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Burwill Holdings Limited
寶威控股有限公司
(incorporated in Bermuda with limited liability)
(Stock Code: 24)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2016

The Directors of Burwill Holdings Limited (the "Company") hereby present the audited consolidated income statement and consolidated statement of comprehensive income of the Company and its subsidiaries (the "Group") for the year ended 31 December 2016 and the consolidated balance sheet of the Group as at 31 December 2016, together with the comparative figures for 2015, as follows:-

CONSOLIDATED INCOME STATEMENT

	Note	**2016** *HK$'000*	2015 *HK$'000*
Continuing operations			
Revenue	*2*	**2,685,142**	4,618,664
Cost of sales		**(2,679,821)**	(4,547,637)
Gross profit		**5,321**	71,027
Other income and net gains/(losses)	*3*	**4,287**	(41,419)
Selling and distribution expenses		**(28,271)**	(53,536)
General and administrative expenses		**(109,073)**	(98,395)
Share option expenses		**-**	(9,467)
Operating loss		**(127,736)**	(131,790)
Finance costs	*5*	**(13,269)**	(20,254)
Impairment losses on property, plant and equipment		**(10,214)**	(13,729)
Impairment loss on an associate		**(55,876)**	-
Share of losses of associates		**(15,619)**	(947)
Share of losses of joint ventures		**(52)**	-
Loss before income tax		**(222,766)**	(166,720)
Income tax expense	*6*	**(6,728)**	(6,298)
Loss for the year from continuing operations		**(229,494)**	(173,018)
Discontinued operations			
Profit for the year from discontinued operations		**15,130**	41,885
Loss for the year		**(214,364)**	(131,133)
Loss attributable to:			
Owners of the Company		**(207,896)**	(123,453)
Non-controlling interests		**(6,468)**	(7,680)
		(214,364)	(131,133)

CONSOLIDATED INCOME STATEMENT *(Continued)*

	Note	**2016** **HK$'000**	2015 HK$'000
(Loss)/Profit attributable to owners of the Company arises from:			
Continuing operations		**(209,464)**	(151,760)
Discontinued operations		**1,568**	28,307
		(207,896)	(123,453)
(Loss)/Earnings per share from continuing and discontinued operations attributable to owners of the Company for the year	*7*		
Basic (loss)/earnings per share			
From continuing operations (HK cents)		**(4.15)**	(3.16)
From discontinued operations (HK cents)		**0.03**	0.59
		(4.12)	(2.57)
Diluted (loss)/earnings per share			
From continuing operations (HK cents)		**(4.15)**	(3.16)
From discontinued operations (HK cents)		**0.03**	0.59
		(4.12)	(2.57)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2016	2015
	HK$'000	*HK$'000*
Loss for the year	**(214,364)**	(131,133)
Other comprehensive expense:		
Items that may be reclassified to profit or loss		
Share of other comprehensive income of associates	**793**	-
Release of revaluation reserve upon disposal of subsidiaries	**(11,213)**	-
Release of translation adjustments upon disposal of subsidiaries	**(34,648)**	-
Change in value of available-for-sale financial assets	**-**	(66,428)
Fair value losses on reclassification of available-for-sale financial assets to an associate	**-**	66,428
Currency translation differences	**(29,847)**	(46,698)
Other comprehensive expense for the year, net of tax	**(74,915)**	(46,698)
Total comprehensive expense for the year	**(289,279)**	(177,831)
Attributable to:		
Owners of the Company	**(282,558)**	(157,493)
Non-controlling interests	**(6,721)**	(20,338)
Total comprehensive expense for the year	**(289,279)**	(177,831)
Total comprehensive (expense)/income attributable to owners of the Company arising from:		
Continuing operations	**(284,328)**	(159,348)
Discontinued operations	**1,770**	1,855
	(282,558)	(157,493)

CONSOLIDATED BALANCE SHEET

	Note	**2016**	2015
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**7,906**	8,486
Property, plant and equipment		**171,906**	190,951
Investments in associates		**353,241**	231,297
Investments in joint ventures		**5,901**	-
Club debentures		**1,473**	1,473
Deferred income tax assets		**42,631**	47,914
Total non-current assets		**583,058**	480,121
Current assets			
Inventories		**81,570**	58,051
Financial assets at fair value through profit or loss		**711**	954
Derivative financial instruments		**3,632**	-
Bills and accounts receivable	*8*	**730,978**	781,836
Deposits, prepayments and other receivables		**131,509**	138,650
Due from associates		**98,135**	38,359
Due from joint ventures		**35**	-
Income tax refundable		**87**	87
Cash and bank balances		**84,299**	347,982
		1,130,956	1,365,919
Assets of disposal group classified as held for sale		**-**	1,082,251
Total current assets		**1,130,956**	2,448,170
Total assets		**1,714,014**	2,928,291

CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	**2016** **HK$'000**	2015 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*9*	**501,656**	506,436
Other reserves		**972,159**	1,074,762
Accumulated losses		**(512,648)**	(326,212)
		961,167	1,254,986
Non-controlling interests		**(27,827)**	219,118
Total equity		**933,340**	1,474,104
LIABILITIES			
Non-current liabilities			
Borrowings		**58,468**	56,615
Deferred income tax liabilities		**1**	5
Provision for land restoration and environmental costs		**3,804**	4,075
Total non-current liabilities		**62,273**	60,695
Current liabilities			
Borrowings		**371,168**	556,711
Derivative financial instruments		**1,103**	-
Due to associates		**476**	-
Bills and accounts payable	*10*	**240,489**	222,402
Other payables and accruals		**104,316**	233,984
Income tax payable		**849**	364
		718,401	1,013,461
Liabilities of disposal group classified as held for sale		**-**	380,031
Total current liabilities		**718,401**	1,393,492
Total liabilities		**780,674**	1,454,187
Total equity and liabilities		**1,714,014**	2,928,291
Net current assets		**412,555**	1,054,678
Total assets less current liabilities		**995,613**	1,534,799

Notes:-

(1) Basis of preparation and accounting policies

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Standards and amendments effective in 2016

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on 1 January 2016 that would be expected to have a material impact on the Group.

(b) The Group has not early applied any new or revised HKFRSs or HK(IFRIC) interpretations that have been issued by the HKICPA but are not yet effective.

(2) Segment information

The chief operating decision-maker has been identified as the board of directors of the Company. The directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The directors assess the performance of the operating segments based on a measure of loss from continuing operations before income tax for the year. The information provided to the directors is measured in a manner consistent with that in the consolidated financial statements.

The Group is organised into three major operating units: (i) steel trading; (ii) steel processing; and (iii) mineral resources. The commercial property and other segment are classified as discontinued operations.

Revenue recognised during the year is as follows:

	2016 ***HK\$'000***	2015 *HK\$'000*
Continuing operations		
Sale of goods	**2,685,142**	4,618,664
Discontinued operations		
Rental income	**13,421**	56,818
Service income	**5,376**	23,564
	18,797	80,382
	2,703,939	4,699,046

(2) Segment information *(Continued)*

The segment results for the year ended 31 December 2016 are as follows:

	Continuing operations				
	Steel trading *HK$'000*	**Steel processing** *HK$'000*	**Mineral resources** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Total segment sales	**2,647,915**	**37,227**	**-**	**-**	**2,685,142**
Inter-segment sales	**-**	**-**	**-**	**-**	**-**
Sales to external customers	**2,647,915**	**37,227**	**-**	**-**	**2,685,142**
Operating profit/(loss) before below items	**1,380**	**(18,096)**	**(5,230)**	**(59,980)**	**(81,926)**
Fair value losses on financial assets at fair value through profit or loss	**-**	**-**	**-**	**(242)**	**(242)**
Fair value gain/(loss) on derivative financial instruments	**2,572**	**(649)**	**-**	**-**	**1,923**
Impairment losses on amounts due from associates	**-**	**-**	**(677)**	**(2,405)**	**(3,082)**
Impairment losses on deposits, prepayments and other receivables	**(606)**	**(345)**	**(5,150)**	**(32,323)**	**(38,424)**
Dilution loss on an associate	**-**	**-**	**-**	**(5,985)**	**(5,985)**
Operating profit/(loss)	**3,346**	**(19,090)**	**(11,057)**	**(100,935)**	**(127,736)**
Finance costs	**(12,480)**	**(241)**	**-**	**(548)**	**(13,269)**
Impairment losses on property, plant and equipment	**-**	**-**	**(10,214)**	**-**	**(10,214)**
Impairment loss on an associate	**-**	**-**	**-**	**(55,876)**	**(55,876)**
Share of losses of associates	**-**	**-**	**-**	**(15,619)**	**(15,619)**
Share of losses of joint ventures	**-**	**-**	**-**	**(52)**	**(52)**
Segment results	**(9,134)**	**(19,331)**	**(21,271)**	**(173,030)**	**(222,766)**
Income tax expense					**(6,728)**
Loss for the year from continuing operations					**(229,494)**
Profit for the year from discontinued operations					**15,130**
Loss for the year					**(214,364)**

The segment results for the year ended 31 December 2015 are as follows:

	Continuing operations				
	Steel trading *HK$'000*	Steel processing *HK$'000*	Mineral resources *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Total segment sales	4,500,065	118,599	-	-	4,618,664
Inter-segment sales	-	-	-	-	-
Sales to external customers	4,500,065	118,599	-	-	4,618,664
Operating profit/(loss) before below items	31,855	(4,398)	(6,220)	(25,367)	(4,130)
Fair value gains/(losses) on financial assets at fair value through profit or loss	1,483	(698)	-	(366)	419
Fair value loss on reclassification of available-for-sale financial assets to an associate	-	-	-	(66,428)	(66,428)
Impairment losses on deposits, prepayments and other receivables	(2,712)	-	(49,472)	-	(52,184)
Share option expenses	-	-	-	(9,467)	(9,467)
Operating profit/(loss)	30,626	(5,096)	(55,692)	(101,628)	(131,790)
Finance costs	(19,016)	(514)	-	(724)	(20,254)
Impairment losses on property, plant and equipment	-	-	(13,729)	-	(13,729)
Share of losses of associates	-	-	-	(947)	(947)
Segment results	11,610	(5,610)	(69,421)	(103,299)	(166,720)
Income tax expense					(6,298)
Loss for the year from continuing operations					(173,018)
Profit for the year from discontinued operations					41,885
Loss for the year					(131,133)

(2) Segment information *(Continued)*

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

Segment results represent the profit/(loss) earned by each segment without allocation of unallocated corporate expenses including directors' salaries, dilution loss on an associate, impairment losses on an associate, fair value losses on reclassification of available-for-sale financial assets to an associate, share of losses of associates and joint ventures and share option expenses.

Other segment information

The segment assets and liabilities as at 31 December 2016 and depreciation, amortisation and additions to non-current assets for the year ended 31 December 2016 are as follows:

	Continuing operations				
	Steel trading *HK$'000*	**Steel processing** *HK$'000*	**Mineral resources** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Assets	**997,522**	**19,575**	**103,647**	**593,270**	**1,714,014**
Liabilities	**535,089**	**2,158**	**134,041**	**109,386**	**780,674**
Depreciation	**627**	**2,125**	**651**	**1,575**	**4,978**
Amortisation	**-**	**156**	**160**	**-**	**316**
Additions to non-current assets	**4,281**	**12**	**-**	**8**	**4,301**

The segment assets and liabilities as at 31 December 2015 and depreciation, amortisation and additions to non-current assets for the year ended 31 December 2015 are as follows:

	Continuing operations						
	Steel trading *HK$'000*	Steel processing *HK$'000*	Mineral resources *HK$'000*	Unallocated *HK$'000*	Sub-total *HK$'000*	Discontinued operations *HK$'000*	Group *HK$'000*
Assets	1,193,376	87,443	152,438	412,783	1,846,040	1,082,251	2,928,291
Liabilities	687,924	8,235	163,761	214,236	1,074,156	380,031	1,454,187
Depreciation	850	2,527	693	1,574	5,644	-	5,644
Amortisation	-	156	170	-	326	-	326
Additions to non-current assets	60	6	12	-	78	110	188

Segment assets exclude club debentures, deferred income tax assets, investments in associates and joint ventures, income tax refundable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude deferred income tax liabilities, income tax payable, corporate borrowings and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

(2) Segment information *(Continued)*

Geographical information

The Group's business segments operate in five main geographical areas, even though they are managed on a worldwide basis.

	2016	2015
	HK$'000	*HK$'000*
Continuing operations		
Revenue (by location of customers)		
- Europe	**833,407**	997,252
- Hong Kong	**630,251**	708,975
- Asia (other than Mainland China and Hong Kong)	**415,931**	1,153,975
- Middle East	**356,905**	807,092
- Mainland China	**300,239**	529,181
- Others	**148,409**	422,189
	2,685,142	4,618,664
Discontinued operations		
Revenue (by location of customers)		
- Mainland China	**18,797**	80,382
	2,703,939	4,699,046

	2016	2015
	HK$'000	*HK$'000*
Non-current assets		
- Mainland China	**115,401**	135,916
- Hong Kong	**64,292**	63,381
- Europe	**118**	137
- Others	**1**	3
	179,812	199,437

The non-current assets information above is based on the location of assets and excludes club debentures, deferred income tax assets and investments in associates and joint ventures.

For the year ended 31 December 2016, the Group had sales of approximately HK$314,442,000 (2015: HK$470,549,000) to a single significant customer of the steel trading segment, representing approximately 12% (2015: 10%) of the sales to external customers.

(3) Other income and net gains/(losses)

	2016 *HK$'000*	2015 *HK$'000*
Fair value (losses)/gains on:		
- financial assets at fair value through profit or loss	**(242)**	419
- derivative financial instruments	**1,923**	-
Fair value losses on reclassification of available-for-sale financial assets to an associate	**-**	(66,428)
Interest income on:		
- bank deposits	**177**	191
- other receivables	**177**	187
- due from associates	**573**	259
Dividend income	**12**	18
Dilution loss on an associate	**(5,985)**	-
Gains/(Losses) on disposal of property, plant and equipment	**2,995**	(37)
Waiver of amount due to a related company	**-**	21,565
Others	**4,657**	2,407
	4,287	(41,419)

(4) Expenses by nature

Expenses included in cost of sales, selling and distribution expenses and general and administrative expenses are analysed as follows:

	2016 *HK$'000*	2015 *HK$'000*
Depreciation of property, plant and equipment		
- owned assets	**4,493**	5,644
- assets held under finance leases	**485**	-
Amortisation of prepaid operating lease payments	**316**	326
Operating lease rentals	**1,199**	2,173
Provision for impairment of accounts receivable	**-**	3,668
Provision for impairment of deposits, prepayments and other receivables	**38,424**	52,184
Provision for impairment of amounts due from associates	**3,082**	-
Provision for inventories	**2,271**	900
Net exchange gains	**(1,780)**	(4,127)

(5) Finance costs

	2016 *HK$'000*	2015 *HK$'000*
Interest on:		
- bank borrowings	**13,151**	20,243
- finance lease liabilities	**118**	11
	13,269	20,254

(6) Income tax expense

The Company is exempted from taxation in Bermuda until 2035. The Company's subsidiaries established in the British Virgin Islands are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax of 25% (2015: 25%) on their taxable income determined according to Mainland China tax laws. Taxation on other overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

No provision for Hong Kong profits tax had been made as the Group had no assessable profit arising in or derived from Hong Kong for the year ended 31 December 2016 (2015: Nil).

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
- Mainland China taxation	**234**	427
- Overseas taxation	**1,899**	301
	2,133	728
Adjustments in respect of prior years:		
- Mainland China taxation	**36**	71
- Overseas taxation	**(280)**	-
	(244)	71
Deferred tax:		
Origination and reversal of temporary differences	**4,839**	5,499
Income tax expense	**6,728**	6,298

(7) (Loss)/Earnings per share

Basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2016	2015
Loss from continuing operations attributable to owners of the Company (HK$'000)	**(209,464)**	(151,760)
Profit from discontinued operations attributable to owners of the Company (HK$'000)	**1,568**	28,307
Loss attributable to owners of the Company (HK$'000)	**(207,896)**	(123,453)
Weighted average number of ordinary shares in issue (thousands)	**5,044,487**	4,797,044
Basic and diluted (loss)/earnings per share (HK cents)		
From continuing operations	**(4.15)**	(3.16)
From discontinued operations	**0.03**	0.59
	(4.12)	(2.57)

The outstanding share options during the years ended 31 December 2015 and 31 December 2016 have an anti-dilutive effect on the basic (loss)/earnings per share.

(8) Bills and accounts receivable

The Group normally grants to its customers credit periods for sale of goods ranging from 30 days to 180 days.

Ageing analysis of bills and accounts receivable is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within three months	**575,602**	746,181
Over three months but within six months	**106,975**	35,655
Over six months but within twelve months	**48,401**	-
	730,978	781,836

(9) Share capital

	Number of ordinary shares ***(thousands)***	**Nominal value** ***HK$'000***
Authorised		
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	**6,800,000**	**680,000**
Issued and fully paid		
At 1 January 2015	4,586,712	458,671
Repurchase of shares	(39,110)	(3,911)
Issue of shares	238,000	23,800
Issue of consideration shares	227,259	22,726
Share options exercised	51,500	5,150
At 31 December 2015 and 1 January 2016	5,064,361	506,436
Repurchase of shares	(47,796)	(4,780)
At 31 December 2016	**5,016,565**	**501,656**

(10) Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within three months	**220,272**	202,244
Over three months but within six months	**38**	51
Over six months but within twelve months	**523**	560
Over twelve months	**19,656**	19,547
	240,489	222,402

(11) Events after the reporting period

On 8 February 2017, Burwill and Company Limited (as vendor), a wholly-owned subsidiary of the Company, the Company (as guarantor) and Huge Mark International Holdings Limited (as purchaser) entered into a conditional sale and purchase agreement dated 8 February 2017, pursuant to which Burwill and Company Limited has conditionally agreed to sell and Huge Mark International Holdings Limited has conditionally agreed to acquire the entire issued share capital of Burwill Steel Company Limited at a consideration of HK$97,000,000. Details of the above disposal were set out in the Company's announcement dated 8 February 2017.

On 20 March 2017, Yinmain Industrial Limited, a wholly-owned subsidiary of the Company, and Gold Merit Ventures Limited entered into the provisional agreement for sale and purchase dated 20 March 2017, pursuant to which Yinmain Industrial Limited will sell, and Gold Merit Ventures Limited will acquire, the property located at Unit 1402, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for a consideration of HK$265,192,500. Details of the above property disposal were set out in the Company's announcement dated 20 March 2017.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The Company's independent auditors have expressed a qualified opinion in its auditors' report on the Group's consolidated financial statements for the year ended 31 December 2016, an extract of which is as follows:

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Accounting for investment in an associate, China Land Assets Limited ("CLA")

On 23 March 2016, the Group completed the disposal of its subsidiary, Burwill China Portfolio Limited ("BCPL"), to CLA, a 45% owned associate of the Group. As a result, the Group's consolidated income statement for the year ended 31 December 2016 included a gain on disposal of subsidiaries of approximately HK$10,699,000, which was arrived at on the basis of, *inter alia*, the adjusted net assets value of CLA as at 23 March 2016 (as enlarged by the acquisition of BCPL). The Group's investment in CLA, accounted for by the equity method, was carried at approximately HK$214,032,000 on the Group's consolidated balance sheet as at 31 December 2016, and the Group's share of the results and other comprehensive expense of CLA of approximately HK$11,568,000 and HK$216,000, respectively, were included in the Group's consolidated income statement and consolidated statement of comprehensive income for the year then ended.

EXTRACT OF INDEPENDENT AUDITORS' REPORT *(Continued)*

Basis for Qualified Opinion *(Continued)*

Accounting for investment in an associate, China Land Assets Limited ("CLA") (Continued)

Due to disputes between the shareholders of CLA, we were unable to obtain sufficient appropriate audit evidence about (i) the adjusted net assets value of CLA as at 23 March 2016 and (ii) the financial information of CLA as at and for the year ended 31 December 2016. In view of the above and in the absence of practicable alternative procedures in respect of the financial information of CLA, we were unable to satisfy ourselves as to whether (i) the carrying amount of the Group's investment in CLA of approximately HK$214,032,000 as included in the Group's consolidated balance sheet as at 31 December 2016; (ii) the Group's share of the results and other comprehensive expense of CLA of approximately HK$11,568,000 and HK$216,000, respectively, as included in the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2016; and (iii) the gain on disposal of subsidiaries of approximately HK$10,699,000 as included in the Group's consolidated income statement for the year ended 31 December 2016, were fairly stated. Consequently, we were unable to determine whether any adjustments to these amounts were necessary. Any adjustments found to be necessary in respect of the abovementioned financial information could have a consequential effect on the financial position of the Group as at 31 December 2016, its consolidated financial performance for the year then ended and related disclosures in these consolidated financial statements. In addition, the required summarised financial information of CLA has not been disclosed in accordance with HKFRS 12 *"Disclosure of Interests in Other Entities"* issued by the HKICPA.

DIVIDENDS

No interim dividend was paid during the year ended 31 December 2016.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2016 (2015: Nil).

REVIEW AND OUTLOOK

During the year 2016, the Group's turnover decreased by 42% to approximately HK$2,685 million compared to the same period last year. Gross profits dropped by 92.51% to HK$5.3 million. The Group recorded a loss attributable to owners of the Company of approximately HK$208 million. The loss for the year comprised the following exceptional losses: share of loss of an associate, KPC of approximately HK$34 million, dilution loss of an associate, KPC of approximately HK$6 million, impairment loss on an associate, KPC of approximately HK$56 million, the write-off the amounts due from China Land Holdings International Limited of approximately HK$32 million and the write-off of the assets of Shandong Magnetite Iron Ore Mine of approximately HK$25 million.

Steel Trading

During 2016, China's steel market experienced multiple sharp rises and falls with extreme volatility in steel prices.

Burdened by lingering pessimistic sentiments since 2015, market inventories remained at low levels while buyers adopted a more cautious attitude and postponed their steel purchases. However, as the peak season approached, supply shortages helped fuel a mild rebound. The Chinese government implemented a series of measures to help cope with toxic haze problems and excessive capacity, and together with large amounts of capital flowing into the steel futures market, spot prices surged substantially and reached a peak at the end of April with some steel product prices soaring more than 65%. Following this, steel manufacturers resumed production, which then led to a sharp reversal of demand and supply causing steel prices to shrink significantly by 25% in June.

During the second half of 2016, China imposed more stringent standards for monitoring environmental protection by increasing the number of regions across the country that limit steel production. Along with these restrictions, steel prices also gained support from the surging costs of raw materials for steel-making and reached a peak in mid-December with the prices for iron ore, scrap and coking coal soaring from 50% to 200%. According to the China Steel Price Index (CSPI) released by the China Iron and Steel Association (CISA), China's steel prices increased 76.53% year-on-year by the end of December.

According to Platts 62% Fe IODEX, iron ore prices showed rises and falls ranging from 35% to 85% with a cumulative strong rally of 135% from a low point at the beginning of 2016 to a peak by the year end. Spot transaction was resumed by the end of 2016 to hedge against price risks. The Group will carefully participate in hedging-related business, focusing on spot trades, in order to protect against concerning risks.

In response to the current complicated and volatile market environment, the Group has adopted a relatively conservative and cautious steel trading approach with sales growth seen in individual selected areas. Our European subsidiaries, in particular, recorded a relatively substantial growth in earnings in 2016. However, due to rare fluctuations in market prices, some sales contracts that were in dispute incurred the greatest losses over the past ten years. The Group is now engaged in active discussions on possible resolutions to settle parts of the contract disputes.

Looking towards 2017, despite a gradual economic recovery in the U.S., the lack of growth momentum in the Eurozone and the impact of the Brexit referendum will continue to increase uncertainties in the market. In addition to sluggish economic growth in Japan, China's major export markets such as the U.S., the European Union, and India, and other regions that have continued to reinforce anti-dumping measures against China's steel products, will all exert additional pressure on China's steel exporting operations.

REVIEW AND OUTLOOK *(Continued)*

Steel Trading *(Continued)*

Domestic demand conditions, however, remain buoyant as the Chinese Government will continue to press ahead with infrastructure investments, particularly in public transportation such as railways, highways, airports and deep water berths, which will help stimulate the growth of steel consumption. On the other hand, the Government has imposed strict environmental management regulations and placed controls by various “administrative means” to effectively blunt steel production capacity and restrain the overall steel supply, keeping steel prices at high levels. Furthermore, various data sources reveal a significant growth in steel consumption across several ASEAN countries, in particular Vietnam, the Philippines, Indonesia, Thailand and Malaysia all showed year-on-year increases of more than 20%. Experts, therefore, believe that China will benefit from its neighboring countries’ increasing steel imports.

In 2017, the Group will continue a prudent business approach, carrying out strict risk control measures to leverage its marketing network. With the aid of strong marketing channels and long-term support from our suppliers over the years, we are confident of maintaining stable sales volumes and achieving higher revenues.

Steel Processing

This particular business segment has recorded continued losses over recent years, and top management, despite its best efforts, has not been able to stem the tide of negative results. Consequently, the Group ceased operations at its steel processing plant in Dongguan, Guangdong Province since the first half of 2016 and we have begun to clear away and downsize inventories, equipment and personnel. The entire process was nearly completed in late 2016.

Commercial Property Investments

The Group completed the disposal of Yangzhou Times Square to China Land Assets Limited (“China Land Assets”) during the first quarter of the Year. Subsequent to the sale, the Group holds 45% of the share capital of China Land Assets and which holds 69% of the share capital of Yangzhou Times Square, and 100% of the share capital of Wuxi Sunshine Plaza.

Charm Best Investments Inc. (“Charm Best”), which held 55% of the share capital of China Land Assets, failed to perform its repayment obligations owed to the Group. In October 2016, the Group exercised the right to take over the charged shares in accordance with the deed of charge. Charm Best and its representatives are, then, no longer a shareholder nor board members of China Land Assets respectively. The 55% charged shares have now been transferred to the Group's wholly-owned subsidiary, Double Honour Enterprises Limited, and is held in trust. In view of the above, the Group will consolidate its commercial real estate business operations when necessary.

In November 2016, at the High Court of the Hong Kong Special Administrative Region the Group issued a writ of summons to Charm Best and its key shareholder. This action was done to declare that the Group has rights under the deed to take over the charged shares and to restrain Charm Best from purporting to exercise any powers pertaining to the charged shares while restraining any related parties from purportedly acting as a director of China Land Assets. The Group is confident that it will prevail in the lawsuit.

REVIEW AND OUTLOOK *(Continued)*

Potash in Kazakhstan

The Group now holding approximately 26% of the share capital of Kazakhstan Potash Corporation Limited ("KPC"), a listed company on the Australian Securities Exchange (ASX), is the single largest shareholder of KPC.

KPC is a professional potash mining company, engaged in the exploration and development of potash resources in the Republic of Kazakhstan as well as the production of agricultural potassium chloride, potassium sulfate and potassium magnesium sulfate fertilizer. KPC owns 95% equity shares in Zhilyanskoe and Chelkar, two quality potash mines in western Kazakhstan.

In 2016, KPC expanded its trading and warehousing businesses in China. In August 2016, KPC, cooperated with Chongqing Material of Agriculture Production (Group) Company Limited, set up a joint venture company, which is engaged in trading, storage and transportation of potash fertilizers, phosphate fertilizers and other agricultural materials. The aim of setting up a joint venture company is to explore new markets and broaden the client base for KPC's potash products in the future.

In September 2016, KPC signed a memorandum of understanding with Kazakhstan Temir Zholy ("KTZ Express"). Under this memorandum both parties demonstrated their intention to collaborate on the transportation of KPC's potash fertilizers in the future. KTZ Express also agreed to provide preferential policies for the logistics and transportation of potash fertilizers for KPC.

Potash is the raw material used in the production of potash fertilizers. China is an agricultural country with inadequate potash resources, relying on over 50% of imports for its potash fertilizers needs. Therefore, potash is regarded as a "strategic resource" for food security in China.

LIQUIDITY AND FINANCIAL RESOURCES

Following the completion of disposal of non wholly-owned subsidiaries, the total equity of the Group decreased to approximately HK$933 million as at 31 December 2016. The Group's gearing ratio, as a ratio of total borrowings net of total cash and cash equivalents to total equity, increased to 0.40 (2015: 0.28) and current ratio, as a ratio of current assets to current liabilities, decreased to 1.57 (2015: 1.76) respectively as at 31 December 2016.

The total borrowings of the Group decreased to approximately HK$430 million (2015: HK$748 million) as at 31 December 2016 and their maturity profile as agreed with the lenders was as follows:

	2016 ***HK$ million***	2015 *HK$ million*
Within one year	**275**	485
Between one and two years	**8**	23
Between two and five years	**78**	127
Over five years	**69**	113
	430	748

The Group's borrowings were denominated in US Dollar, Renminbi, Hong Kong Dollar and Euro and were charged interest at prevailing market rates.

FOREIGN EXCHANGE RISK EXPOSURE

The Group's receipts, payments, assets and liabilities are principally denominated in US Dollar, Renminbi, Hong Kong Dollar and Euro. The Group considers that its exposure to exchange rate risk is modest except for Euro in which less than 15% of the Group's receipts and payments were denominated for 2016. To minimise the exchange rate risk, forward exchange contracts are used when required, in particular for Euro.

CONTINGENT LIABILITIES

The Company has been provided with a writ dated 16 June 2015 ("Writ") filed with the Shandong Province Yantai City Intermediate People's Court of the People's Republic of China ("PRC") under which an individual ("Plaintiff") alleged that he is the beneficial owner of 50% of the equity interest in 萊陽泰鑫礦業有限公司 ("Allegation") and that 青島泰鑫礦業有限公司 holds such 50% equity interest in 萊陽泰鑫礦業有限公司 ("萊陽泰鑫 50% equity interest") as nominee for the Plaintiff. In the Writ, 萊陽泰鑫礦業有限公司 has been named as defendant. In the interim, as a result of the Allegation, the Shangdong Province Yantai City Intermediate People's Court of the PRC has imposed a freezing order in respect of 35% equity interest in 萊陽泰鑫礦業有限公司 held by 青島泰鑫礦業有限公司 (the "Freezing Order"). The frozen equity interest will be restricted from transfer or pledge during the existence of the Freezing Order but the operations of 萊陽泰鑫礦業有限公司 will not be hindered by the imposition of the Freezing Order. The trial of the Allegation was held in August 2016 that the Plaintiff lost a lawsuit and the judgement was received in the early 2017 that 萊陽泰鑫礦業有限公司 was not liable to any claim and the Plaintiff alleged that he owned 萊陽泰鑫 50% equity interest was not in fact. The Plaintiff has already served a notice of appeal to the judgement but the date of trial for appeal has not been fixed.

CAPITAL COMMITMENTS

As at 31 December 2016, the Group had no capital commitments contracted but not provided (2015: Nil).

CHARGE ON ASSETS

As at 31 December 2016, the following assets were pledged: (i) certain leasehold land, land use rights and buildings with a net book amount of approximately HK$69,884,000 (2015: HK$72,884,000); (ii) certain motor vehicles with a net book amount of approximately HK$3,755,000 (2015: Nil); (iii) certain bank balances of approximately HK$12,574,000 (2015: HK$89,000); (iv) certain bills and accounts receivable of approximately HK$76,520,000 (2015: HK$88,086,000); and (v) certain inventories of approximately HK$15,917,000 (2015: HK$28,701,000).

STAFF

As at 31 December 2016, the Group employed 301 staff. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits. The Group also provides other staff benefits which include contributory provident fund and medical insurance. Share options and discretionary bonus may also be granted to eligible staff based on individual and the Group performances. Training programmes for staff are provided as and when required.

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

During the year ended 31 December 2016, the Company via Hillot Limited, a wholly-owned subsidiary of the Company, repurchased a total of 47,796,000 shares of the Company on The Stock Exchange of Hong Kong Limited pursuant to the general mandates granted by the shareholders at the annual general meetings held on 10 June 2015 and 22 June 2016, details of which were as follows:-

Month/Year	**Number of shares repurchased**	**Price per share**		**Total consideration (before expense)**
		Highest	**Lowest**	
		HK$	*HK$*	*HK$'000*
04/2016	6,448,000	0.280	0.265	1,778
06/2016	13,054,000	0.260	0.250	3,319
07/2016	15,602,000	0.255	0.213	3,655
11/2016	12,692,000	0.189	0.178	2,326

All shares repurchased were subsequently cancelled and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2016.

AUDIT COMMITTEE

The Company has established an Audit Committee which temporarily comprises two Independent Non-Executive Directors of the Company, Mr. CUI Shu Ming and Mr. CHAN Ming Fai. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The audited financial statements of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2016, except for the following deviations:

- Code provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation, either in person or through other electronic means of communication, of a majority of directors entitled to be present. As the Company did not announce its quarterly results, two regular Board meetings were held during the year for reviewing and approving the 2015 annual results and the 2016 interim results of the Group, which the relevant Code provision had not been fully complied with. Board meetings will be held on other occasions when Board decisions are required.

- Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Chairman and Managing Director of the Company, Mr. CHAN Shing, currently assumes the role of the chairman and also the chief executive. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

- Code provision A.4.2 stipulates, inter alia, that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  The Directors have not been required by the Bye-laws of the Company (the "Bye-laws") to retire by rotation at least once every three years. However, in accordance with Bye-law 85 of the Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), other than the Director holding office as Chairman or Managing Director, shall retire from office by rotation. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman or Managing Director, by rotation at least once every three years in order to comply with Code provision A.4.2. The Board considered that the continuity of office of the Chairman provides the Group a strong and consistent leadership and is of great importance to the smooth operations of the Group.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the year ended 31 December 2016.

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 31 March 2017

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chan Shing, Ms. Cheung Kwan, Mr. Sit Hoi Tung, Mr. Wei Jiafu, Mr. Kwok Wai Lam and Mr. Sham Kai Man as executive directors; Mr. Cui Shu Ming and Mr. Chan Ming Fai as independent non-executive directors; and Mr. Huang Shenglan as non-executive director.