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 2017

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 2017 and the consolidated balance sheet of the Group as at 31 December 2017, together with the comparative figures for 2016, as follows:-

CONSOLIDATED INCOME STATEMENT

	Note	**2017** **HK$'000**	2016 HK$'000 (restated)
Continuing operations			
Revenue	*2*	**2,491,789**	2,647,915
Cost of sales		**(2,456,404)**	(2,636,555)
Gross profit		**35,385**	11,360
Other income and net gains	*3*	**9,932**	1,556
Selling and distribution expenses		**(38,661)**	(27,360)
General and administrative expenses		**(49,533)**	(94,172)
Other operating expenses		**(85,801)**	-
Share option expenses		**(26,160)**	-
Operating loss		**(154,838)**	(108,616)
Finance costs	*5*	**(19,036)**	(13,028)
Gain/(Loss) on disposal of property, plant and equipment		**202,445**	(30)
Impairment losses on property, plant and equipment		**(18,506)**	(10,214)
Impairment loss on an associate		**-**	(55,876)
Share of losses of associates		**(86,840)**	(15,619)
Share of losses of joint ventures		**(164)**	(52)
Loss before income tax		**(76,939)**	(203,435)
Income tax credit/(expense)	*6*	**1,188**	(7,154)
Loss for the year from continuing operations		**(75,751)**	(210,589)
Discontinued operations			
Profit/(Loss) for the year from discontinued operations		**60,874**	(3,775)
Loss for the year		**(14,877)**	(214,364)
Loss attributable to:			
Owners of the Company		**(7,715)**	(207,896)
Non-controlling interests		**(7,162)**	(6,468)
		(14,877)	(214,364)

CONSOLIDATED INCOME STATEMENT *(Continued)*

	Note	**2017** **HK$'000**	2016 *HK$'000* *(restated)*
(Loss)/Profit attributable to owners of the Company arises from:			
Continuing operations		**(68,589)**	(190,559)
Discontinued operations		**60,874**	(17,337)
		(7,715)	(207,896)
(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)		**(1.38)**	(3.78)
From discontinued operations (HK cents)		**1.23**	(0.34)
		(0.15)	(4.12)
Diluted (loss)/earnings per share			
From continuing operations (HK cents)		**(1.38)**	(3.78)
From discontinued operations (HK cents)		**1.23**	(0.34)
		(0.15)	(4.12)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Loss for the year	**(14,877)**	(214,364)
Other comprehensive expense:		
Items that may be reclassified to profit or loss		
Share of other comprehensive (expense)/income of associates	**(3,845)**	793
Release of revaluation reserve upon disposal of subsidiaries	**-**	(11,213)
Release of translation adjustments upon disposal of subsidiaries	**(9,890)**	(34,648)
Release of reserves upon reclassification of associate to available-for-sale financial assets	**(9,432)**	-
Change in fair value of available-for-sale financial assets	**(33,536)**	-
Reclassification upon impairment of available-for-sale financial assets	**33,536**	-
Currency translation differences	**22,719**	(29,847)
Other comprehensive expense for the year, net of tax	**(448)**	(74,915)
Total comprehensive expense for the year	**(15,325)**	(289,279)
Attributable to:		
Owners of the Company	**(7,506)**	(282,558)
Non-controlling interests	**(7,819)**	(6,721)
Total comprehensive expense for the year	**(15,325)**	(289,279)
Total comprehensive income/(expense) attributable to owners of the Company arising from:		
Continuing operations	**(58,490)**	(267,580)
Discontinued operations	**50,984**	(14,978)
	(7,506)	(282,558)

CONSOLIDATED BALANCE SHEET

	Note	**2017**	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Leasehold land and land use rights		**3,754**	7,906
Property, plant and equipment		**90,774**	171,906
Investments in associates		**217,665**	353,241
Investments in joint ventures		**5,737**	5,901
Available-for-sale financial assets		**25,063**	-
Club debentures		**1,473**	1,473
Deferred income tax assets		**15,861**	42,631
Total non-current assets		**360,327**	583,058
Current assets			
Inventories		**35,190**	81,570
Financial assets at fair value through profit or loss		**170,086**	711
Derivative financial instruments		**-**	3,632
Bills and accounts receivable	*8*	**704,600**	730,978
Deposits, prepayments and other receivables		**253,011**	131,509
Due from associates		**120,163**	98,135
Due from joint ventures		**43**	35
Income tax refundable		**87**	87
Cash and bank balances		**149,226**	84,299
Total current assets		**1,432,406**	1,130,956
Total assets		**1,792,733**	1,714,014

CONSOLIDATED BALANCE SHEET *(Continued)*

	Note	**2017** **HK$'000**	2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	*9*	**497,283**	501,656
Other reserves		**1,010,532**	972,159
Accumulated losses		**(520,363)**	(512,648)
		987,452	961,167
Non-controlling interests		**(35,646)**	(27,827)
Total equity		**951,806**	933,340
LIABILITIES			
Non-current liabilities			
Borrowings		**220,025**	58,468
Deferred income tax liabilities		**415**	1
Provision for land restoration and environmental costs		**4,125**	3,804
Total non-current liabilities		**224,565**	62,273
Current liabilities			
Borrowings		**251,093**	371,168
Derivative financial instruments		**-**	1,103
Due to associates		**568**	476
Bills and accounts payable	*10*	**116,916**	240,489
Other payables and accruals		**247,753**	104,316
Income tax payable		**32**	849
Total current liabilities		**616,362**	718,401
Total liabilities		**840,927**	780,674
Total equity and liabilities		**1,792,733**	1,714,014
Net current assets		**816,044**	412,555
Total assets less current liabilities		**1,176,371**	995,613

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 2017

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on 1 January 2017 that had 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 profit or 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 in its continuing operations: (i) steel trading; (ii) lithium business; and (iii) mineral resources. The steel processing segment, presented as a separate reportable segment in the previous year, is classified as discontinued operations.

Revenue recognised during the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Sale of goods	**2,491,789**	2,647,915
Discontinued operations		
Sale of goods	**-**	37,227
Rental income	**-**	13,421
Service income	**-**	5,376
	-	56,024
	2,491,789	2,703,939

(2) Segment information *(Continued)*

The segment results for the year ended 31 December 2017 are as follows:

	Continuing operations				
	Steel trading *HK$'000*	**Lithium business** *HK$'000*	**Mineral resources** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Total segment sales	**2,491,789**	**-**	**-**	**-**	**2,491,789**
Inter-segment sales	**-**	**-**	**-**	**-**	**-**
Sales to external customers	**2,491,789**	**-**	**-**	**-**	**2,491,789**
Operating profit/(loss) before below items	**16,136**	**(12,530)**	**(4,668)**	**(45,378)**	**(46,440)**
Fair value gains on financial assets at fair value through profit or loss	**-**	**-**	**-**	**48,014**	**48,014**
Fair value losses on derivative financial instruments	**(445)**	**-**	**-**	**-**	**(445)**
Gains on reclassification of an associate to available-for-sale financial assets	**-**	**-**	**-**	**17,392**	**17,392**
Impairment losses on amount due from associates	**-**	**-**	**-**	**(75)**	**(75)**
Impairment loss on available-for-sale financial assets	**-**	**-**	**-**	**(33,536)**	**(33,536)**
Impairment losses on deposits, prepayments and other receivables	**(1,444)**	**-**	**-**	**-**	**(1,444)**
Settlement of customer claims	**-**	**-**	**-**	**(85,801)**	**(85,801)**
Dilution loss on an associate	**-**	**-**	**-**	**(26,343)**	**(26,343)**
Share option expenses	**-**	**-**	**-**	**(26,160)**	**(26,160)**
Operating profit/(loss)	**14,247**	**(12,530)**	**(4,668)**	**(151,887)**	**(154,838)**
Finance costs	**(11,465)**	**(2,036)**	**-**	**(5,535)**	**(19,036)**
Gain on disposal of property, plant and equipment	**-**	**-**	**-**	**202,445**	**202,445**
Impairment losses on property, plant and equipment	**-**	**-**	**(18,506)**	**-**	**(18,506)**
Share of losses of associates	**-**	**-**	**-**	**(86,840)**	**(86,840)**
Share of losses of joint ventures	**-**	**(160)**	**-**	**(4)**	**(164)**
Segment results	**2,782**	**(14,726)**	**(23,174)**	**(41,821)**	**(76,939)**
Income tax credit					**1,188**
Loss for the year from continuing operations					**(75,751)**
Profit for the year from discontinued operations					**60,874**
Loss for the year					**(14,877)**

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

	Continuing operations			
	Steel trading *HK$'000*	Mineral resources *HK$'000*	Unallocated *HK$'000*	Group *HK$'000*
Total segment sales	2,647,915	-	-	2,647,915
Inter-segment sales	-	-	-	-
Sales to external customers	2,647,915	-	-	2,647,915
Operating profit/(loss) before below items	1,280	(5,230)	(59,850)	(63,800)
Fair value losses on financial assets at fair value through profit or loss	-	-	(242)	(242)
Fair value gains on derivative financial instruments	2,572	-	-	2,572
Impairment losses on amounts due from associates	-	(677)	(2,405)	(3,082)
Impairment losses on deposits, prepayments and other receivables	(606)	(5,150)	(32,323)	(38,079)
Dilution loss on an associate	-	-	(5,985)	(5,985)
Operating profit/(loss)	3,246	(11,057)	(100,805)	(108,616)
Finance costs	(12,480)	-	(548)	(13,028)
Gain/(Loss) on disposal of property, plant and equipment	100	-	(130)	(30)
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)	(21,271)	(173,030)	(203,435)
Income tax expense				(7,154)
Loss for the year from continuing operations				(210,589)
Loss for the year from discontinued operations				(3,775)
Loss for the year				(214,364)

(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, gains on reclassification of an associate to available-for-sale financial assets, fair value gains/(losses) on financial assets at fair value through profit or loss, impairment loss on available-for-sale financial assets, other operating expenses, share of losses of associates and joint ventures and share option expenses.

Other segment information

The segment assets and liabilities as at 31 December 2017 and depreciation, amortisation and additions to non-current assets for the year ended 31 December 2017 are as follows:

	Continuing operations				
	Steel trading *HK$'000*	**Lithium business** *HK$'000*	**Mineral resources** *HK$'000*	**Unallocated** *HK$'000*	**Group** *HK$'000*
Assets	**990,845**	**125,152**	**92,352**	**584,384***	**1,792,733**
Liabilities	**404,189**	**69,531**	**141,088**	**226,119**	**840,927**
Depreciation	**1,127**	**-**	**650**	**538**	**2,315**
Amortisation	**-**	**-**	**160**	**-**	**160**
Additions to non-current assets	**8**	**-**	**-**	**54**	**62**

* Including investment in the listed shares of Alliance Mineral Assets Limited of approximately HK$170 million which were acquired during the year and designated as financial assets at fair value through profit or loss.

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

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.

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Continuing operations		
Revenue (by location of customers)		
- Europe	**1,188,167**	833,407
- Mainland China	**432,897**	263,012
- Asia (other than Mainland China and Hong Kong)	**418,567**	415,931
- Middle East	**198,023**	356,905
- Hong Kong	**109,500**	630,251
- Others	**144,635**	148,409
	2,491,789	2,647,915
Discontinued operations		
Revenue (by location of customers)		
- Mainland China	**-**	56,024
	2,491,789	2,703,939

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
- Mainland China	**91,636**	115,401
- Hong Kong	**2,791**	64,292
- Europe	**100**	118
- Others	**1**	1
	94,528	179,812

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

For the year ended 31 December 2017, the Group had sales of approximately HK$283,623,000 (2016: HK$314,442,000) to a single significant customer of the steel trading segment, representing approximately 11% (2016: 12%) of the sales to external customers.

(3) Other income and net gains

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Fair value gains/(losses) on:		
- financial assets at fair value through profit or loss	**48,014**	(242)
- derivative financial instruments	**(445)**	2,572
Gains on reclassification of an associate to available-for-sale financial assets	**17,392**	-
Impairment loss on available-for-sale financial assets	**(33,536)**	-
Interest income on:		
- bank deposits	**50**	22
- other receivables	**159**	177
- due from associates	**2,190**	501
Dividend income	**9**	12
Dilution loss on an associate	**(26,343)**	(5,985)
Others	**2,442**	4,499
	9,932	1,556

(4) Expenses by nature

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

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Depreciation of property, plant and equipment		
- owned assets	**2,315**	2,368
- assets held under finance leases	**-**	485
Amortisation of prepaid operating lease payments	**160**	160
Operating lease rentals	**6,595**	1,199
Provision for impairment of deposits, prepayments and other receivables	**1,444**	38,079
Provision for impairment of amounts due from associates	**75**	3,082
Provision for inventories	**(2,394)**	2,271
Net exchange gains	**(14,753)**	(2,361)

(5) Finance costs

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Interest on:		
- bank borrowings	**11,415**	12,910
- finance lease liabilities	**50**	118
- convertible bonds	**4,738**	-
- notes payables	**797**	-
- others	**2,036**	-
	19,036	13,028

(6) Income tax (credit)/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% (2016: 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% (2016: 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.

	2017	2016
	HK$'000	*HK$'000*
		(restated)
Current tax:		
- Mainland China taxation	**-**	12
- Overseas taxation	**-**	1,899
	-	1,911
Adjustments in respect of prior years:		
- Hong Kong taxation	**32**	-
- Overseas taxation	**-**	(280)
	32	(280)
Deferred tax:		
Origination and reversal of temporary differences	**(1,220)**	5,523
Income tax (credit)/expense	**(1,188)**	7,154

(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.

	2017	2016 *(restated)*
Loss from continuing operations attributable to owners of the Company (HK$'000)	**(68,589)**	(190,559)
Profit/(Loss) from discontinued operations attributable to owners of the Company (HK$'000)	**60,874**	(17,337)
Loss attributable to owners of the Company (HK$'000)	**(7,715)**	(207,896)
Weighted average number of ordinary shares in issue (thousands)	**4,979,271**	5,044,487
Basic and diluted (loss)/earnings per share (HK cents)		
From continuing operations	**(1.38)**	(3.78)
From discontinued operations	**1.23**	(0.34)
	(0.15)	(4.12)

The outstanding share options and convertible bonds during the years ended 31 December 2016 and 31 December 2017 had 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:

	2017 ***HK$'000***	2016 *HK$'000*
Within three months	**618,072**	575,602
Over three months but within six months	**86,528**	106,975
Over six months but within twelve months	**-**	48,401
	704,600	730,978

(9) Share capital

	Number of ordinary shares *(thousands)*	Nominal value *HK$'000*
Authorised		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**6,800,000**	**680,000**
Issued and fully paid		
At 1 January 2016	5,064,361	506,436
Repurchase of shares	(47,796)	(4,780)
At 31 December 2016 and 1 January 2017	5,016,565	501,656
Repurchase of shares	(53,136)	(5,313)
Share options exercised	9,400	940
At 31 December 2017	**4,972,829**	**497,283**

(10) Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Within three months	**94,316**	220,272
Over three months but within six months	**-**	38
Over six months but within twelve months	**-**	523
Over twelve months	**22,600**	19,656
	116,916	240,489

(11) Comparative figures

Certain comparative figures have been restated to conform with the current year presentation including those for the discontinued operations.

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 2017, an extract of which is as follows:

Qualified Opinion

We have audited the consolidated financial statements of Burwill Holdings Limited and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2017, and the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 consolidated financial position of the Group as at 31 December 2017, 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

On 23 March 2016, the Group completed the disposal of its subsidiary, Burwill China Portfolio Limited ("BCPL"), to China Land Assets Limited ("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$147,340,000 on the Group's consolidated balance sheet as at 31 December 2017 (2016: HK$214,032,000), and the Group's share of the loss of CLA of approximately HK$82,942,000 (2016: share of the profit of HK$11,568,000) and other comprehensive expense of CLA of approximately HK$2,290,000 (2016: HK$216,000), were included in the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2017, respectively.

EXTRACT OF INDEPENDENT AUDITORS' REPORT *(Continued)*

Basis for Qualified Opinion *(Continued)*

Due to disputes between the Group and the 55% shareholder 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 profit 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. In our auditor's report dated 31 March 2017 on the consolidated financial statements of the Group for the year ended 31 December 2016 we qualified our opinion due to a limitation in the scope of our audit relating to this matter.

During the year ended 31 December 2017 and up to the date of this report, this matter has not been resolved as the legal proceedings between the shareholders of CLA were still ongoing. In view of the above and in the absence of practicable alternative procedures in respect of the financial information of CLA, we continue to be unable to satisfy ourselves as to whether (i) the carrying amount of the Group's investment in CLA of approximately HK$147,340,000 (net of provision for impairment loss of approximately HK$91,032,000 which was made by the Group against the net assets of CLA at 31 December 2017) as included in the Group's consolidated balance sheet as at 31 December 2017; and (ii) the Group's share of the loss of CLA of approximately HK$82,942,000 (net of provision for impairment loss of approximately HK$91,032,000 which was made by the Group against the net assets of CLA at 31 December 2017) and other comprehensive expense of CLA of approximately HK$2,290,000, as included in the Group's consolidated income statement and consolidated statement of comprehensive income for the year ended 31 December 2017, respectively, 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 above would affect the Group's net assets as at 31 December 2017, and could also affect the Group's consolidated financial performance for the year then ended, the opening balances of the Group's net assets, accumulated losses and other reserves as at 1 January 2017, and the related disclosures in these consolidated financial statements. In addition, the required summarised financial information about 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 2017.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2017 (2016: Nil).

REVIEW AND OUTLOOK

During the year 2017, the Group's turnover decreased by 6% to approximately HK$2,492 million year-on-year. Gross profits rose by 211% to approximately HK35 million year-on-year. The Group recorded a loss attributable to owners of the Company of approximately HK$8 million. For the year, the Group has got the following exceptional items: share option expenses of approximately HK$26 million, dilution loss and impairment loss of KPC in aggregate of approximately HK$60 million and impairment loss on an associate, CL Assets, of approximately HK$91 million.

Lithium-related Business

In recent years, more and more countries have strongly advocated the production and use of new energy vehicles, among which electric vehicles are in the dominant position, driven by the concerns on environmental issues and demand for clean energy. Some European countries and large international automobile conglomerates have set timetables to end the sales or production of internal combustion engine vehicles. As part of China's "Energy-Saving and New Energy Vehicle Industry Development Plan", the Chinese government has introduced a variety of policies to encourage the rapid development of new energy vehicles industry. China is now the world's largest energy vehicles producer and consumer. In 2017, the production and sales of new energy vehicles in China increased by more than 50% year-on-year, accounting for around half of the world's total. New energy vehicles have become the future direction of China's automobile industry.

At present, industry consensus indicates that the global electric vehicle market will grow by 5-10 times in the next 7-8 years. However, despite the capacity expansion of electric-vehicle lithium-ion batteries, its key raw materials, mainly lithium, still fall far short of the demand, thus imposing constraints to the industry.

In 2017, the Group maintained a firm commitment to executing business transformation by entering the upstream of the new energy industry chain, with the aim of securing lithium resources that are in high market demand, and expanding into the procurement, logistics and processing, as well as sales of relevant products. This business model represents the Group's existing strength and advantage in importing and processing iron ore into related products for sale. At present, the Group has opened up the upstream and midstream of the lithium-ion industry chain and become the only Hong Kong-listed company that owns upstream lithium resources and is able to process midstream lithium-ion materials through a joint venture.

In April, the Group was granted exclusive off-take rights for a five-year term and pre-emptive rights to the same for a subsequent five years with respect to the lithium concentrates produced by the Bald Hill Project in Western Australia. According to the offtake contract, starting from 2018, the Group will be supplied with all lithium concentrates produced at the Bald Hill Mine during the first two years. The Bald Hill Lithium Mine has commenced commissioning on schedule in February 2018 and is expected to ship its first production to China in April. It is also the first mine among all new lithium mining projects in Australia to commence operation in 2018.

REVIEW AND OUTLOOK *(Continued)*

Lithium-related Business *(Continued)*

In July, the Group established a joint venture company ("JV Company") with Jiangxi Special Electric Motor Co., Ltd. ("Jiangxi Special Electric Motor"), a company listed on the Shenzhen Stock Exchange, for the import and processing of lithium concentrates, sales of lithium carbonate and lithium hydroxide, which are the primary raw materials for the production of cathode materials for lithium-ion batteries and are now in short supply on the market. In August, the JV Company began construction of a new plant with an annual output of 10,000 tonnes of lithium carbonate and 5,000 tonnes of lithium hydroxide, capacity to consume approximately 120,000 tons of lithium concentrates per annum. Currently, the project is progressing smoothly and trial production is slated for the second quarter this year.

To further secure upstream mineral resources, in October the Group invested in Alliance Mineral Assets Limited ("AMAL"), a Singapore-listed company that owns 50% of Bald Hill Project, thereby becoming AMAL's single largest shareholder. In the same month, the Group's partner, Jiangxi Special Electric Motor, invested in Tawana Resources NL, an Australia-listed company that owns the other 50% of Bald Hill Project, becoming Tawana Resources NL's single largest shareholder. Therefore, the Group together with its partner have secured strategic stake in the Bald Hill Project.

While the rise of electric vehicles is stimulating the lithium resource development, the Bald Hill Lithium Mine amongst all developing projects is an earliest one that has commenced production and could be superiorly characterized by simple processing, rapid ramping-up, and high product purity. In comparison with brine lithium projects that supply the conventional industrial (instead of lithium-ion for electric vehicles) market, the Bald Hill Project is better positioned to enjoy the best market timing and price peak, thus laying a solid foundation for the Group's transformation to enter the new energy industry.

In February 2018, the Group entered into a strategic agreement with Hunan Changyuan Lico Co. Ltd. ("Hunan Changyuan Lico"), a subsidiary of China Minmetals Corporation, to jointly seek cooperation in areas such as supplying raw materials for cathode materials for lithium batteries. Hunan Changyuan Lico is a renowned cathode materials manufacturer in China. It plans to expand such production capacity this year and will become one of China's largest and most technologically advanced manufacturers of cathode materials for lithium batteries. The cooperation will help further extend the Group's business scope and establish a presence in relevant links of the new energy industry chain.

In the meantime, the Group is also keeping a close watch on other metal resources that are essential for electric vehicles batteries, such as cobalt and nickel, and seeking involvement in superior projects.

In 2017, the Group has successfully transformed to enter into the new energy industry and is preliminarily enjoying a favorable position in the upstream and midstream of resource materials. With the strong earnings from the recently-operated lithium mine in Australia and the joint venture plant in China in 2018, the Group will proactively seize development opportunities in related business areas and strive to deliver greater returns for shareholders.

Steel Trading

Despite the fact that the Group's steel trading business has contracted as compared with 2016, its overall efficiency has improved.

During 2017, the Chinese government implemented rigorous “Supply-Side Reform” measures for the steel industry and continued its efforts in de-capacity. It not only cut 50 million tons of steel capacity but also phased out the production of 140 million tons of low-quality steel. As supply declined, total social inventories reached a year high of 12.05 million tons in February and continued to fall to a year low of 7.44 million tons in December, which was also a new low in the last four years according to statistics from the China Iron and Steel Industry Association. Against this backdrop, steel prices continued to oscillate upward and return to high levels. In December 2017, China's steel price composite index was at 166.2, increased by 22.3% compared to the same period in 2016, among which, the long product price index was at 180.4, up 33.1% year-on-year.

As China's steel supply decreases, domestic steel prices have risen, thus leading to price inversion between the domestic and foreign markets. Under the circumstances that profits for domestic sales are higher than the export prices, the willingness of steel mills to export is greatly reduced. In addition, factors such as the anti-dumping tariff imposed on Chinese steel products by various markets and the significant appreciation of the Renminbi have weakened the export capacity, thereby resulting in shrinking exports. According to statistics from the General Administration of Customs of PRC, China exported 75.43 million tons of steel in 2017, dropped by nearly 30% compared to 2016.

The domestic and international market conditions still present both opportunities and challenges to the steel trading business. During this period of significant price fluctuations, the Group strictly adhered to the principles of proactivity and stability, strengthened risk management and prudently evaluated the contract execution capabilities of suppliers and customers. Meanwhile, the Group established a sound information system as well as a market price monitoring and management system to enhance analysis, early warning and response capability.

In order to avoid operational risks of certain highly speculative steel products, the Group is committed to strengthening its high value-added high-end steel and project-using steel businesses; and has successfully secured steel orders for large-scale renewable energy projects. During the period under review, the Group has also entered into tripartite supply and distribution agreements with two professional factories and customers, meanwhile, successfully obtained overseas import qualification certificates on behalf of suppliers, thereby establishing a solid network for the high-end steel business.

It is expected that in 2018, the Chinese government will continue to implement steady-growth policy and bolster infrastructure construction. Major steel-consuming industries such as machinery, automobiles and household appliances are also expected to maintain steady growth, thus giving boost to steel demand. As de-capacity continues to raise the bar on China’s steel quality, high value-added steel products will gain higher competitiveness. However, given that international trade protectionism for the steel industry will persist, the present situation where domestic trade is in better position than foreign trade is likely to continue. Overall, the steel export situation is still challenging. In such complicated and ever-changing environment, the Group will continue its unremitting efforts in a prudent and proactive manner to boost operating revenues from the steel trading business.

REVIEW AND OUTLOOK *(Continued)*

Commercial Property Investment

The Group holds a 45% share capital in China Land Assets Limited ("CLA"). CLA was unable to repay loans to the Group as scheduled, and Charm Best Investments Inc. ("Charm Best"), which held 55% of the share capital of CLA, failed with respect to repayment obligations on CLA's behalf; therefore the Group exercised its right to take over the charged shares in accordance with the deed of share charge on 14 October 2016. On 4 November 2016, the Group issued a Writ of Summons to Charm Best and its key shareholder at the High Court of the Hong Kong Special Administrative Region. This action was done to declare that the Group has the right under the deed to take over the charged shares. The Group filed a Reply and Defence in Court in accordance with the standard legal procedures in July 2017 and is confident of the outcome of the legal proceedings.

CLA holds 69% equity interests in Yangzhou Times Square and originally held 100% interests in Wuxi Sunshine Plaza. The former's operating conditions remain sound and stable. With regard to the Wuxi property, during the period when the major shareholder of Charm Best was acting as the legal representative, chairman and general manager, the major shareholder, without the authorization of the board of directors and the shareholders, had committed numerous arrangements including shares pledge, assets pledge and corporate guarantee to secure for his personal loans. Since October 2016 till now, the official company seal and management control of the Wuxi property had not been handed over, and the Group was unable to grasp its financial position. Given no control over assets of Wuxi property company, the Group had written off its net book value from CLA. The Group is also considering to take legal actions against this major shareholder in China.

LIQUIDITY AND FINANCIAL RESOURCES

During the year, the group had cashed in its non-profit making business and self-use office premises at record high to spare funds for the group's development of the lithium business. On financing activities, the Group has succeeded in arranging for approximately HK$181 million non-current borrowings, including company notes and convertible bonds for the lithium business. All these investing and financing activities had not only enhanced the Group's liquidity but also strengthened the Group's capital structure. As at 31 December 2017, the Group's total equity increased to approximately HK$952 million. The Group's gearing ratio, as a ratio of total borrowings net of total cash and cash equivalents to total equity, decreased to 0.37 (2016: 0.40) and current ratio, as a ratio of current assets to current liabilities, increased to 2.32 (2016: 1.57) respectively as at 31 December 2017.

The total borrowings of the Group increased to approximately HK$471 million (2016: HK$430 million) as at 31 December 2017 and their maturity profile as agreed with the lenders was as follows:

	2017 ***HK$ million***	2016 *HK$ million*
Within one year	**251**	275
Between one and two years	**159**	8
Between two and five years	**61**	78
Over five years	**-**	69
	471	430

The Group's borrowings were denominated in US Dollar, Renminbi, Hong Kong Dollar, Euro and Singapore Dollar 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, Euro and Singapore Dollar. The Group considers that its exposure to exchange rate risk is modest except for Euro. To minimise the exchange rate risk, forward exchange contracts are used when required, in particular for Euro.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2017.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group had capital commitments of approximately HK$48,192,000 in respect of joint venture investment (2016: Nil).

CHARGE ON ASSETS

As at 31 December 2017, the following assets were pledged: (i) certain bank balances of approximately HK$27,696,000 (2016: HK$12,574,000); (ii) certain bills and accounts receivable of approximately HK$126,436,000 (2016: HK$76,520,000); (iii) certain inventories of approximately HK$27,355,000 (2016: HK$15,917,000); and (iv) certain financial assets at fair value through profit or loss of approximately HK$169,791,000 (2016: Nil).

STAFF

As at 31 December 2017, the Group employed 282 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 2017, the Company via Hillot Limited, a wholly-owned subsidiary of the Company, repurchased a total of 53,136,000 shares of the Company on The Stock Exchange of Hong Kong Limited pursuant to the general mandate granted by the shareholders at the annual general meeting held on 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*
04/2017	53,136,000	0.165	0.156	8,506

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 2017.

AUDIT COMMITTEE

The Company has established an Audit Committee which comprises four Independent Non-Executive Directors of the Company, Mr. CUI Shu Ming, Mr. CHAN Ming Fai, Mr. TSANG Kwok Wa and Mr. CHEUNG Sing Din. 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 2017 have been reviewed by the Audit Committee. The Audit Committee has explored with the Company's auditors how the qualified opinion could be removed in future and noted the view of the auditors was that the qualified opinion could only be removed provided that:

1. the outcome of the legal proceedings between the shareholders of CLA becomes certain; and

2. they are able to obtain sufficient appropriate audit evidence regarding the financial information of CLA.

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 2017, 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 2016 annual results and the 2017 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 alias, 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 2017.

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 29 March 2018

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