
Impairment losses recognised on intangible assets	(4,080)	–
Impairment losses recognised on interest in an associate	(160,813)	–
Gain on fair value changes on modification of other borrowings	5,031	–
	<u>(357,928)</u>	<u>(33,799)</u>

## 7. INCOME TAX EXPENSE

	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (audited)
Hong Kong Profits Tax:		
– Current tax	2,176	241
– Overprovision in prior years	–	(30)
Deferred tax	1,490	531
	<u>3,666</u>	<u>742</u>

For the year ended 31 December 2019 and 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 1 January 2008 onwards.

Under the Law of the Cambodian Income Tax, the tax rate of the Cambodia subsidiaries is 20%.

## 8. LOSS FOR THE YEAR

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

	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
Auditor's remuneration	1,900	1,900
Cost of inventories sold	735,299	618,282
Write-down of inventories (included in cost of sales)	14,091	1,773
Depreciation of property, plant and equipment	24,696	37,392
Amortisation of prepaid lease payments	–	916
Depreciation of right-of-use assets	5,671	–
Operating lease charges	–	6,855
Expenses related to short-term leases	1,016	–
Directors' remuneration	3,224	5,010
Other staff costs	35,670	132,241
Retirement benefits scheme contributions, excluding directors	1,788	4,502
Total staff costs	<b>40,682</b>	<b>141,753</b>

## 9. DIVIDENDS

The Directors do not recommend the payment of any dividend for the years ended 31 December 2019 and 2018.

## 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\$560,729,000 (unaudited) (2018: HK\$275,391,000) and on the weighted average number of shares in issue during the year of approximately 6,232,086,000 (unaudited) (2018: 5,408,182,000).

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:

	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
0-30 days	5,295	16,783
31 – 60 days	2,449	8,948
61 – 90 days	3,317	7,361
91 – 120 days	1,156	9,805
121-180 days	2,203	32,475
181 – 365 days	12,639	39,598
Over 365 days	24,057	42
	<u>51,116</u>	<u>115,012</u>

## 12. TRADE PAYABLES

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

	<b>2019</b> <b>HK\$'000</b> <b>(unaudited)</b>	2018 <i>HK\$'000</i> (audited)
0-60 days	9,133	13,031
61-90 days	560	6,002
Over 90 days	49,623	24,129
	<u>59,316</u>	<u>43,162</u>

## **BUSINESS REVIEW AND PROSPECTS**

### **Business Review**

The Group's consolidated revenue for year ended 31 December 2019 increased by 15.3% from approximately HK\$611,052,000 last year to HK\$704,356,000, while the net loss for the year increased by approximately 120.7% to HK\$607,876,000 as compared to HK\$275,424,000 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 2019. The revenue from trading of petroleum and chemical products was approximately HK\$518,627,000, representing an increase by 59.7% from approximately HK\$324,763,000 last year, and accounted for 73.6% of the Group's revenue. The increase in revenue was mainly attributable to the commencement of trading of chemical products in 2019. Although the revenue increased, as a result of the volatility of the market price of petroleum during the current year, 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 suffered a loss of HK\$53,281,000 in the trading of petroleum and chemical products business during the reporting period.

### **Textile business**

During the year ended 31 December 2019, the revenue from the textile business was approximately HK\$147,946,000, which represented 21.0% of the Group's revenue. Compared to last year, the revenue from the textile business dropped by 48.2%. On the other hand, the overall segment loss from textile business increased to approximately HK\$177,815,000 as compared to last year of approximately HK\$154,529,000. During the current year under review, the operating condition remained difficult.

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 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 held a controlling stake in the equity interest in Zhongcheng Huiyu Technology Services Company Limited, which, together with its subsidiaries, was principally engaged in the provision of financial outsourcing services of RMB banknotes clearing up services in Mainland China. They offered 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 year ended 31 December 2019, the revenue from RMB banknotes clearing up services business was approximately HK\$37,345,000. However, due to the allowance for impairment loss of trade and other receivables of approximately HK\$8,694,000 made in the year under review, the Group only achieved a profit of approximately HK\$140,000 on this business segment.

## **Prospects**

The continuance of the US-China trade war, the withdrawal of the United Kingdom from the European Union, and the effect of COVID-19 over the world’s major economies continue to add uncertainties to the global economy for 2020 and beyond. These factors 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 2020. In order to broaden the sources of revenue, the Group has commenced the trading of chemical products which was mainly ethylene glycol. In view of the promising growth in the 2019, the Group will continue to develop the trading of chemical products business in 2020 and will do so in a more prudent manner.

Around beginning of 2020, it was dry season in Cambodia and the electricity supply was very unstable. It greatly affected the production schedule and product quality. This further aggregated the situation. This led to late payment and difficulty in meeting wages payments. Accordingly, the workers took the case to court. At this moment, the Cambodian assets were frozen.

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 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**

### **Revenue**

During the year ended 31 December 2019, the revenue of the Group increased by 15.3% from approximately HK\$611,052,000 to HK\$704,356,000.

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 73.6% of the Group's total revenue during the year under review. The trading of petroleum was mainly carried out in Hong Kong during the current year while the trading of chemical products was mainly carried out in the Mainland China.

For the year ended 31 December 2019, the turnover from the textile business was approximately HK\$147,946,000 which accounted for 21.0% of the total revenue of the Group. Our textile business is principally engaged in the production and sale of knitted products and the trading of cotton and yarns.

During the year under review, the revenue from RMB banknotes clearing up services business, which was acquired last year, was approximately HK\$37,345,000 and represented approximately 5.3% of the Group's total revenue.

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

The cost of sales increased by approximately 18.9% from HK\$618,282,000 in the corresponding period last year to approximately HK\$735,299,000 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 increased from approximately 1.2% in 2018 to approximately 4.4% for the reporting period.

### **Other income**

During the period under review, other income increased by approximately 96.4% compared to that of 2018 to approximately HK\$15,548,000. The increase was mainly attributable to the compensation from profit guarantee of approximately HK\$12,131,000 from the RMB banknotes clearing up service business acquired in 2018.

## **Selling and distribution costs**

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the year 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 decreased by 46.4% to approximately HK\$15,298,000, representing approximately 2.2% of the Group's revenue.

## **Administrative expenses**

Administrative expenses decreased by 26.2% to approximately HK\$92,997,000 during the year 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 13.2% of the Group's revenue.

## **Finance costs**

Finance costs were mainly comprised of interests on bank and other borrowings which increased to approximately HK\$123,440,000 for the year under review. The finance costs increased by 41.8% 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 2019.

## **Other gains and losses**

As described in the section "prospect" above, our Cambodia operation is now being frozen under court order. Provision for impairment losses of HK\$42,406,000 regarding property, plant and equipment were made.

Investment in associate was valued at HK\$17,783,000 as at 31 December 2019 and therefore impairment losses provision of HK\$160,813,000 were made.

## **Borrowings**

As at 31 December 2019, the Group had outstanding bank and other borrowings of approximately HK\$599,255,000, in which approximately HK\$153,128,000 was classified as falling due more than one year and the remaining balance of approximately HK\$446,127,000 was classified as falling due within one year. The total bank and other borrowings increased by approximately HK\$79,692,000 when comparing with the balance as at 31 December 2018 as a result of increase of other borrowings during the year in order to support the working capital of the Group.



## Liquidity and financial resources

As at 31 December 2019, the Group's bank balances and cash decreased from approximately HK\$15,591,000 as at 31 December 2018 to approximately HK\$5,511,000 as at 31 December 2019. The Group's total assets were approximately HK\$430,833,000 as at 31 December 2019.

As a result of the increase in the operating loss, more net cash was used for the operating activities for the current year under review as compared to last year. During 2019, there was net cash generated from investing activities mainly due to disposal of subsidiaries. Net cash generated from financing activities was mainly due to the proceeds from issuance of shares and issuance of new bonds.

On 8 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 19 February 2019.

On 15 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 18 March 2019 with an aggregate of 177,208,000 shares issued to not less than six places with net proceeds of approximately HK\$31,259,000. During the year ended 31 December 2019, the net proceeds were fully utilised as follows: (i) approximately HK\$15,918,000 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 After the Reporting Period

### Appointment of receivers of a subsidiary

Champion Forever Group Limited (the “**Borrower**”), a wholly-owned subsidiary of the Company as borrower, and the Company as guarantor, have entered into a loan agreement with Champion Alliance Industries Limited as the lender (the “**Lender**”) in 2017 under which the Borrower has borrowed money for settlement of amount payables and working capital purposes. As security for the liability and obligations under the loan agreement, the Company has executed a share mortgage (the “**Share Mortgage**”) over the issued shares of the Borrower in favour of the Lender.

On 7 May 2020, the Company received a notification from Graham Management Consultants Limited informing the Company that their Mr. Chan Ho Yim, Graham and Ms. Chan Suk King (the “**Receivers**”) had been appointed by the Lender on 29 April 2020 as joint and several receivers of the issued share capital of the Borrower as the loan is overdue pursuant to the Share Mortgage as at 8 May 2020.

### Winding up petitions

References are made to the announcements of the Company dated 8 January 2020, 13 January 2020, 5 March 2020, 5 June 2020, 26 June 2020, 13 July 2020 and 15 July 2020, in relation to (i) a winding up petition filed by two bondholders of the Company (the “**Petition 1**”) against the Company in the High Court of Hong Kong Special Administrative Region (the “**High Court**”) which was scheduled to be heard on 12 August 2020; (ii) a winding up petition filed by a bondholder of the Company (the “**Petition 2**”) against the Company in the High Court which was scheduled to be heard on 27 August 2020; (iii) a winding up petition filed by a bondholder of the Company (the “**Petition 3**”) against the Company in the High Court which was scheduled to be heard on 2 September 2020; and (iv) a winding up petition filed by Ms. Wang Rujing (the “**Petition 4**”) against the Company in the High Court. The Petition 4 is scheduled to be heard in the High Court on 27 August 2020.

### Statutory demand

References are made to the announcements of the Company dated 26 April 2020 and 21 May 2020, the Company has received a number of statutory demands under section 178(1)(A) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) (the “**Statutory Demands**”) which were served on the Company by (i) 12 bondholders (the “**Bondholders**”) to demand the Company to pay the alleged outstanding debts in the aggregate amount of approximately HK\$66,694,000 (the “**Bondholders’ Debts**”); and (ii) 1 creditor of the loan (the “**Loan Creditor**”) to demand the Company to pay the alleged outstanding loan debt in the aggregate amount of HK\$1,100,000 (the “**Loan Creditor’s Debt**”).

## **Appointment of provisional liquidators**

On 26 May 2020, the Company filed a winding up petition (the “**Petition**”) together with an application for the appointment of joint provisional liquidators (the “**JPLs**”) of the Company with the Grand Court of the Cayman Islands.

On 28 May 2020 (Cayman time), upon the hearing at the Cayman Court of the JPL Application, an order (the “**Order**”) in favour of the Company was granted and Mr. Osman Mohammed Arab and Mr. Lai Wing Lun of RSM Corporate Advisory (Hong Kong) Limited, and Ms. Claire Marie Loebell of R&H Restructuring (Cayman) Ltd. were appointed as the JPLs (for restructuring purposes) on a light touch approach for restructuring purposes.

The Order provides that for so long as JPLs are appointed to the Company, no suit, action or other proceeding, including criminal proceedings, shall be proceeded with or commenced against the Company except with the leave of the Cayman Court and subject to such terms as the Cayman Court may impose.

The Order also provides that, for the avoidance of any doubt, no payment or disposition of the Company’s property or any transfer of shares or any alteration in the status of the Company’s members shall be made or effected without the direct or indirect approval of the JPLs but no such payment or other disposition or transfer of shares or alteration in the status of the Company’s members made or effected by or with the authority or approval of the JPLs in carrying out their duties and functions and in the exercise of their powers under the Order shall be avoided by virtue of the provisions of section 99 of the Companies Law of the Cayman Islands.

## **Capital Commitments**

The Group did not have any material capital commitments as at 31 December 2019.

## **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 31 December 2019.

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

During the year ended 31 December 2019, 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 31 December 2019 (the “**Relevant Period**”).

## **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 31 December 2019.

## **REVIEW OF FINANCIAL INFORMATION**

Due to the impact of the COVID-19 coronavirus outbreak in Hong Kong, China, and Cambodia which delayed the availability of certain information, the auditor of the Company (the “**Auditor**”), ZHONGHAI ANDA CPA Limited, has not fully completed the auditing process for the annual results of the Group for the year ended 31 December 2019. In order to keep the shareholders of the Company (the “**Shareholders**”) and potential investors informed of the business operation and financial position of the Group, after discussion with the Auditor, the Board decided to publish the unaudited annual results announcement of the Company for the year ended 31 December 2019 together with the audited comparative figures for the corresponding period.

Further announcement(s) relating to the audited results of the Group will be issued when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

## **FURTHER ANNOUNCEMENT(S)**

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the year ended 31 December 2019 as agreed by the Auditor and the material differences (if any) as compared with the unaudited annual results contained herein. In addition, the Company will issue further announcement(s) as and when necessary if there is other material development in the completion of the auditing process. The completion of the auditing process is expected to be on or before 31 August 2019.

**The financial information contained herein in respect of the annual results of the Group has not been audited and has not been agreed with the Auditor. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

By Order of the Board  
**GTI Holdings Limited**  
*(Provisional Liquidators Appointed)*  
*(For Restructuring Purposes)*  
**Poon Sum**  
*Chairman*

Hong Kong, 31 July 2020

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