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GTI HOLDINGS LIMITED

共享集團有限公司

(In Liquidation)

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

(Stock Code: 3344)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

HIGHLIGHTS

- Revenue decreased by approximately 41.5% to approximately HK\$381 million.
- Profit for the period was approximately HK\$24 million.
- The Directors did not recommend the payment of an interim dividend for the period under review.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

The board (the “**Board**”) of directors (the “**Directors**”) of GTI Holdings Limited (the “**Company**”) hereby announces the unaudited results of the Company and its subsidiaries (the “**Group**”) for the six months ended 31 December 2022, together with the unaudited comparative figures for the six months ended 31 December 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2022

	<i>NOTES</i>	For the six months ended 31 December	
		2022 <i>HK\$'000</i> (Unaudited)	2021 <i>HK\$'000</i> (Unaudited)
Revenue	4	381,320	651,697
Cost of sales		<u>(370,510)</u>	<u>(624,989)</u>
Gross profit		10,810	26,708
Other income	5	12	2,578
Other gains and losses	6	28,708	–
Impairment loss on trade and other receivables, net		–	(38,843)
Selling and distribution expenses		(460)	(307)
Administrative expenses		<u>(10,536)</u>	<u>(21,515)</u>
Profit/(loss) from operations		28,534	(31,379)
Finance costs	7	<u>(603)</u>	<u>(31,164)</u>
Profit/(loss) before tax		27,931	(62,543)
Income tax expense	8	<u>(3,777)</u>	<u>(1,935)</u>
Profit/(loss) for the period	9	24,154	(64,478)
Other comprehensive (expense)/income:			
<i>Item that may be reclassified to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(13,197)</u>	<u>10,805</u>
		<u>(13,197)</u>	<u>10,805</u>
Total comprehensive income/(expense) for the period		<u>10,957</u>	<u>(53,673)</u>

		For the six months ended 31 December	
		2022	2021
NOTE		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit/(loss) for the period attributable to:			
	Owners of the Company	21,808	(73,288)
	Non-controlling interests	2,346	8,810
		<u>24,154</u>	<u>(64,478)</u>
Total comprehensive expense/(income) for the period attributable to:			
	Owners of the Company	8,383	(64,310)
	Non-controlling interests	2,574	10,637
		<u>10,957</u>	<u>(53,673)</u>
		HK cents	HK cents
Earnings/(loss) per share			
	<i>Basic and diluted</i>	0.35	(1.16)
		<u>0.35</u>	<u>(1.16)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 31 December 2022*

		As at 31.12.2022	As at 30.06.2022
	<i>NOTES</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		4,210	15,974
Right-of-use assets		6,811	14,127
Deposit paid for acquisition of land use right and property, plant and equipment		8,774	9,082
Goodwill		981	981
		<hr/>	<hr/>
Total non-current assets		20,776	40,164
		<hr/>	<hr/>
Current assets			
Inventories		5,311	5,493
Trade and other receivables, deposits and prepayments	12	255,701	217,745
Bank balances and cash		2,967	6,726
		<hr/>	<hr/>
Total current assets		263,979	229,964
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	13	229,565	228,210
Taxation payable		4,333	4,404
Bank and other borrowings		1,255,450	1,251,914
Lease liabilities		1,628	2,776
		<hr/>	<hr/>
Total current liabilities		1,490,976	1,487,304
		<hr/>	<hr/>
Net current liabilities		(1,226,997)	(1,257,340)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		(1,206,221)	(1,217,176)
		<hr/>	<hr/>

	As at 31.12.2022 HK\$'000 (Unaudited)	As at 30.06.2022 HK\$'000 (Audited)
Non-current liabilities		
Lease liabilities	255	256
Deferred tax liabilities	<u>6,337</u>	<u>6,338</u>
Total non-current liabilities	<u>6,592</u>	<u>6,594</u>
NET LIABILITIES	<u>(1,212,813)</u>	<u>(1,223,770)</u>
Capital and reserves		
Share capital	62,988	62,988
Share premium and reserves	<u>(1,261,466)</u>	<u>(1,270,356)</u>
Deficit attributable to owners of the Company	(1,198,478)	(1,207,368)
Non-controlling interests	<u>(14,335)</u>	<u>(16,402)</u>
TOTAL DEFICIT	<u>(1,212,813)</u>	<u>(1,223,770)</u>

NOTES:

1. GENERAL INFORMATION

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

These condensed consolidated financial statements should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 30 June 2022. Other than the application of amendments to IFRSs set out in Note 3, the accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the Group’s annual consolidated financial statements for the year ended 30 June 2022.

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 appointment of the JPLs, 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 of the Company (the “**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.

Winding up order against the Company and appointment of Joint and Several Liquidators (“**JSLs**”)

On 22 November 2021, the Company was ordered to be wound up by the High Court of The Hong Kong Special Administrative Region (the “**High Court**”) under HCCW 51/2020 and the Official Receiver was appointed as the Provisional Liquidator of the Company.

On 20 January 2023, pursuant to an order granted by the High Court, Ms. CHUA Suk Lin, Ivy and Mr. LAU Kwok Hung, both of Crowe (HK) CPA Limited were appointed as the JSLs of the Company in Hong Kong with a Committee of Inspection formed.

Winding up order by the Grand Court of the Cayman Islands and appointment of Joint Official Liquidators (“JOLs”)

On 22 February 2022, the Grand Court of the Cayman Islands ordered the Company be wound up and Messrs Osman Mohammed Arab and Lai Wing Lun, both of RSM Corporate Advisory (Hong Kong) Limited, and Mr Owen Walker of R&H Restructuring (Cayman) Ltd., were appointed as the JOLs of the Company in the Cayman Islands with the power to act jointly and severally.

Resumption guidance

On 17 November 2021, the Company has been notified by the Stock Exchange of the following resumption guidance (the “**Resumption Guidance**”) for the Company:

- (i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;
- (ii) demonstrate its compliance with Rule 13.24; and
- (iii) announce all material information for the Company’s shareholders (the “**Shareholders**”) and investors to appraise the Company’s position.

On 29 November 2021, the Company received another letter from the Stock Exchange, pursuant to which, the Stock Exchange imposes the following additional resumption guidance for the resumption of trading in the Shares:

- (iv) have the winding up order against the Company withdrawn or dismissed and liquidators (provisional or not) discharged.

The Stock Exchange also stated in its letter dated 17 November 2021 that, under Rule 6.01A(1) of the Listing Rules, it may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expired on 3 April 2023 (the “**Deadline**”) and the Company submitted a request for extension on 31 March 2023.

On 21 April 2023, the Company received a letter from the Listing Committee of the Stock Exchange (the “**Listing Committee**”) stating that the Listing Committee has considered the Company’s case and decided to reject the Company’s request for extending the Deadline, and cancel the Company’s listing under Rule 6.01A of the Listing Rules (the “**Delisting Decision**”).

On 2 May 2023, the Company submitted an application requesting the Delisting Decision to be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules.

Proposed restructuring of the Group

On 31 March 2023, the Company, the JSLs and Mega Yield Enterprise Development Limited (the “**Investor**”) entered into a restructuring agreement (the “**Restructuring Agreement**”) to implement a restructuring of the Company by regularizing the business of the Group through, inter alia, (i) implementation of a capital reorganization involving share consolidation and capital reduction; (ii) subscription of Shares to be issued by the Company to the Investors, (iii) disposal of excluded subsidiaries of the Group; and (iv) implementation of a creditors scheme (the “**Scheme**”) with the creditors of the Company, which will fully and finally discharge all claims of the Company’s creditors against the Company as at the effective date of the Scheme.

Going concern basis

As at 31 December 2022, the Group had net current liabilities and net liabilities of approximately HK\$1,226,997,000 and HK\$1,212,813,000, 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 are of the opinion that the Group will have sufficient working capital to meet its financial liabilities as and when they fall due on the assumption that (i) the Group will be able to successfully complete the debt restructuring of the Group; (ii) the Group will be able to raise fund to meet a level sufficient to finance the working capital requirements of the Group; and (iii) the Group is actively implementing cost-control and cost saving measures to improve operating cash flows and its financial position, under which the Directors believe that the performance of the Group will be significantly improved in the forthcoming year.

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

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Amendments to IFRSs that are mandatorily effective for the current period

In the current period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by International Accounting Standards Board (the "IASB") for the first time which are mandatorily effective for the annual period beginning on or after 1 July 2022 for the preparation of the financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018-2020

The application of the amendments to IFRS Standards in the current period had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these interim financial statements.

4. REVENUE AND SEGMENT INFORMATION

Information reported to the executive Directors, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments has three operating segments, namely (i) production, sale and trading of textile products, (ii) trading of petroleum and chemical products and (iii) RMB banknotes clearing up services.

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

For the six months ended 31 December 2022

	Production, sale and trading of textile products <i>HK\$'000</i> (Unaudited)	Trading of petroleum and chemical products <i>HK\$'000</i> (Unaudited)	RMB banknotes clearing up services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>30,777</u>	<u>350,543</u>	<u>–</u>	<u>381,320</u>
Segment profit/(loss)	<u>24,863</u>	<u>750</u>	<u>(253)</u>	25,360
Unallocated income				3,174
Finance costs				<u>(603)</u>
Profit before tax				<u>27,931</u>

Note: The segment profit of the segment of production, sale and trading of textile products included gain on disposal of property, plant and equipment of approximately HK\$28,704,000 for the six months ended 31 December 2022.

For the six months ended 31 December 2021

	Production, sale and trading of textile products <i>HK\$'000</i> (Unaudited)	Trading of petroleum and chemical products <i>HK\$'000</i> (Unaudited)	RMB banknotes clearing up services <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Segment revenue	<u>32,270</u>	<u>605,654</u>	<u>13,773</u>	<u>651,697</u>
Segment profit	<u>1,691</u>	<u>1,512</u>	<u>3,687</u>	6,890
Unallocated expenses				(38,269)
Finance costs				<u>(31,164)</u>
Loss before tax				<u>(62,543)</u>

5. OTHER INCOME

For the six months ended 31 December	
2022	2021
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)
Sundry income	
<u>12</u>	<u>2,578</u>
<u><u>12</u></u>	<u><u>2,578</u></u>

6. OTHER GAINS AND LOSSES

For the six months ended 31 December	
2022	2021
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	
28,704	—
Others	
<u>4</u>	<u>—</u>
<u><u>28,708</u></u>	<u><u>—</u></u>

7. FINANCE COSTS

For the six months ended 31 December	
2022	2021
<i>HK\$'000</i>	<i>HK\$'000</i>
(Unaudited)	(Unaudited)
Interest on bank and other borrowings	
515	31,164
Interest on lease liabilities	
<u>88</u>	<u>—</u>
<u><u>603</u></u>	<u><u>31,164</u></u>

8. INCOME TAX

	For the six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
PRC Enterprise Income Tax:		
– Current tax	268	1,935
PRC Land Appreciation Tax	<u>3,509</u>	<u>–</u>
	<u>3,777</u>	<u>1,935</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the six months ended 31 December 2022 and 2021. No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits for these periods.

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

PRC land appreciation tax is levied from 30% to 60% on gain on disposal of landed properties with reference to the percentage of appreciated value over the deductible amount.

9. PROFIT/(LOSS) FOR THE PERIOD

The Group’s profit/(loss) for the period is stated after charging the following:

	For the six months ended 31 December	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of goods sold	370,510	624,989
Depreciation of property, plant and equipment	1,068	4,787
Directors’ emoluments	<u>–</u>	<u>1,037</u>

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil).

11. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share attributable to owners of the Company for the six months ended 31 December 2022 is based on the profit for the period attributable to owners of the Company of approximately HK\$21,808,000 (six months ended 31 December 2021: loss for the period attributable to owners of the Company of approximately HK\$73,288,000) and the weighted average of 6,298,816,000 (2021: 6,298,816,000) ordinary Shares in issue during the period.

Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is the same as the basic earnings/(loss) per share as the Company had no potential ordinary Shares outstanding during both periods presented.

12. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period of 30 to 180 days to its trade customers. The following is an aged analysis of trade receivables, net of allowance for trade receivables, presented based on the invoice date at the end of the reporting period.

	31.12.2022 <i>HK\$'000</i> (Unaudited)	30.06.2022 <i>HK\$'000</i> (Audited)
Aged:		
0-30 days	2,779	4,929
31-60 days	9,637	214
61-90 days	711	8,325
91-120 days	1,898	11
121-180 days	17,646	10,295
181-365 days	11,514	14,280
Over 1 year	40,113	25,390
	<u>84,298</u>	<u>63,444</u>

13. TRADE AND OTHER PAYABLES

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

	31.12.2022 <i>HK\$'000</i> (Unaudited)	30.06.2022 <i>HK\$'000</i> (Audited)
Aged:		
0-60 days	2,431	1,480
61-90 days	70	–
Over 90 days	56,606	56,641
	<u>59,107</u>	<u>58,121</u>

14. EVENTS AFTER THE REPORTING PERIOD

Except for those as disclosed in note 2 to this announcement, the Group has no other material events occurred after the reporting period.

EXTRACT FROM REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The below sections set out an extract of the review of condensed consolidated financial statements issued by CCTH CPA Limited, the independent auditor of the Company, regarding the condensed consolidated financial statements of the Group for the six months ended 31 December 2022:

BASIS FOR DISCLAIMER OF CONCLUSION

We were engaged to review the condensed consolidated financial statements of GTI Holdings Limited (In Liquidation) (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) which comprise the condensed consolidated statement of financial position as of 31 December 2022, and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and certain explanatory notes.

Because of the significance of the matters described in the “Basis for disclaimer of conclusion” section of our report, we had not been able to obtain sufficient and appropriate audit evidence to provide a basis for conclusion on the condensed consolidated financial statements. Accordingly, we do not express a conclusion on these condensed financial statements.

Basis for disclaimer of conclusion

Going Concern

We draw attention to note 2 to the condensed consolidated financial statements which mentions that as at 31 December 2022 the Group had net current liabilities and net liabilities of HK\$1,226,997,000 and HK\$1,212,813,000 respectively. This condition indicates a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. The condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon whether the debt restructuring of the Group will be successfully completed and there will be any other future external funding available at a level sufficient to finance the working capital requirements of the Group. The condensed consolidated financial statements do not include any adjustments that would result from the failure to obtain the necessary fundings from the restructuring plan and other external sources.

Any adjustments to be made in respect of the above matters might have a significant consequential effect on the Group’s condensed consolidated financial performance and condensed consolidated cash flows for the six months ended 31 December 2022 and the condensed consolidated financial position of the Group as at 31 December 2022, and the related disclosures thereof in the condensed consolidated financial statements.

In view of the extent of the uncertainty relating to the availability of future funding, we disclaim our conclusion as to whether the going concern basis of preparation of the condensed consolidated financial statements is appropriate.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

Business review

GTI Holdings Limited (In Liquidation) (the “**Company**”) was incorporated in the Cayman Islands under the Companies Law of the Cayman Islands as an exempted company with limited liabilities on 9 June 2004. The Shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Group is principally engaged in production, sales and trading of textile products (including surgical masks) (the “**Textile Business**”), trading of petroleum and chemical products and RMB banknotes clearing up services.

The Group’s revenue for the six months ended 31 December 2022 compared with the six months ended 31 December 2021 decreased by approximately 41.5% from approximately HK\$651,697,000 for the six months ended 31 December 2021 to approximately HK\$381,320,000 for the six months ended 31 December 2022, while the net profit for the six months ended 31 December 2022 increased to approximately HK\$24,154,000 as compared to the net loss of approximately HK\$64,478,000 for the six months ended 31 December 2021.

Textile Business

During the six months ended 31 December 2022, the revenue from the Textile Business was approximately HK\$30,777,000. Compared to the six months ended 31 December 2021, the revenue from the Textile Business decreased by 4.6%. The segment profit of Textile Business improved from approximately HK\$1,691,000 for the six months ended 31 December 2021 to approximately HK\$24,863,000 in the current period.

The Group introduced the production of surgical mask business since 2021 after the outbreak of COVID-19. As the virus-preventive measures in relation to COVID-19 in the People’s Republic of China (the “**PRC**”) have been gradually removed, the demand for surgical masks decreased and the overall revenue from manufacturing and trading of surgical masks reduced by approximately HK\$11,746,000 from approximately HK\$22,958,000 for the six months ended 31 December 2021 to approximately HK\$11,212,000 for the six months ended 31 December 2022.

The Group has been focused on resuming its production of garment products through leasing production facilities in the PRC and provide garment/textile supply chain services. The operation was considered satisfactory. By the end of December 2022, the Group leased a production facility in Nanchang of Jiangxi province. During the first six months of 2023, the Group has leased another two production facilities in the PRC. At the date of this announcement, the Group had leased five production facilities in the PRC to operate its Textile Business. As a result of the expansion, the Group’s revenue in Textile Business increased by approximately HK\$10,253,000 from approximately HK\$9,312,000 for the six months ended 31 December 2021 to approximately HK\$19,565,000 for the six months ended 31 December 2022.

Trading of petroleum and chemical products business

Trading of petroleum and chemical products was the major revenue source of the Group representing over 91.9% of the Group's total revenue for the six months ended 31 December 2022. Since the Group has been focusing on the new business development in the Textile Business and the unfavourable market condition in oil market and intensive oil price volatility during the period, the Group has reduced the trading of petroleum for the six months ended 31 December 2022, with revenue decreased significantly from approximately HK\$605,654,000 for the six months ended 31 December 2021 to approximately HK\$350,543,000 for the six months ended 31 December 2022.

RMB banknotes clearing up services business

The Group's subsidiary, Zhongcheng Huiyu Technology Services Company Limited ("**Zhongcheng Huiyu**"), together with its subsidiaries, were principally engaged in the provision of RMB banknotes clearing up services in the PRC. We offer one-stop professional financial outsourcing services for the branches of the People's Bank of China and local commercial banks in the PRC.

During the six months ended 31 December 2022, no revenue has been generated from RMB banknotes clearing up services business, as compared to approximately HK\$13,773,000 for the six months ended 31 December 2021. Affected by the winding up order of the Company, the customers of Zhongcheng Huiyu terminated their service contracts with the Group and this led to a drop in revenue since December 2021. This segment recorded a loss of approximately HK\$253,000 for the six months ended 31 December 2022, compared to profit of approximately HK\$3,687,000 for the six months ended 31 December 2021.

As disclosed in the Company's announcement dated 29 January 2021, Mr. Hao Zhao (the "**Vendor**") had provided profit guarantee in favour of the Group for the performance of Zhongcheng Huiyu. Considering that the business performance of Zhongcheng Huiyu was affected by the winding up petitions against the Company and further affected by the outbreak of COVID-19, which are beyond the control of the Company, the Vendor and Mr. Hao Xiangbin (the "**Guarantor**"), the Group entered into a conditional supplemental deed dated 29 January 2021 with the Vendor and the Guarantor to extend the profit guarantee period, pursuant to which the Vendor that the audited consolidated net profit after tax of Zhongcheng Huiyu for the financial years ended 31 December 2019, 2021, 2022 and 2023 shall not be less than RMB23,000,000, RMB8,000,000, RMB30,000,000 and RMB36,000,000 (the "**New Guaranteed Profits**") respectively and the Guarantor has agreed to guarantee the performance of the obligations by the Vendor.

However, the winding up of the Company on 22 November 2021 further affected the business of Zhongcheng Huiyu and the business was suspended in 2022. Given the negative impact to Zhongcheng Huiyu, the Vendor is currently negotiating with the Group on the New Guaranteed Profits, and a compensation of HK\$5 million has been paid to the Group so far up to the date of this announcement.

Prospects

Despite the uncertainties and challenges casted by the macroeconomic and political factors, during the period, the Board has reviewed the businesses of the Group with a view to improving the Shareholders' returns, streamlining and strengthening the business operations.

As announced on 2 May 2023, the Company received a letter from the Stock Exchange stating that the Listing Committee has considered the Company's case and decided to cancel the Company's listing under Rule 6.01A of the Listing Rules (the "**Delisting Decision**"). The Company submitted an application requesting the Delisting Decision to be referred to the Listing Review Committee for review pursuant to Chapter 2B of the Listing Rules (the "**LRC Review**") on the same date. The hearing of the LRC Review in relation to the Delisting Decision will be held on 14 July 2023.

Despite the impact of the winding up of the Company, the Group remained focus in continuing the existing business during the period. Since 2021, the Group resumed its production and trading of garment products through leasing of production facilities in the PRC in order to fulfill the criteria of resumption guidance imposed by the Stock Exchange and the revenue from production, sale and trading of garment/textile products increased by approximately HK\$10,253,000 during the period as compared to the six months ended 31 December 2021. The Board will continue to seek business opportunity in order to increase the revenue for this segment.

During the period, the Group maintained its cautious and conservative approach on the trading of petroleum and chemical business in view of the uncertain economic conditions with the oil price volatility. The management will closely monitor the risks associated with trading petroleum and chemical business and adjust its business scale.

The management expects that the RMB banknotes clearing up services business will be suspended until the Group's restructuring plan is concluded and the proposed scheme of arrangement between the Company and its creditors has been implemented. The management will assess whether the Group will resume this business only when the restructuring succeeds.

Looking forward, the Group will 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 volatility and to improve the performance of the Group so as to pursue a satisfactory return to the Shareholders. The financial restructuring will further proceed subject to the supervision of the JSLs. The management of the Company will monitor the financial position of the Group, with an aim to improve its financial position.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately 41.5% from approximately HK\$651,697,000 during the six months ended 31 December 2021 to approximately HK\$381,320,000 for the six months ended 31 December 2022.

The trading of chemical products became the major contributor of turnover of the Group and it represented approximately 91.9% of the Group's total revenue during the period under review. The trading of chemical products was mainly carried out in the PRC.

For the six months ended 31 December 2022, the turnover from the Textile Business was approximately HK\$30,777,000 which accounted for approximately 8.07% of the total revenue of the Group. The Group resumed its Textile Business through leasing production facilities in Hebei and Nanchang, the PRC, and the Group also started the production and trading of surgical masks business acquired from the Investor since last year. The surgical mask business contributed revenue of approximately HK\$19,565,000 and the production, sales and trading of textile products contributed revenue of approximately HK\$11,212,000 to the Group during the six months ended 31 December 2022.

During the six months ended 31 December 2022, the revenue from RMB banknotes clearing up services business was nil.

Cost of sales and gross profit

The cost of sales decreased by approximately 40.72% from HK\$624,989,000 for the six months ended 31 December 2021 to approximately HK\$370,510,000 during the six months ended 31 December 2022. The gross profit decreased by approximately 59.5% from HK\$26,708,000 for the six months ended 31 December 2021 to approximately HK\$10,810,000 for the six months ended 31 December 2022, mainly as a result of the reduction in the demand of surgical masks.

Other gains and losses

During the six months ended 31 December 2022, other gains mainly contributed from the disposal of land based on a court order in the PRC amounted to approximately HK\$28,704,000 (2021: nil).

Selling and distribution costs

Selling and distribution costs mainly included transportation cost, accessories and packing expenses. During the six months ended 31 December 2022, the Group's overall selling and distribution costs increased to HK\$460,000, representing approximately 0.12% of the Group's revenue. The selling and distribution costs are low as the major customers are local customers and the cost of delivery is low.

Administrative expenses

Administrative expenses decreased by approximately 51.03% to approximately HK\$10,536,000 during the six months ended 31 December 2022. It mainly consisted of staff costs which covered employees' salaries and welfare and directors' remuneration, depreciation of property, plant and equipment and legal and professional fees. It represented approximately 2.76% of the Group's revenue.

Finance costs

As the Company was wound up by the Court on 22 November 2021, no interest expenses in relation to the Company's bank and other borrowings has been accrued since then. Finance costs which mainly comprised of interests on bank and other borrowings obtained by subsidiaries of the Company decreased to approximately HK\$603,000 for the six months ended 31 December 2022.

Borrowings

As at 31 December 2022, the Group had outstanding bank and other borrowings of approximately HK\$1,255,450,000. The total bank and other borrowings increase by approximately HK\$3,536,000 when comparing with the balance as at 30 June 2022 as a result of the exchange difference during the six months ended 31 December 2022.

Liquidity and financial resources

As at 31 December 2022, the Group's bank balances and cash decreased from approximately HK\$6,726,000 as at 30 June 2022 to HK\$2,967,000 as at 31 December 2022. The Group's total assets were approximately HK\$284,755,000 as at 31 December 2022. The Group will continue to focus on improving the net cash from operating activities and asset restructuring and to meet its funding requirements in its usual course of operation 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. To mitigate the foreign currency risk, the Group will consider entering into appropriate hedging arrangements from time to time.

Capital Commitments

The Group did not have any capital commitments as at 31 December 2022.

Dividend Policy

The declaration of dividends is subject to the discretion of the Directors and is expected to take into account various factors such as the Group's financial results, Shareholders' interests, general business conditions and strategies, the Group's capital requirements, contractual restrictions on the payment of dividends by the Company to the Shareholders or by the Group's subsidiaries to the Company, taxation considerations, possible effects on the Group's creditworthiness, statutory and regulatory restrictions and any other factors as the Directors may deem relevant. Taking into account the accumulated losses of the Company, the Directors does not recommend the payment of an interim dividend for the six months ended 31 December 2022.

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

During the period under review, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares.

CORPORATE GOVERNANCE

The Company is committed to achieving high standards of corporate governance to safeguard the interest of the Shareholders and enhance its corporate value. The Company has complied with the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as its own code of corporate governance and confirms that it has complied with all code provisions of the CG Code during the period under review.

The Board reviews the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the six months ended 31 December 2022 (six months ended 31 December 2021: Nil) to the Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made to all Directors, and the Directors have confirmed that they have complied with all relevant requirements as set out in the Model Code for the six months ended 31 December 2022.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

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

The Audit Committee has reviewed the Group’s unaudited interim results for the six months ended 31 December 2022. The Audit Committee has discussed with the management of the Group regarding the accounting principles and practices adopted by the Group, its internal controls and financial reporting matters and the interim results for the six months ended 31 December 2022.

The Company’s independent auditor, CCTH CPA Limited, has conducted a review of the interim financial information of the Group for the six months ended 31 December 2022 in accordance with Hong Kong standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement will be published on both the websites of the Company (www.gtiholdings.com.hk) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The interim report of the Company for the six months ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to Shareholders and published on the aforesaid websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the Company's shares on The Stock Exchange of Hong Kong Limited was suspended from 9:00 a.m. on 4 October 2021 and will remain suspended until further notice. Shareholders and other investors are advised to exercise caution when dealing in the shares of the Company.

The Joint and Several Liquidators were only appointed on 20 January 2023 and with limited information in relation to the Group who are not in a position to confirm the completeness, existence and accuracy of the historical result of the Group. The Joint and Several Liquidators do not accept or assume responsibility for these interim financial statements for the six months ended 31 December 2022 for any purpose or to any person to whom these interim financial statements are shown or into whose hands they may come.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

By order of the Board
GTI Holdings Limited
(In Liquidation)
Tan Teng Hong
Executive Director

Hong Kong, 6 July 2023

According to the information available from the previous announcement made by the Company, immediately before the making of winding up order against the Company by the Court, the Board comprises (i) Mr. Ng Kwok Hung Perry, Mr. Hao Xiangbin and Mr. Tan Teng Hong as executive Directors; and (ii) Mr. Chan Shu Kin, Mr. Chung Lim Tung, Mr. Ng Ka Lun and Mr. Zhou Weijia (alias Zhou Yi) as independent non-executive Directors.

The affairs, business and property of the Company are being managed by the Joint and Several Liquidators who act as the agents of the Company only and are not subject to personal liability.