Burwill Holdings Limited
寶威控股有限公司

**(Provisional Liquidators Appointed)**

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 24)**

# Interim Report 2020

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## CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Independent Non-Executive Directors

Mr. CHAN Kai Nang *(appointed on 14 September 2020)*
Mr. WONG Wai Keung, Frederick *(appointed on 14 September 2020)*

### Non-Executive Director

Mr. HUANG Shenglan

## COMPANY SECRETARY

NIL

## JOINT AND SEVERAL PROVISIONAL LIQUIDATORS

Mr. SO Man Chun
Mr. JONG Yat Kit

## MEMBERS OF THE AUDIT COMMITTEE

Mr. HUANG Shenglan *(since 16 November 2020)*
Mr. WONG Wai Keung, Frederick *(Audit Committee Chairman) (since 16 November 2020)*
Mr. CHAN Kai Nang *(since 16 November 2020)*

## MEMBERS OF THE REMUNERATION COMMITTEE

NIL

## MEMBERS OF THE NOMINATION COMMITTEE

NIL

## MEMBERS OF THE RISK COMMITTEE

NIL

## INDEPENDENT AUDITOR

HLB Hodgson Impey Cheng Limited
*Certified Public Accountants*

## BRANCH SHARE REGISTRAR IN HONG KONG

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

## REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

22/F., Prince's Building, Central, Hong Kong

## STOCK CODE

24

## BUSINESS AND FINANCIAL REVIEW

## BUSINESS REVIEW

The board (the "**Board**") of directors (the "**Directors**") of Burwill Holdings Limited (Provisional Liquidators Appointed) (the "**Company**") herein presents its report together with the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 (the "**Reporting Period**").

On 21 November 2019, Mr. So Man Chun and Mr. Jong Yat Kit of PricewaterhouseCoopers were appointed as joint and several provisional liquidators of the Company (the "**Provisional Liquidators**") pursuant to an order granted by the High Court of the Hong Kong Special Administrative Region (the "**High Court**"). Further, following the resignation of Mr. Cheung Sing Din on 22 August 2019, Mr. Tsang Kwok Wa on 23 August 2019 and, Mr. Cui Shu Ming on 18 October 2019 as Directors, the Audit Committee remained vacant until its re-establishment on 16 November 2020 subsequent to the appointment of two independent non-executive Directors, namely Mr. Chan Kai Nang and Mr. Wong Wai Keung, Frederick after the Reporting Period on 14 September 2020.

Due to (i) improper maintenance of IT systems of the Company caused by the temporary business disruption prior to the appointment of the Provisional Liquidators and (ii) the fact that the Provisional Liquidators have not been able to have contact with a number of key accounting personnel and management personnel of the Group, all of whom had left the Group before the date of this report, the Provisional Liquidators were unable to retrieve a complete set of the Group's accounting and other records. As such, the Provisional Liquidators and the Directors have no information in relation to the Group prior to their appointments, and the Provisional Liquidators and the Directors therefore are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group and provide no assurance for the condensed consolidated financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the requirements under the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Furthermore, the Provisional Liquidators and the Directors do not accept or assume responsibility for the condensed consolidated financial statements for any purpose or to any person to whom the condensed consolidated financial statements are shown or into whose hands they may come. The information contained in this report has been presented to the best knowledge of the Provisional Liquidators based on limited information made available to them up to the date of this report.

Notes be taken that, given the loss of accounting books and records and supporting documents of the Company and its subsidiaries and the fact that the Provisional Liquidators have not been able to have contact with a number of key accounting personnel and management personnel of the Group, all of whom had left the Group in 2019, as well as their inability to have access to financial information and management of the associates and joint ventures of the Group (with an exception of a 29% owned associate namely 馬鋼(揚州)鋼材加工有限公司("馬鋼(揚州)") (the "**Derecognised Associates**"), the Provisional Liquidators considered that the Group did not have the necessary information about the transactions and account balances of many of the subsidiaries and associates and joint ventures of the Group for inclusion of these entities in the condensed consolidated financial statements of the Group for the year ended 31 December 2019. Accordingly, the Provisional Liquidators had determined that (i) the subsidiaries of the Group, with the exception of Burwill Steel Holdings Limited and its subsidiary, (the "**Deconsolidated Subsidiaries**") shall be de-consolidated from the consolidated financial statements of the Group with effect from 1 July 2019; and (ii) the Derecognised Associates shall be derecognised and ceased to be equity accounted for in the consolidated financial statements of the Group with effect from 1 July 2019. Further details of which are set out in the Company's Annual Report for the year ended 31 December 2019 released by the Company on 16 February 2021.

**Business Operations**

Immediately prior to the suspension of trading (the "**Suspension**") in the shares of the Company (the "**Shares**") on the Main Board of the Stock Exchange in August 2019, companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates) were principally engaged in two businesses, which were (i) steel trading and (ii) lithium business, which were capital intensive in nature. Following the Suspension, the Group's business operation substantially diminished due to the Group's severe financial distress.

***(i) Lithium-related Business***

As disclosed in the Company's interim report for the six months ended 30 June 2019, companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates) has engaged in lithium-related business during the first half of the year ended 31 December 2019. Prior to the Suspension, in terms of business operations, the Group planned to transform into an integrated supplier in the upstream of new energy materials. In view of the volatile price change of lithium compound in domestic market, the Group amended the offtake contract in January 2019, changing the buying entity to Jiangxi Baojiang Lithium Industrial Limited ("**Baojiang Lithium**"), a joint venture that the Group owns a 50% stake and also the eventual processing plant for the contracted lithium concentrate. Besides, the pricing mechanism was adjusted from fixed price to a market-based floating price. It is advised that Baojiang Lithium begun trial production at the end of 2018. Commissioning and processing optimisation work has been organised by the production technology department. The plant produced industry-grade lithium carbonates after completing the single machine commissioning, water linkage test and feeding test.

Based on information available to the Provisional Liquidators, it is believed that the Group's lithium-related business was suspended since the appointment of the Provisional Liquidators in November 2019 and there was a lack of information on further details on the above arrangement.

***(ii) Steel Trading***

Based on available information, the Group engaged in steel trading business during the Reporting Period. The steel trading business mainly covered Asia, Oceania and the Chinese markets.

Prior to the Suspension, the Group adjusted its business strategies to procure part of its steel export resources from regions outside of China. The Group's European branch was exploring resources in Europe and the Mediterranean regions in an effort to reduce its dependence on Chinese steel resources. In addition to the European market, the Group also enhanced its marketing efforts in Southeast Asia and continuously strengthen its relationship with domestic and foreign steel procurement channels, with the aim to improve competitiveness and business performance. Yet, following the Suspension, the Group's steel trading business substantially diminished due to the Group's severe financial distress in 2019.

Subsequently in April 2020, with the sanction from the High Court, the Provisional Liquidators led the Group in reviving its steel trading business through its wholly-owned subsidiary, Burwill Resources Development Limited ("**BRD**"). Currently, BRD's steel trading business covers trading of steel and iron ore in Western Pacific region, which the Group has operated for decades prior to the Suspension. The current business of the Group's steel trading business can be summarised as follows:

*Sales and marketing*

During the marketing stage, BRD closely communicates with its customers in understanding their preferences on product specifications, and expected demand for steel products. From time to time, BRD gathered from its customers details of orders to be placed with BRD so that it could source and order those steel products beforehand. During the Reporting Period, credit terms BRD granted to its customers ranged from 30 days to 180 days.

*Procurement and sourcing*

Since its incorporation, BRD sourced most of the steel products originated from Australia. As mentioned above, close communication between BRD and its customers enabled it to anticipate its forthcoming demand from its customers with sufficient details, BRD can aggregate the anticipated demand from a number of its customers and place its orders with suppliers in bulk to lower the average unit costs of its steel products. As the Group is still facing severe financial difficulties, the Group has limited source to obtain debt financing to support its capital-intensive trading business. In view of such, BRD as a general practice placed orders with its suppliers only when it has reasonable confidence that those products can be sold within a short timeframe so that it can minimise working capital required for maintaining stocks available for sale. Further, BRD chooses not to enter into any iron ore supply contract like what the Group did prior to the Suspension, as short-term sale contracts would give BRD better operational flexibility and lower financial commitments. During the Reporting Period, credit terms suppliers granted to BRD ranged from 25 days to 180 days.

*Delivery and settlement*

BRD sought to have its suppliers deliver the products to main ports in the PRC, and delivered the products to its customers in the PRC so that it could minimise its burden in managing international shipment, which included insurance coverage, sea freight transportation and customs clearance. In case where the products cannot be directly delivered to the customers from the ports, BRD is responsible for the transitional storage.

**The Winding-up Proceedings and the Appointment of the Joint and Several Provisional Liquidators**

On 4 September 2019, Strong Petrochemical Limited (the "**Petitioner**") has filed a petition (the "**Petition**") to the High Court for the winding up of the Company.

On 25 October 2019, Bangkok Bank Public Company Limited (the "**Applicant**" or "**Bangkok Bank**") applied to the High Court for an order that provisional liquidators be appointed over the Company on an ex parte on notice basis pursuant to section 193 of the Companies (Winding-up and Miscellaneous Provisions) Ordinance (the "**PL Application**"). At the inter partes hearing on the PL Application on 21 November 2019, an order was granted by the High Court appointing Mr. So Man Chun and Mr. Jong Yat Kit of PricewaterhouseCoopers as joint and several provisional liquidators of the Company. Pursuant to the Court orders dated 21 November 2019 and 16 April 2020 made by the High Court, the Provisional Liquidators are empowered to, inter alia, preserve the assets of the Company; take control of and exercise all rights which the Company may have in relation to entities in which it holds an interest; and consider and/or undertake a restructuring of the Company and/or companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates).

On 25 November 2019, the Petitioner served the summons for leave to, inter alia, withdraw the Petition filed on 4 September 2019 and the Applicant served the summons for leave to, inter alia, substitute as the petitioner and amend the Petition. As at the date of this report, the High Court adjourned the hearing of the Petition to 21 April 2021 in order to give sufficient time for the Provisional Liquidators to consider and if thought feasible progress a restructuring of the Company and/or companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates).

Following their appointment, the Provisional Liquidators have sought to identify and secure any assets of the Company including securing the Hong Kong office premises, taking possession of limited books and records in Hong Kong, requesting Statements of Affairs from the Directors and seeking to transfer any bank balances to the Provisional Liquidators' designated accounts.

**Suspension of trading in Shares and the Resumption Conditions**

Trading in the Shares on the Stock Exchange was halted with effect from 9:00 a.m. on 19 August 2019. The Stock Exchange imposed, firstly on 27 August 2019 and subsequently on 2 September 2019 and 20 March 2020, four resumption conditions to the Company, details are as follows:

(i) to demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;

(ii) to inform the market of all material information for the shareholders of the Company (the "**Shareholders**") and investors to appraise the Company's position;

(iii) to publish all outstanding financial results and reports of the Company and address any audit modifications thereof; and

(iv) to have the winding up petitions (or the winding up order, if made) against the Company withdrawn or dismissed and the appointment of the Provisional Liquidators discharged.

The Company is also required to comply with the Listing Rules and all applicable laws and regulations in Hong Kong and its place of incorporation before resumption. The Stock Exchange may modify any of the above and/or impose further conditions if the situation changes.

**Restructuring of the Company**

Following their appointment, the Provisional Liquidators have sought to identify and secure any assets of the Company including securing the Hong Kong office premises, taking possession of limited books and records in Hong Kong, requesting Statements of Affairs from the Directors and seeking to transfer any bank balances to the Provisional Liquidators' designated accounts. With the assistance of Asian Capital Limited which acted as the financial adviser to the Company, the Provisional Liquidators also sought to identify potential investors for the Company with a view to recapitalising the Company and restructuring the Company's operations.

On 24 September 2020, the Company and the Provisional Liquidators entered into a restructuring agreement (the "**Restructuring Agreement**") with Alpha Pioneer Ventures Limited ("**Alpha Pioneer**" or the "**Investor**"). Pursuant to the Restructuring Agreement, the Company would conduct a restructuring (the "**Proposed Restructuring**") which comprises (i) debt restructuring (which consists of debt settlement and scheme of arrangement); (ii) capital reorganisation; (iii) subscription of new Shares; and (iv) open offer, with a view to resume trading in the Shares on the Stock Exchange. For further details of the Proposed Restructuring, please refer to the Company's announcement dated 4 February 2021.

As part of the Proposed Restructuring, on 18 February 2021, (i) a side letter in respect of certain amendments to the Restructuring Agreement and a subscription agreement in respect of the subscription of new Shares by the Investor have been entered into among the Company, the Provisional Liquidators and the Investor; and (ii) a debt settlement agreement in respect of certain secured debts owed by the companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates) to a secured creditor of the Company has been entered into among the Company, the Provisional Liquidators and the relevant secured creditor.

It is envisaged that the proposed debt restructuring will enable the Company to settle and compromise its debts with the proceeds to be raised from the subscription of new Shares and open offer through scheme of arrangement in Hong Kong. Upon completion of the Proposed Restructuring, the Company is expected to be solvent and the Provisional Liquidators will be discharged.

Apart from the financial restructuring as mentioned above, companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates) also restructured and revitalised its trading business operation. On 23 April 2020, pursuant to a Court sanction, the Company established a wholly owned subsidiary namely BRD for the purpose of restructuring and continuation of the trading business of the Group. BRD commenced its trading business in June 2020, and has so far attained fruitful financial results in year 2020. Further information in relation to the performance of BRD and the business of BRD are set out in the paragraph headed "Prospect" in this report.

## FINANCIAL REVIEW

As noted in the financial statement disclosures, due to the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the Provisional Liquidators are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. As such, the information below has been presented and/or prepared to the best knowledge of the Provisional Liquidators based on information made available to them to date.

Due to (i) improper maintenance of IT systems of the Company caused by the temporary business disruption prior to the appointment of Provisional Liquidators and (ii) the fact that the Provisional Liquidators have not been able to have contact with a number of key accounting personnel and management personnel of the Group, all of whom had left the Group in 2019, the Provisional Liquidators were unable to retrieve a complete set of the Group's accounting and other records. As noted in the financial statement disclosures as set out in the condensed consolidated financial statements on pages 36-49 of this report, due to the incomplete books and records and serious doubts over the reliability of the Group's accounting and other records, the Provisional Liquidators and the Directors are not in a position to confirm the completeness, existence and accuracy of the historical results of the Group. Furthermore, the Provisional Liquidators and the Directors do not accept or assume responsibility for the condensed consolidated financial statements for any purpose or to any person to whom the condensed consolidated financial statements are shown or into whose hands they may come. As such, the information below has been presented to the best knowledge of the Provisional Liquidators based on information made available to them up to the date of this report.

The condensed consolidated financial statements are unaudited but have been reviewed by the Company's auditors, HLB Hodgson Impey Cheng Limited. The report of which is covered on paged 22-30.

**Revenue and Gross Profit**

During the Reporting Period, The Group recorded revenue of HK$152.4 million (2019: HK$932.8 million) Revenue recognised during the Reporting Period was generated from the Group's revitalised steel trading business. Volume of goods the Group sold amounted to a total of approximately 188,000 tons for the Reporting Period. Gross profit margin increased from 0.6% for the six months ended 30 June 2019 to 3.3% for the Reporting Period. As a result, the Group recorded a gross profit of HK$5.0 million for the Reporting Period compared to HK$5.3 million for the six months ended 30 June 2019. Profit before income tax was HK$6.2 million for the Reporting Period (Loss before income tax for the six months ended 30 June 2019: HK$182.9 million).

**Assets and Liabilities**

As at 30 June 2020, the Group had total assets of approximately HK$70.6 million (as at 31 December 2019: HK$68.7 million) and total liabilities of approximately HK$515.4 million (as at 31 December 2019: HK$513.6 million). The net liabilities of the Group as at 30 June 2020 were approximately HK$444.8 million (net liabilities as at 31 December 2019: HK$444.9 million).

**Liquidity and Financial Resources**

As at 30 June 2020, bank and cash balances of the Group were approximately HK$5.0 million (as at 31 December 2019: HK$0.03 million).

The Group's borrowings amounted to approximately HK$376.6 million as at 30 June 2020 (as at 31 December 2019: HK$376.6 million). The borrowings included convertible bonds and notes payables. The Provisional Liquidators envisage that all of the borrowings or claims against the Company will be discharged under the debt settlement and scheme of arrangement contemplated under the Proposed Restructuring.

The Group's gearing ratio (measured as total borrowings over total assets) as at 30 June 2020 was 5.33 (as at 31 December 2019: 5.48).

## Charges on Group Assets

There is no charge on Group assets as at 30 June 2020. Due to the loss of the Group's certain accounting and other records, the Provisional Liquidators and the Directors believe that, it is almost impossible, and not practical, to ascertain the details of any charge of the Group's assets as at 31 December 2019.

## Capital Commitments

Based on the information available to the Provisional Liquidators, the Group and the Company did not have any significant capital commitments as at 30 June 2020 and as at 31 December 2019.

## Contingent Liabilities and litigations

Based on the information available to the Provisional Liquidators, as at 30 June 2020 and as at 31 December 2019, the Company has provided corporate guarantees to certain bank borrowings made to Deconsolidated Subsidiaries. As disclosed in the Company's Annual Report for the year ended 31 December 2019, since their appointment the following legal proceedings have come to the Provisional Liquidators' attention:

### *(i) Legal proceeding in Hong Kong in relation to BCHL*

Based on last known information, on 4 November 2016, Burwill Commercial Holdings Limited ("**BCHL**"), a wholly-owned subsidiary of the Company, as plaintiff issued a writ of summons in the High Court against Charm Best Investments Inc. and Mr. IP Kwok Kin as defendants ("**HCA 2895/2016**").

The Provisional Liquidators were advised that as at the date of this report, the date of trial of HCA 2895/2016 has not been fixed. There are no further updates for the case.

### *(ii) Legal proceeding in the PRC in relation to 萊陽泰鑫礦業有限公司and 青島泰鑫礦業有限公司*

The Company has been provided with a writ dated 16 June 2015 (the "**Writ**") filed with the Shandong Province Yantai City Intermediate People's Court of the People's Republic of China ("**PRC**") under which an individual (the "**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 (the "**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 Shandong Province Yantai City Intermediate People's Court of the PRC had 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 was 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 served a notice of appeal to the judgement. The trial of the final appeal was held in December 2017 and it was judged that the Plaintiff should have 0.67% of the equity interest in 萊陽泰鑫礦業有限公司.

On 15 May 2018, the Company sold the entire issued shares of Smart Task Limited to Zaozhuang Dongya Enterprise Company Limited (棗莊東亞實業有限公司). The Provisional Liquidators were advised that all matters of this litigation remained unchanged on or before 15 May 2018 and there was no further information available after the disposal.

### *(iii) Other litigations*

Since their appointment as Provisional Liquidators and up to the date of this report, and based on limited available information, the following three legal proceedings have come to their attention:

- In October 2019, the Company, was involved in a litigation in Singapore in the capacity of a corporate guarantor in relation to an outstanding loan facility provided by Haitong International Financial Products (Singapore) Pte Ltd, to one of the deconsolidated indirect wholly-owned subsidiaries, Burwill Lithium Company Limited. It was subsequently advised that the proceeding concluded with a summary judgement obtained against the Company and Burwill Lithium Company Limited on or around February 2020. However, the Provisional Liquidators did not have further details about the judgement.

- In the latter part of 2020, the Provisional Liquidators learned more details about the legal proceeding in relation to 馬鋼(揚州), a 29% owned associate of the Group.

  Based on available information, it appeared that back on 30 August 2019, Yichun Yinli New Energy Co., Ltd. (宜春銀鋰新能源有限責任公司) ("**Yichun**"), the Company's indirect wholly-owned subsidiary, Burwill (China) Limited and Jiangxi Bao Jiang Lithium Industrial Limited (江西寶江鋰業有限公司) purportedly entered into a share pledge and guarantee agreement, by which shares of 馬鋼(揚州) held by Burwill (China) Limited were charged to Yichun (the "**Share Charge**"). The Provisional Liquidators were also aware on the same day that the Company's wholly owned subsidiary, Burwill Steel Holdings Limited and Bangkok Bank entered into a share charge agreement, by which shares of Burwill (China) Limited held by Burwill Steel Holdings Limited were charged to Bangkok Bank. Yichun subsequently commenced a legal proceeding in the PRC to enforce its rights under the share charge on the 馬鋼(揚州).

  Since the 馬鋼(揚州) has a considerable value of assets available to the Company, the Provisional Liquidators have approached a PRC lawyer to participate in the legal proceeding of the litigation. The litigation is currently still ongoing.

- On 8 July 2020, a winding-up hearing was held before the High Court in relation to a claim presented by a former employee against a wholly-owned subsidiary of the Company, Burwill Properties Limited ("**Burwill Properties**"), one of the deconsolidated direct wholly-owned subsidiaries of the Company.

  Based on information available to the Provisional Liquidators, it was noted that on 17 July 2020 the High Court has ordered that (i) Burwill Properties be wound up; and (ii) Mr. Huen Ho Yin and Mr. Huen Yuen Fun of Huen & Partners Solicitors be appointed as the joint and several provisional liquidators of Burwill Properties.

**Employees and Remuneration**

As at 30 June 2020, there were 4 employees and 2 directors with the Group. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits during their past involvement in the Group. The Group also provides other staff benefits which include contributory provident fund and housing allowances.

As the Group only initiated its business turnaround during the latter part of the Reporting Period, it faced substantial difficulties in recruiting full-time employees with the Provisional Liquidators appointed. As such, the Group sought support from the Provisional Liquidators and their professional advisers in assisting its daily operations (including financial reporting, human resources management and treasury management) and financial restructuring. As at the date of this report, based on information available to the Provisional Liquidators, more than 10 individuals were deployed in this regard. The Group expects to recruit a team with similar size to take on these functions upon resumption of trading in its Shares.

**Dividends**

The Directors did not recommend the declaration of any interim dividend for the Reporting Period.

**Purchase, Sale or Redemption of Listed Securities of the Company**

Based on the available information to the Provisional Liquidators, the Company has not redeemed, and neither the Company nor any of its subsidiaries has purchased or sold, any of the shares of the Company during the Reporting Period.

**Significant Investments and Acquisitions**

Based on books and records of the Group available to the Provisional Liquidators and the Board, save for the investments in associates of HK$65.5 million and the pledged properties owned by the companies of the group (including Deconsolidated Subsidiaries and Derecognised Associates), the Group did not have any significant investment nor did it make any material acquisition or disposal of subsidiaries and associates throughout the Reporting Period.

**Foreign Currency Exposure**

The Group and the Company did not use any foreign currency derivative product to hedge our exposure to currency risk for the Reporting Period.

## AUDIT COMMITTEE

The Company has established an Audit Committee which currently comprises two independent non-executive Directors, Mr. Wong Wai Keung, Frederick (chairman) and Mr. Chan Kai Nang, and the non-executive Director, Mr. Huang Shenglan. 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 condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the Audit Committee.

## Event After Reporting Period

Subsequent to the end of the Reporting Period, there are certain updates on the Group's Proposed Restructuring in progress including a proposed debt restructuring, proposed capital reorganisation, subscription and open offer.

The proposed capital reduction and the proposed share premium cancellation were approved by Shareholders at the special general meeting of the Company held on 8 July 2020. The implementation of the proposed capital reduction and share premium cancellation and the listing of these new shares are conditional upon: (i) the compliance with the relevant procedures and requirements under the Listing Rules, the Bye-Laws of the Company, the Bermuda Companies Act 1981 and all applicable laws to effect the reduction of authorised and issued share capital; and (ii) the Stock Exchange granting the listing of, and the permission to deal in, these new shares, which shall be subject to the Stock Exchange's satisfaction that the Company has fulfilled all resumption conditions the Stock Exchange imposed on the Company and the resumption of trading in the Shares having taken place. For further details of the proposed capital reduction and share premium cancellation, please refer to the Company's circular dated 17 June 2020.

On 24 September 2020, the Company entered into a Restructuring Agreement with the Investor, pursuant to which the Company will conduct the Proposed Restructuring which comprises (i) debt restructuring (which consists of debt settlement and scheme of arrangement); (ii) capital reorganisation; (iii) subscription of new shares; and (iv) open offer.

As part of the Proposed Restructuring, on 18 February 2021, (i) a side letter in respect of certain amendments to the Restructuring Agreement and a subscription agreement in respect of the subscription of new Shares by the Investor have been entered into among the Company, the Provisional Liquidators and the Investor; and (ii) a debt settlement agreement in respect of certain secured debts owed by the companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates) to a secured creditor of the Company has been entered into among the Company, the Provisional Liquidators and the relevant secured creditor.

Messrs. Chan Kai Nang and Wong Wai Keung, Frederick were appointed as independent non-executive Directors with effect from 14 September 2020. Subsequently, Messrs. Huang Shenglan, Chan Kai Nang were appointed as member and Mr. Wong Wai Keung, Frederick appointed as Chairman of the Audit Committee with effect from 16 November 2020.

## PROSPECT

The Provisional Liquidators have been striving for preserving the Group's assets and operations since their appointment in November 2019. Under the Provisional Liquidators' stewardship, and with the working capital funding support received as disclosed in the Company's announcement dated 25 May 2020 from the Investor, the Company has resumed its trading operation after incorporation of BRD in April 2020 to continue with the Group's steel trading business that was previously operated by other subsidiaries of the Group. BRD has carried on steel trading businesses in Australia and China. The Provisional Liquidators' initiative of reviving the Group's steel trading business received unequivocal support from the Group's creditors and the Investor, and brought significant financial success to the Group for the Reporting Period. The Group expects to continue to generate revenue with reasonable prospects from its steel trading business going forward. Further information in relation to the business conducted through BRD has been set out in the paragraphs headed "Business review-Business operations-Steel Trading" above.

Year 2020 will likely be the Group's first profit-making year for some years. Considering this financial turnaround was achieved during the period when the Group had been under financial distress and the impact of COVID-19 which came in wave after wave, the Provisional Liquidators consider it clearly demonstrate the Group's sustainability once its debts are under control, and believe the revitalisation of the Group's steel trading business lays solid foundation for the Group's restructuring plan. In the future, it is envisaged that the Group's steel trading businesses will be expanded to Europe and the wider Asia, including the South-East Asia. The expansion plan would be subject to multiple factors including the completion of the current restructuring exercise and open offer contemplated under the Proposed Restructuring plan, resumption of trading in the Shares and the availability of additional working capital. The Company accordingly published a positive profit alert announcement on 17 February 2021 setting out the operating profit expected for the year ended 31 December 2020 which is subject to review by the Audit Committee and the auditors of the Company.

The Company's operation has stabilised since the revitalisation of its steel trading business, and accordingly has been able to negotiate and enter into the Restructuring Agreement with the Investor (key details of which are set out in the Company's announcement dated 4 February 2021), under which the Investor will substantially finance the Company to compromise with the Company's existing creditors and to continue the Group's existing business operations.

The Provisional Liquidators have been working closely with the Investor since entering into the Restructuring Agreement. With the support of its creditors and Alpha Pioneer, the Group has successfully steadily revived its business operations. The Proposed Restructuring, if successfully implemented, will achieve the following:

- business operations of the Group to continue that would satisfy the requirements under Rule 13.24 of the Listing Rules;

- a restructuring of the share capital of the Company through a capital reduction, a capital cancellation, a share consolidation;

- an issue of new Shares by way of share subscription by the Investor and open offer to qualifying Shareholders;

- all claims against, and liabilities of, the Company will be discharged and compromised in full by way of schemes of arrangement in Hong Kong and Bermuda; and

- the resumption of trading in the Shares.

Further announcement(s) will be made by the Company regarding the progress of restructuring leading to the resumption of trading in the Shares as and when appropriate.

**Impact of the COVID-19 pandemic**

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been implemented across the globe. These measures are believed to be effective in containing the outbreak, but the lock downs at the same time have significantly disrupted the movement of people and goods, supply chains and general economic conditions, and in turn affected the overall demand of steel products around the globe.

Although the Group has successfully revived its steel trading business in this tough condition, it has experienced negative impact of the COVID-19 pandemic in various ways, from limitation of marketing efforts to disruptions of product delivery to the Group's customers. The negative impact of COVID-19 remains until early 2021 and is foreseen to carry on until vaccine is readily available across the globe. As at the date of this report, uncertainties remain on the virus situation which may affect the future trading prospects of the Group.

The Group is paying close attention to the evolving development of, and the disruption to business and economic activities caused by the COVID-19 outbreak and will continue to evaluate its impact on the financial position, cash flows and operating results of the Group on an ongoing basis. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

## AUDIT OPINION

HLB Hodgson Impey Cheng Limited have expressed disclaimer of opinion on the audited consolidated financial statements for the year ended 31 December 2019, details of which were set out in the Independent Auditors' Report dated 10 February 2021. The Company discussed with its auditors in this regard and has explored with the auditors how the audit qualifications could be removed in future. The audit qualifications could be removed provided that: (i) following the completion of the Proposed Restructuring when all of the deconsolidated subsidiaries and derecognised associates and joint ventures of the Group are actually no longer part of the Group e.g. dissolved or disposal of under the process of restructuring, therefore the effects of the loss of accounting records and de-consolidation of certain subsidiaries and derecognition of certain associates and joint ventures of the Group will not have enduring effects to the Group's future consolidated financial statements; (ii) the auditors are able to satisfy themselves that the Group has, in fact, lost control, significant influence or joint control over these deconsolidated subsidiaries and derecognised associates and joint ventures; (iii) the auditors are able to obtain sufficient appropriate audit evidence regarding the financial information of the Company and its remaining entities; and (iv) the auditors are able to obtain sufficient appropriate audit evidence to satisfy themselves that the use of going concern assumption in the preparation of the consolidated financial statements of the Group is appropriate.

## OTHER INFORMATION

## DIRECTORS' INTERESTS IN CONTRACTS

To the best knowledge of the Provisional Liquidators and the available information to the Provisional Liquidators, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Reporting Period.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

To the best knowledge of the Provisional Liquidators and the available information to the Provisional Liquidators, during the Reporting Period and up to the date of this report, the Provisional Liquidators are not aware of any Director being considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

## SHARE OPTION SCHEMES

Based on the information available to the Provisional Liquidators, the Company has adopted the share option scheme on 7 June 2018 ("**2018 Option Scheme**").

Certain options were granted to subscribe for new ordinary shares of the Company under 2018 Option Scheme, movements of option shares during the Reporting Period were as follows:

| | Date of grant | Exercise price per share | Exercise period from | Exercise period until | Number of option shares: outstanding as at 01/01/2020 | granted during the period | exercised during the period | cancelled during the period | lapsed during the period | Balance as at 30/6/2020 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | *HK$* | | | | | | | | |
| **(i) Director** | | | | | | | | | | |
| HUANG Shenglan | 03/05/2019 | 0.138 | 01/06/2019 | 31/05/2022 | 5,000,000 | – | – | – | – | 5,000,000 |
| **(ii) Continuous contract employees** | 20/02/2019 | 0.140 | 01/04/2019 | 31/03/2022 | 461,800,000 | – | – | – | – | 461,800,000 |
| | 03/05/2019 | 0.138 | 01/06/2019 | 31/05/2022 | 29,000,000 | – | – | – | – | 29,000,000 |
| | | | | **Total:** | 495,800,000 | – | – | – | – | 495,800,000 |

*Notes:*

1. The closing prices per share of the Company on 20 February 2019 and 3 May 2019, being the dates of grant of the options, were HK$0.140 and HK$0.138 respectively.

   The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

   – including any market performance conditions (for example, an entity's share price);

   – excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

   – including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

   – The Group recognised a share option expenses of Nil for the Reporting Period due to incomplete books and records.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2020, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "**SFO**")) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### Interests in Shares and Underlying Shares of the Company

| Name of Director | Number of issued voting ordinary shares held<br>Personal Interests | Family Interests | Corporate Interests | Total | Approximate percentage in the Company issued voting shares | Number of option shares personally held |
|---|---|---|---|---|---|---|
| HUANG Shenglan | 2,250,000 (L) | – | – | 2,250,000 (L) | 0.04% (L) | 5,000,000 *(Note 1)* |

*Notes:*

1. These underlying Shares were unlisted option shares granted pursuant to the share option schemes of the Company. Particulars of which are set out in section "Share Option Schemes".

2. The letter "L" denotes long position.

Save as otherwise disclosed above, as at 30 June 2020, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2020, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in Shares and underlying Shares of the Company:

### Interests in Shares and Underlying Shares

| Name of Shareholder | Nature of interest | Number of Shares held | Number of option shares held by family member(s) | Approximate percentage in the Company issued voting shares |
|---|---|---|---|---|
| Chan Shing | Personal, Family & Corporate | 1,371,301,271 (L) *(Notes 1 & 2)* | - | 26.83% |
| Lau Ting | Personal, Family & Corporate | 1,366,301,271 (L) *(Note 1)* | 5,000,000 *(Note 2)* | 26.83% |
| Favor King | Corporate | 879,119,336 (L) *(Note 3)* | - | 17.20% |
| Cheung Kwan | Personal & Corporate | 662,110,000 (L) *(Note 4)* | - | 12.95% |

*Notes:*

1. 104,042,601 Shares were directly held by Ms. LAU Ting. 170,772,521 Shares were directly held by Mr. CHAN Shing, the spouse of Ms. LAU Ting. 879,119,336 Shares were held by Glory Add Limited ("**Glory Add**"), a wholly-owned subsidiary of Favor King. 211,900,848 Shares were held by Strong Purpose Corporation ("**Strong Purpose**"). Favor King Limited ("**Favor King**") and Strong Purpose are wholly- owned by Mr. CHAN Shing and Ms. LAU Ting. 465,965 Shares were held by Hang Sing Overseas Limited, a wholly-owned subsidiary of Orient Strength Limited (a company which is wholly-owned by Ms. LAU Ting). As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are deemed to be the interests of each other, the figures referred to the same Shares.

2. 5,000,000 underlying Shares were unlisted option shares held by Mr. CHAN Shing, the spouse of Ms. LAU Ting, granted pursuant to the Share Option Schemes. Particulars of which are set out in section "Share Option Schemes". As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are deemed to be the interests of each other, the figures referred to the same underlying Shares.

3. These interests were held by Glory Add, a company which is wholly-owned by Favor King. Favor King is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting.

4. 539,110,000 Shares were directly held by Ms. CHEUNG Kwan. 123,000,000 Shares were held by The Internet of Things Investment Ltd. which is wholly-owned by Ms. CHEUNG Kwan.

5. The letter "L" denotes long position.

Save as disclosed above, as at 30 June 2020, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares and underlying Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any members of the Group.

## COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

On 21 November 2019, the Provisional Liquidators were appointed by the High Court to, among others, take control and possession of the assets and books and records of the Company. As certain books and records of the Company could not be located, compliance of the corporate governance practices was prepared based on the best knowledge and the limited information available to the Provisional Liquidators.

Throughout the Reporting Period, the Company appeared to comply, based on the limited information available to the Provisional Liquidators, with most of the applicable code provisions under the Corporate Governance Code (the "**CG Code**") stipulated by the Stock Exchange in Appendix 14 of the Listing Rules. However, as the Company is currently going through the Proposed Restructuring with limited resources, there are practical difficulties for the Company to comply with the following requirements:

– Pursuant to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive of the Company should be separate and should not be performed by the same individual. As at 30 June 2020 and the date of this report, the office of the Chairman and the chief executive officer of the Company were vacant.

– Code Provision A.2.7 of the CG Code states that the chairman should at least annually hold meetings with the non-executive directors (including independent non-executive directors) without the presence of the executive directors. As at 30 June 2020 and the date of this report, the office of the Chairman was vacant.

– Pursuant to Rules 3.10(1) and 3.10A of the Listing Rules, an issuer must include at least three independent non-executive directors, with at least one of the independent non-executive directors having appropriate professional qualifications or accounting or related financial management expertise, and the number of independent non-executive directors must represent at least one-third of the Board. As at 30 June 2020, the Board comprised of no independent non-executive Directors and as at the date of this report, the Board comprised of only two independent non-executive Directors.

– Pursuant to the code provision A1.1 of the CG Code, an issuer should establish an audit committee which is chaired by an independent non-executive director. The Audit Committee was vacant as at 30 June 2020. As at the date of this report, the Audit Committee, following its re-establishment on 16 November 2020, comprised two independent non- executive Directors and a non-executive Director.

– Pursuant to the code provision A.5 of the CG Code, an issuer should establish a nomination committee which is chaired by the chairman of the Board or an independent non-executive director and comprises a majority of independent non-executive directors. The Nomination Committee was vacant as at 30 June 2020 and as at the date of this report.

– Pursuant to Rule 3.25 of the Listing Rules, an issuer must establish a remuneration committee chaired by an independent non-executive director and comprising a majority of independent non-executive directors. The Remuneration Committee was vacant as at 30 June 2020 and as at the date of this report.

– Pursuant to the code provision C.2.1 of the CG Code, the Board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and its subsidiaries' risk management and internal control systems has been conducted at least annually. The Risk Committee was vacant as at 30 June 2020 and as at the date of this report.

## DIRECTORS' SECURITIES TRANSACTIONS

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.

Under Rule A.3(b) of the Model Code, the listed issuer must notify the Exchange in advance of the commencement of each period during which directors are not allowed to deal in the securities of the issuer. During the Reporting Period, the Company had not notified the Stock Exchange in advance of the commencement of the 30-days period immediately preceding the publication date of the interim results for the Reporting Period, as required by Rule A.3(b), as the Company had practical difficulties in estimating the publication time of the interim results.

Save as disclosed above, 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 Reporting Period.

## AUDIT COMMITTEE

The Company has established an Audit Committee which currently comprises two independent non-executive Directors, Mr. Wong Wai Keung, Frederick (chairman) and Mr. Chan Kai Nang, and the non-executive Director, Mr. Huang Shenglan. 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 condensed consolidated financial statements of the Group for the Reporting Period have been reviewed by the Audit Committee.

## REMUNERATION COMMITTEE

The Remuneration Committee is vacant as at 30 June 2020 and the date of this report.

## NOMINATION COMMITTEE

The Nomination Committee is vacant as at 30 June 2020 and the date of this report.

## RISK COMMITTEE

The Risk Committee is vacant as at 30 June 2020 and the date of this report.

On behalf of the Board
Burwill Holdings Limited (Provisional Liquidators Appointed)

Wong Wai Keung, Frederick
Director

Hong Kong, 26 February 2021

國衛會計師事務所有限公司
HODGSON IMPEY CHENG LIMITED

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Central
Hong Kong

**Report on Review of Interim Financial Information**
**To the Board of Directors of Burwill Holdings Limited (Provisional Liquidators Appointed)**
*(Incorporated in Bermuda with limited liability)*

## Introduction

We were engaged to review the interim financial information set out on pages 31 to 49, which comprise the condensed consolidated balance sheet of Burwill Holdings Limited (Provisional Liquidators Appointed) (the "**Company**") and its subsidiaries (the "**Group**") as of 30 June 2020 and the related condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "**Condensed Interim Financial Statements**"). The Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("**HKAS**") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The directors of the Company (the "**Directors**") and the joint and several provisional liquidators (the "**Provisional Liquidators**") are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information 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. We were engaged to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. However, because of the significance of the matters described in the "*Basis for disclaimer of conclusion*" section of our report, it is not possible for us to form a conclusion on the interim financial information.

## Basis for disclaimer of conclusion

***(a) Loss of accounting records and de-consolidation of certain subsidiaries and derecognition of certain associates and joint ventures of the Group***

As described in the Basis for disclaimer of opinion section of our auditors' report dated 10 February 2021 on the consolidated financial statements of the Group for the financial year ended 31 December 2019 (the "**2019 Financial Statements**") and disclosed in note 2 to the 2019 Financial Statements, the Provisional Liquidators were appointed as joint and several provisional liquidators of the Company pursuant to an Order granted by the High Court of the Hong Kong Special Administrative Region on 21 November 2019. The Provisional Liquidators are empowered to, *inter alia*, preserve the assets of the Company and take control of and exercise all rights which the Company may have in relation to entities in which the Company holds an interest.

The Provisional Liquidators and the Directors of the Company asserted that since the appointment of the Provisional Liquidators, (i) the accounting books and records and supporting documents of the Company and its subsidiaries were found to be missing and attempts have been made to obtain as many copies of the accounting books and records and supporting documents of the Company and its subsidiaries as possible; (ii) efforts were made to reconstruct the books and records of the Company and its subsidiaries and obtain alternative or secondary information or confirmations within the Group or from third parties; and (iii) the Provisional Liquidators have been unable to have access to the financial information of the associates and joint ventures of the Group with the exception of 馬鋼(揚州)鋼材加工有限公司("**馬鋼(揚州)**"), a 29% owned associate of the Group (the "**Derecognised Associates**") or obtain cooperation from management of the Derecognised Associates. As of the date of our audit report on the 2019 Financial Statements, the retrieval of copies of the accounting books and records and supporting documents and reconstruction of books and records referred to above was far from completion and the Provisional Liquidators did not expect that these could be completed in the foreseeable future. In the view of the Provisional Liquidators, there existed insufficient, and incomplete, documentary information regarding the books and records of the Company and its subsidiaries and the treatment of balances and transactions of the Company and its subsidiaries. Under these circumstances, we have not been able to obtain sufficient appropriate evidence to enable us to assess the effects of these matters during the course of our audit on the 2019 Financial Statements (the "**2019 Audit**") and the causes and effects of the loss of accounting books and records and supporting documents of the Company and its subsidiaries and the lack of access to the associates and joint ventures of the Group, and their implications and impacts on the elements presented in the 2019 Financial Statements. In relation thereto, we were unable to obtain, during the course of the 2019 Audit, sufficient appropriate evidence to satisfy ourselves regarding (i) whether the Group had entered into irregular or problematic transactions during the year and had irregular or problematic balances as at the end of the financial year that would have caused discrepancies in the accounting books and records and given rise to irregularities and misconduct; (ii) whether the Provisional Liquidators had performed sufficient appropriate procedures to completely identify these irregular or problematic transactions and balances and ensure that they are appropriately reflected in the 2019 Financial Statements; (iii) the nature and validity of the irregular or problematic transactions and balances, if any, and the reasons why they arose; (iv) whether there were any contingent or unrecorded liabilities arising from the irregular or problematic transactions and balances, if any, including penalties and other financial consequences from breaches of laws and regulations; and (v) whether there were any irregular or problematic transactions and balances involving related parties of the Group but which had not been identified by the Provisional Liquidators. These scope limitations also impacted on our ability to determine the reliability of the management representations received by us as evidence for our audit purposes and hence of the audit evidence in general.

Given the loss of accounting books and records and supporting documents of the Company and its subsidiaries and the fact that the Provisional Liquidators have not been able to have contact with a number of key accounting personnel and management personnel of the Group, all of whom had left the Group, as well as their inability to have access to financial information and management of the Derecognised Associates, the Provisional Liquidators considered that the Group did not have the necessary information about the transactions and account balances of many of the subsidiaries and associates and joint ventures of the Group for inclusion of these entities in the 2019 Financial Statements. Accordingly, the Provisional Liquidators had determined that (i) the subsidiaries of the Group, with the exception of Burwill Steel Holdings Limited and its subsidiary, (the "**Deconsolidated Subsidiaries**") shall be de-consolidated from the consolidated financial statements of the Group with effect from 1 July 2019, the date after the interim condensed consolidated financial statements of the Group for the interim period of six-month ended 30 June 2019 (the "**2019 Interim Financial Statements**") prepared by the former management of the Group and published by the Company on 27 September 2019 prior to the appointment of the Provisional Liquidators; and (ii) the Derecognised Associates shall be derecognised and cease to be equity accounted for in the consolidated financial statements of the Group with effect from 1 July 2019.

In the view of the Provisional Liquidators, it is impracticable to prepare consolidated financial statements of the Group that include the results, cash flows and account balances of the Deconsolidated Subsidiaries and Derecognised Associates subsequent to 30 June 2019. The de-consolidation of the Deconsolidated Subsidiaries with effect from 1 July 2019 resulted in the exclusion of their assets and liabilities as at 30 June 2020 and 31 December 2019 and their revenue, income, expenses, and cash flows for the six-month period ended 30 June 2020 from the Condensed Interim Financial Statements. This accounting outcome is a departure from the requirements of Hong Kong Financial Reporting Standard ("**HKFRS**") 10 "*Consolidated Financial Statements*" issued by the HKICPA which requires all subsidiaries controlled by the Company and its subsidiaries to be included in the consolidated financial statements. The facts and circumstances described above do not show that the Group had lost control over the Deconsolidated Subsidiaries with effect from 1 July 2019. Under HKFRS 10, the Group should have consolidated the Deconsolidated Subsidiaries in the Condensed Financial Statements if control over the subsidiaries had not been lost. Had the Deconsolidated Subsidiaries been consolidated, many elements in the Condensed Interim Financial Statements would have been materially affected.

Similarly, the derecognition of the Derecognised Associates with effect from 1 July 2019 resulted in the non-recognition in condensed consolidated income statement of the share of the profits or losses of the Derecognised Associates for the six-month period ended 30 June 2020 attributable to the Group's equity interests in the associates and joint ventures, the non-recognition in condensed consolidated other comprehensive income of the share of the other comprehensive income or losses of the Derecognised Associates for the six-month period ended 30 June 2020 attributable to the Group's equity interests in the associates and joint ventures and the non-recognition in the condensed consolidated balance sheet of the share of net assets or liabilities of the Derecognised Associates as at 30 June 2020 and 31 December 2019 attributable to the Group's equity interests in the associates and joint ventures. This accounting outcome is a departure from the requirements of HKAS 28 "*Investments in Associates and Joint Ventures*" issued by the HKICPA, which requires the Group to account for its investments in its associates and joint ventures using the equity method of accounting. The facts and circumstances described above do not show that the Group had lost significant influence or joint control over the Derecognised Associates with effect from 1 July 2019. Under HKAS 28, the Group should have equity accounted for its interests in the Derecognised Associates in the Condensed Interim Financial Statements if significant influence or joint control over these associates and joint ventures had not been lost. Had the Derecognised Associates been equity accounted for, the investments in associates and joint ventures and share of results of associates and joint ventures, and related elements, in the Condensed Interim Financial Statements would have been materially affected.

We were unable to satisfy ourselves that the Group had, in fact, lost control, significant influence or joint control over these Deconsolidated Subsidiaries and Derecognised Associates and if so, when such control, significant influence or joint control was lost for each of the entities comprising the Deconsolidated Subsidiaries and Derecognised Associates.

In addition, the effects of the irregular or problematic transactions, if any, referred to above would have to be recognised, and reflected, in the Condensed Interim Financial Statements. However, as stated above, we have not been able to satisfy ourselves about the effects of the matters to which the incomplete and missing books and records and supporting documents and lack of access to local management of the subsidiaries and associates and joint ventures relate, including the effects of irregular or problematic transactions, if any, referred to above. Accordingly, the effects on the Condensed Interim Financial Statements of the failure to consolidate the Deconsolidated Subsidiaries and to equity account for the Derecognised Associates could not be determined.

*(b) Investments in 馬鋼(揚州)*

The Group's investment in 馬鋼(揚州), a 29% owned associate of the Group and accounted for by the equity method, was carried at approximately HK$65,535,000 and HK$68,617,000 on the condensed consolidated balance sheet as at 30 June 2020 and 31 December 2019 respectively, and the Group's share of the profits of 馬鋼(揚州) of approximately HK$2,196,000 and HK$1,763,000 for the six-month periods ended 30 June 2020 and 2019 respectively and other comprehensive expense attributable to 馬鋼(揚州) of approximately HK$5,278,000 for the six-month period ended 30 June 2020 were included in the Group's condensed consolidated income statement and condensed consolidated statement of comprehensive income respectively. Due to the lack of access to complete books and records of 馬鋼(揚州) made available to us as explained in sub-paragraph (a) above, we were unable to obtain sufficient appropriate audit evidence during the course of the 2019 Audit to satisfy ourselves that the financial information of 馬鋼(揚州) that was used as the basis for the application of equity method of accounting to determine the Group's share of net assets movements and results of 馬鋼(揚州) for the year ended 31 December 2019 did not contain material misstatements. This matter remains unresolved as at the date of this report and as a result, we were unable to determine whether any adjustments were necessary in respect of the carrying amounts of the Group's interests in the associate and its share of profits of and other comprehensive income attributable to the associate recognised in the Condensed Interim Financial Statements as at 30 June 2020 and 31 December 2019 and for the six-month periods ended 30 June 2020 and 2019. Any adjustments found to be required may have consequential significant effects on the net liabilities of the Group as at 30 June 2020 and 31 December 2019 and the profit or loss attributable to the owners of the Company for the six-month periods ended 30 June 2020 and 2019.

*(c) Compliance with Listing Rules and applicable laws and regulations*

Due to the lack of access to complete books and records of the Group and management personnel of the Deconsolidated Subsidiaries made available to us, we have not been able to obtain sufficient appropriate evidence to satisfy ourselves during the course of the 2019 Audit as to whether there was non-compliance with applicable Listing Rules and laws and regulations by the Group and hence about the completeness of any actual or contingent liabilities in the consolidated financial statements. There were no practicable alternative procedures that we could perform to satisfy ourselves as to whether there existed unrecorded provisions or undisclosed contingent liabilities and hence whether there were material misstatements of the consolidated financial statements due to non-compliance with the listing rules and laws and regulations. This matter remains unresolved as at the date of this report. Any adjustments found to be necessary may have a consequential significant effect on the net liabilities of the Group as at 30 June 2020 and 31 December 2019 and of the profit or loss attributable to the owners of the Company for the six-month periods ended 30 June 2020 and 2019 and the related disclosures thereof in the Condensed Interim Financial Statements.

Further, due to the lack of access to complete books and records of the Group, we were unable to satisfy ourselves that the disclosure requirements of the Listing Rules on the Stock Exchange have been complied with in the Condensed Interim Financial Statements. Given these circumstances, there were no practicable review procedures that we could perform to quantify or determine the extent of adjustments or further disclosures that might be necessary in respect of the Group's condensed consolidated financial statements.

*(d)* ***Amounts due to the Deconsolidated Subsidiaries and Derecognised Associates***

As shown in the condensed consolidated balance sheet, the Group recorded amounts due to the Deconsolidated Subsidiaries of approximately HK$118,550,000 and HK$118,550,000 as at 30 June 2020 and 31 December 2019 respectively and amounts due to the Derecognised Associates of approximately HK$4,000 and HK$4,000 as at 30 June 2020 and 31 December 2019 respectively. As explained in sub-paragraph (a) above, the Provisional Liquidators had been unable to retrieve and reconstruct the books and records of the Deconsolidated Subsidiaries or access the financial information and local management of the Derecognised Associates. Due to the lack of access to complete books and records of the Deconsolidated Subsidiaries and to financial information and local management of the Derecognised Associates, we were unable to perform audit procedures during the course of the 2019 Audit and there were no alternative audit procedures we could perform under the circumstances to obtain sufficient appropriate evidence to satisfy ourselves that the amounts due to the Deconsolidated Subsidiaries and Derecognised Associates as at 31 December 2019 and that relevant transactions entered into with the Deconsolidated Subsidiaries and Derecognised Associates during the year then ended were valid and complete and free from material misstatements. This matter remains unresolved as at the date of this report. Any adjustments found to be required may have consequential significant effects on the balances of the amounts due to the Deconsolidated Subsidiaries and Derecognised Associates as at 30 June 2020 and 31 December 2019 and the amounts and description of the relevant transactions with the Deconsolidated Subsidiaries and Derecognised Associates for the six-month periods ended 30 June 2020 and 2019, and other elements in the Condensed Interim Financial Statements, and hence on the net liabilities of the Group as at 30 June 2020 and 31 December 2019 and the profit or loss attributable to the owners of the Company and net cash flows used in or from operating activities for the six-month periods ended 30 June 2020 and 2019.

*(e)* ***Contingent liabilities and commitments***

As explained in sub-paragraph (a) above, the Group should have consolidated the Deconsolidated Subsidiaries in the Condensed Interim Financial Statements if control over the Deconsolidated Subsidiaries had not been lost by the Group. Had these subsidiaries been consolidated, the contingent liabilities and commitments of the Group as disclosed in note 12 to the Condensed Interim Financial Statements should include the contingent liabilities and commitments of the Deconsolidated Subsidiaries. Further, the contingent liabilities and commitments of the Deconsolidated Subsidiaries may affect or involve the entities included in the Condensed Interim Financial Statements and the Group may have provided financial guarantees on behalf of the Deconsolidated Subsidiaries. Due to the lack of complete books and records of the Group and the Deconsolidated Subsidiaries made available to us, we have not been able to obtain sufficient appropriate evidence during the course of the 2019 Audit to satisfy ourselves as to the completeness of the contingent liabilities and commitments of the Group as disclosed in the consolidated financial statements and there were no alternative audit procedures that we could perform to satisfy ourselves as to whether there existed material amounts of contingent liabilities and commitments of or in relation to the Deconsolidated Subsidiaries. This matter remains unresolved as at the date of this report. Any undisclosed material amounts of contingent liabilities and commitments as at 30 June 2020 and 31 December 2019 which were related to the Deconsolidated Subsidiaries found to be in existence may have a consequential significant effect on the amounts recognised in and the disclosures in the Condensed Interim Financial Statements.

*(f) Events after the reporting period*

As explained in sub-paragraph (a) above, the Group should have consolidated the Deconsolidated Subsidiaries in the Condensed Interim Financial Statements if control over the Deconsolidated Subsidiaries had not been lost by the Group. Had these subsidiaries been consolidated, the events after the reporting period of the Group should include the events and transactions after the reporting period of the Deconsolidated Subsidiaries. Further, the events and transactions after the reporting period of the Deconsolidated Subsidiaries may affect or involve the entities included in the Condensed Interim Financial Statements. Due to the lack of complete books and records of the Group and the Deconsolidated Subsidiaries, we have not been able to obtain sufficient appropriate evidence during the course of the 2019 Audit to satisfy ourselves as to the completeness of the events and transactions after the reporting period of the Group as disclosed in the consolidated financial statements and there were no practicable alternative review procedures that we could perform to satisfy ourselves as to whether there had occurred significant events or transactions after the end of the reporting period which required disclosure in or adjustments to the consolidated financial statements. This matter remains unresolved as at the date of this report. Any undisclosed or unadjusted events or transactions related to the Deconsolidated Subsidiaries found to have occurred during the intervening period may have consequential significant effects on the balances presented for the elements in the Condensed Interim Financial Statements and hence on the net liabilities of the Group as at 30 June 2020 and 31 December 2019 and the profit or loss attributable to the owners of the Company for the six-month periods ended 30 June 2020 and 2019 or on the disclosures in the Condensed Interim Financial Statements.

*(g) Related party transactions and balances*

As explained in sub-paragraph (a) above, the Company should have consolidated the Deconsolidated Subsidiaries in the Condensed Interim Financial Statements if control over the Deconsolidated Subsidiaries had not been lost by the Group. Had these subsidiaries been consolidated, the related party transactions and balances as disclosed in the Condensed Interim Financial Statements should include the transactions and balances of the Deconsolidated Subsidiaries with related parties of the Group. Further, the related party transactions and balances of the Deconsolidated Subsidiaries may affect or involve the entities included in the Condensed Interim Financial Statements. Due to the lack of complete books and records of the Deconsolidated Subsidiaries made available to us, we have not been able to obtain sufficient appropriate evidence during the course of the 2019 Audit to satisfy ourselves as to whether there were material related party transactions and balances of the Deconsolidated Subsidiaries and hence about the completeness of the related party transactions and balances as disclosed in the consolidated financial statements. There were no practicable alternative procedures that we could perform to satisfy ourselves as to whether there existed material related party transactions and balances of the Deconsolidated Subsidiaries which required disclosure in the consolidated financial statements. This matter remains unresolved as at the date of this report. Any undisclosed transactions or balances related to the Deconsolidated Subsidiaries found to have occurred or existed may have a consequential significant effect on the disclosures in the Condensed Interim Financial Statements.

### (h) *Comparative figures*

As explained in sub-paragraph (a) above, in the view of the Provisional Liquidators, it is impracticable to prepare consolidated financial statements that include the results, cash flows and account balances of the Deconsolidated Subsidiaries and Derecognised Associates subsequent to 30 June 2019. Furthermore, the comparative figures in respect of the six-month period ended 30 June 2019 presented and disclosed in the Condensed Interim Financial Statements were prepared based on the revenue, income, expenses and cash flows of the Group as presented in the 2019 Interim Financial Statements, which were prepared by the former management but which were not audited or reviewed by us, or another firm of auditors, prior to their publication. Due to the lack of access to complete books and records of the Group and the Deconsolidated Subsidiaries and the Derecognised Associates, the directors of the Company and the Provisional Liquidators are unable to assess whether the reported amounts of these revenue, income, expenses and cash flows for the six-month period ended 30 June 2019 contain material misstatements. Given these circumstances, there were no practicable review procedures that we could perform to quantify the extent of adjustments that might be necessary in respect of the Group's revenue, income, expenses and cash flows presented as comparative figures, and the related disclosures, in the Condensed Interim Financial Statements.

### (i) *Share option expense and share-based compensation reserve*

The Group operates an equity-settled share-based plan. The share option expense recognised in the condensed consolidated income statement amounted to approximately HK$nil and HK$21,002,000 for the six-month periods ended 30 June 2020 and 2019 respectively and the share-based compensation reserve of the Group was approximately HK$35,532,000 and HK$35,532,000 as at 30 June 2020 and 31 December 2019 respectively. As explained in sub-paragraph (a) above, the Provisional Liquidators had been unable to retrieve and reconstruct the books and records of the Company and its subsidiaries. Due to the lack of access to complete books and records there were no alternative audit procedures we could perform during the course of the 2019 Audit to obtain sufficient appropriate evidence to satisfy ourselves that the amount of share option expense incurred and the movements and balance of share-based compensation reserve as at and for the year ended 31 December 2019 were valid and complete and free from material misstatements. These matters remain unresolved as at the date of this report. Hence we were unable to satisfy ourselves as to whether any adjustments were necessary to these share option expense and share-based compensation reserve balances recognised in the Condensed Interim Financial Statements and the effects of any consequential adjustments to these figures on the calculations of basic and diluted earnings per share for the six-month periods ended 30 June 2020 and 2019.

Any adjustments found to be required in respect of the matters described in sub-paragraphs (a) to (i) above, which gave rise to our disclaimer of opinion on the 2019 Financial Statements and remain unresolved as at the date of this report, may have consequential significant effects on the elements in the Condensed Interim Financial Statements and on the net liabilities of the Group as at 30 June 2020 and 31 December 2019 and the profit or loss attributable to the owners of the Company and net cash flows used in or from operating activities for the six-month periods ended 30 June 2020 and 2019.

### *(j) Material uncertainty related to going concern basis*

As disclosed in note 2.1(ii) to the Condensed Interim Financial Statements, (i) as at 30 June 2020, the Group's current liabilities exceeded its current assets by approximately HK$510,399,000 and the Group was in net liabilities position of approximately HK$444,774,000; and (ii) the Group had total borrowings of approximately HK$376,635,000 which were matured and defaulted for repayment as at 30 June 2020. As part of the Proposed Restructuring, on 18 February 2021, (i) a subscription agreement in respect of the subscription of new shares of the Company by Alpha Pioneer Ventures Limited (the "**Investor**") have been entered into among the Company, the Provisional Liquidators and the Investor; and (ii) a debt settlement agreement in respect of certain secured debts owed by the companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates) to a secured creditor of the Company has been entered into among the Company, the Provisional Liquidators and the relevant secured creditor. If and upon the successful implementation of the Proposed Restructuring, all claims against, and liabilities (other than the normal operating liabilities incurred during the ordinary course of business operations of the Group, such as daily operating expenses and administrative expenses) of the Company will be discharged and compromised in full by way of schemes of arrangement in Hong Kong and/or Bermuda. However, as at the date of this report, the Proposed Restructuring has not been completed and the outcome cannot be determined.

In addition, the adjustments found to be necessary to the Group's results for the six-month period ended 30 June 2020 and closing balances of its assets and liabilities as at 30 June 2020 of the matters described in the sub-paragraphs above may cause the operating results, liquidity position and financial position of the Group as presented in the Condensed Interim Financial Statements to be adversely affected.

These conditions indicate the existence of material uncertainties that may cast significant doubts about the Group's ability to continue as a going concern. Notwithstanding the abovementioned, the Condensed Interim Financial Statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay or extend existing borrowings and liabilities upon their maturities or when they fall due through cash flows from operations and working capital to be provided through continuing support from financial institutions.

As of the date of this report, we have not obtained sufficient documentation, which are necessary for us to assess the appropriateness of the use of the going concern assumption in the preparation of the condensed consolidated financial statements. Because of the significance of these matters, we were unable to satisfy ourselves as to whether the use of going concern assumption in the preparation of the Condensed Interim Financial Statements was appropriate. Should the Group be unable to continue as a going concern, adjustments would have to be made to the Condensed Interim Financial Statements to adjust the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The Condensed Interim Financial Statements do not incorporate any adjustments that would result from a failure to attain favourable outcomes in respect of the above matters. If the outcome in respect of any of the above matters turns to be unfavourable, the going concern basis might not be appropriate and, in such event, adjustments would have to be made to the Condensed Interim Financial Statements to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets as current assets.

***(k) Non-compliance with HKFRSs and omission of disclosures***

Due to the lack of access to complete books and records of the Group, the Provisional Liquidators determined that certain information required to be disclosed under the disclosure requirements set out in HKAS 34 could not be disclosed in the condensed consolidated financial statements. Given these circumstances, we were unable to determine the effects of these non-disclosures of information required to be disclosed under HKAS 34. There were no practicable procedures that we could perform to quantify or determine the extent of adjustments or further disclosures that might be necessary in respect of the Condensed Interim Financial Statements.

**Disclaimer of conclusion**

Because of the significance of the matters described in the "Basis for disclaimer of conclusion" section of our report, we have not been able to carry out sufficient review procedures to provide a basis for a conclusion on the interim financial information. Accordingly, we do not express a conclusion on the interim financial information.

**HLB Hodgson Impey Cheng Limited**
*Certified Public Accountants*

Kwok Kin Leung
Practising Certificate Number: P05769

Hong Kong, 26 February 2021

The Directors of Burwill Holdings Limited (Provisional Liquidators Appointed) (the "**Company**") hereby present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2020 as follows:

## CONDENSED CONSOLIDATED INCOME STATEMENT

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2020** | 2019 |
| | *Notes* | ***HK$'000*** | *HK$'000* |
| | | ***(Unaudited)*** | *(Unaudited)* |
| **Continuing operations** | | | |
| Revenue | *3* | **152,379** | 932,797 |
| Cost of sales | | **(147,338)** | (927,508) |
| Gross profit | | **5,041** | 5,289 |
| Other expenses, gains and losses | *4* | **–** | (51,459) |
| Selling and distribution expenses | | **–** | (15,029) |
| General and administrative expenses | | **(978)** | (24,449) |
| Net impairment losses on financial assets | | **–** | (30,000) |
| Share option expenses | | **–** | (21,002) |
| Operating profit/(loss) | *5* | **4,063** | (136,650) |
| Finance costs | *6* | **(34)** | (35,482) |
| Share of profits of associates | | **2,196** | 1,173 |
| Share of losses of joint ventures | | **–** | (11,985) |
| Profit/(Loss) before income tax | | **6,225** | (182,944) |
| Income tax (expense)/credit | *7* | **(819)** | 1,061 |
| Profit/(Loss) for the period | | **5,406** | (181,883) |
| **Profit/(Loss) attributable to owners of the Company** | | **5,406** | (181,883) |
| **Earnings/(Loss) per share attributable to owners of the Company for the period** | *8* | | |
| Basic earnings/(loss) per share (HK cents) | | **0.11** | (3.56) |
| Diluted earnings/(loss) per share (HK cents) | | **0.11** | (3.56) |

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Profit/(Loss) for the period | **5,406** | (181,883) |
| Other comprehensive income/(expense): | | |
| *Items that may be reclassified to profit or loss* | | |
| Share of other comprehensive income of associates | **–** | 478 |
| Currency translation differences | **(5,278)** | (4,904) |
| *Items that will not be reclassified to profit or loss* | | |
| Changes in the fair value of financial assets at fair value through other comprehensive income | **–** | (117) |
| Other comprehensive expense for the period, net of tax | **(5,278)** | (4,543) |
| Total comprehensive income/(expense) for the period attributable to owners of the Company | **128** | (186,426) |

## CONDENSED CONSOLIDATED BALANCE SHEET

| | Notes | **30 June 2020 HK$'000 (Unaudited)** | 31 December 2019 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| ***Non-current assets*** | | | |
| Investment in an associate | | **65,535** | 68,617 |
| Club debentures | | **90** | 90 |
| Total non-current assets | | **65,625** | 68,707 |
| ***Current assets*** | | | |
| Deposits, prepayments and other receivables | | **40** | – |
| Bills and accounts receivable | *9* | **–** | – |
| Cash and bank balances | | **4,953** | 33 |
| Total current assets | | **4,993** | 33 |
| **Total assets** | | **70,618** | 68,740 |
| **EQUITY** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | *10* | **511,162** | 511,162 |
| Other reserves | | **1,160,541** | 1,165,819 |
| Accumulated losses | | **(2,116,477)** | (2,121,883) |
| Capital deficiency | | **(444,774)** | (444,902) |
| **LIABILITIES** | | | |
| ***Current liabilities*** | | | |
| Due to deconsolidated subsidiaries | *11* | **118,550** | 118,550 |
| Due to derecognised associates | *11* | **4** | 4 |
| Borrowings | | **376,635** | 376,635 |
| Other payables and accruals | | **19,384** | 18,453 |
| Income tax payable | | **819** | – |
| Total current liabilities | | **515,392** | 513,642 |
| Total liabilities | | **515,392** | 513,642 |
| **Total equity and liabilities** | | **70,618** | 68,740 |
| **Net current liabilities** | | **(510,399)** | (513,609) |
| **Total assets less current liabilities** | | **(444,774)** | (444,902) |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | **Six months ended 30 June 2020** | | | |
|---|---|---|---|---|
| | **Attributable to owners of the Company** | | | |
| | **Share capital** | **Other reserves** | **Accumulated losses** | **Total equity** |
| | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** | ***HK$'000*** |
| | ***(Unaudited)*** | ***(Unaudited)*** | ***(Unaudited)*** | ***(Unaudited)*** |
| Balance at 1 January 2020 | **511,162** | **1,165,819** | **(2,121,883)** | **(444,902)** |
| Total comprehensive income/ (expense) for the period | **–** | **(5,278)** | **5,406** | **128** |
| Balance at 30 June 2020 | **511,162** | **1,160,541** | **(2,116,477)** | **(444,774)** |

| | Six months ended 30 June 2019 | | | | |
|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | |
| | Share capital | Other reserves | Accumulated losses | Non-controlling interests | Total equity |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* |
| Balance at 1 January 2019 | 510,962 | 1,004,943 | (691,187) | (8,670) | 816,048 |
| Total comprehensive expense for the period | – | (4,543) | (181,883) | – | (186,426) |
| Share option scheme: | | | | | |
| – value of services | – | 21,002 | – | – | 21,002 |
| – share options exercised | 200 | 71 | – | – | 271 |
| Release upon lapse of share options | – | (294) | 294 | – | – |
| Changes in ownership interests in subsidiaries without change of control | – | (8,670) | – | 8,670 | – |
| Total transactions with owners | 200 | 12,109 | 294 | 8,670 | 21,273 |
| Balance at 30 June 2019 | 511,162 | 1,012,509 | (872,776) | – | 650,895 |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Net cash generated from operating activities | **4,920** | 48,541 |
| Net cash generated from investing activities | **–** | 5,582 |
| Net cash used in financing activities | **–** | (78,324) |
| Net increase/(decrease) in cash and cash equivalents | **4,920** | (24,201) |
| Cash and cash equivalents at 1 January | **33** | 65,628 |
| Effect of exchange rate changes | **–** | (9) |
| Cash and cash equivalents at 30 June | **4,953** | 41,418 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash at bank and on hand | **4,953** | 64,040 |
| *Less:* Bank overdrafts | **–** | (22,622) |
| Cash and cash equivalents | **4,953** | 41,418 |

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### (1) GENERAL INFORMATION

The Company is an investment holding company. Its consolidated subsidiaries are principally engaged in investment holding and steel trading and its Deconsolidated Subsidiaries were principally engaged in steel trading and lithium business.

The Company was incorporated in Bermuda as an exempted company with limited liability. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 1983.

**Suspension of trading of the Company's shares**

Trading in the shares of the Company on the Stock Exchange had been suspended since 19 August 2019.

**Winding up petition and appointment of joint and several provisional liquidators**

On 4 September 2019, Strong Petrochemical Limited (the "**Petitioner**") has filed a petition (the "**Petition**") to the High Court of Hong Kong Special Administrative Region (the "**High Court**") for the winding up of the Company.

On 25 October 2019, Bangkok Bank Public Company Limited (the "**Applicant**") applied to the High Court for an order that provisional liquidators be appointed over the Company on an ex parte on notice basis pursuant to section 193 of the Companies (Winding-up and Miscellaneous Provisions) Ordinance (the "**PL Application**"). On the inter partes hearing of the PL Application on 21 November 2019, an order was granted by the High Court appointing Mr. So Man Chun and Mr. Jong Yat Kit of PricewaterhouseCoopers as joint and several provisional liquidators of the Company (the "**Provisional Liquidators**"). Pursuant to the court orders dated 21 November 2019 and 16 April 2020 made by the High Court, the Provisional Liquidators are empowered to, *inter alia*, preserve the assets of the Company; take control of and exercise all rights which the Company may have in relation to entities in which the Company holds an interest; and consider and/or undertake a restructuring of the Company and/or the companies of the Group (including Deconsolidated Subsidiaries (as defined below) and Derecognised Associates (as defined below)).

On 25 November 2019, the Petitioner served the summons for leave to, inter alia, withdraw the Petition filed on 4 September 2019 and the Applicant served the summons for leave to, *inter alia*, substitute as the petitioner and amend the Petition. As at the date of this report, the High Court adjourned the hearing of the Petition to 21 April 2021 in order to give sufficient time for the Provisional Liquidators to consider and if thought feasible progress a restructuring of the Company and/or the companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates (as defined on note 11 of this report)).

Following their appointment, the Provisional Liquidators have sought to identify and secure any assets of the Company, including securing the Hong Kong office premises, taking possession of limited books and records in Hong Kong, requesting Statements of Affairs from the directors and seeking to transfer any bank balances to the Provisional Liquidators' designated accounts.

**Proposed restructuring of the Company**

As part of the restructuring exercise, pursuant to a Court sanction, the Company established a wholly owned subsidiary, namely Burwill Resources Development Limited ("**BRD**") on 23 April 2020, for the purpose of restructuring and continuation of the trading business of the Group. BRD has commenced its trading of steel business since June 2020.

On 24 September 2020, the Company entered into a restructuring agreement (the "**Restructuring Agreement**") with an independent third party (the "**Investor**"), pursuant to which the Company will conduct a proposed restructuring (the "**Proposed Restructuring**") which comprises (i) debt restructuring (which consists of debt settlement and scheme of arrangement); (ii) capital reorganisation; (iii) subscription of new shares; and (iv) open offer.

As part of the Proposed Restructuring, on 18 February 2021, (i) a side letter in respect of certain amendments to the Restructuring Agreement and a subscription agreement in respect of the subscription of new Shares by the Investor have been entered into among the Company, the Provisional Liquidators and the Investor; and (ii) a debt settlement agreement in respect of certain secured debts owed by the companies of the Group (including Deconsolidated Subsidiaries (as defined below) and Derecognised Associates (as defined below)) to a secured creditor of the Company has been entered into among the Company, the Provisional Liquidators and the relevant secured creditor.

Upon completion of the Proposed Restructuring, the Company and the Group are expected to be solvent and the Provisional Liquidators will be discharged. For further details of the proposed restructuring of the Company and the companies of the Group (including Deconsolidated Subsidiaries (as defined below) and Derecognised Associates (as defined below)), please refer to the Company's announcement dated 4 February 2021. Capitalised terms used below shall have the same meaning as those defined in the aforementioned announcements unless otherwise defined.

***(i) Proposed debt restructuring***

It is proposed that the Company shall settle its obligations by way of the Debt Restructuring, which consists of the Debt Settlement and the Scheme.

*Debt Settlement*

The Company shall use reasonable endeavours to negotiate and enter into debt settlement agreement(s) with the Secured Creditors to settle their secured debts, which are expected to be executed prior to the implementation of the Scheme. It is envisaged that the Debt Settlement shall involve, among others, (i) payment(s) of such amount(s) that may be determined with reference to the valuation(s) of the relevant Collateral(s) to be conducted by an independent valuer(s) appointed by the Company, if appropriate and possible, and such amount(s) shall be paid in the time and manner as set out in the relevant debt settlement agreement; and (ii) the release and discharge of all the relevant claims against the companies of the Group (including Deconsolidated Subsidiaries (as defined below) and Derecognised Associates (as defined below)) and the release of the relevant Collateral(s).

The Secured Creditors who enter into a debt settlement agreement will be excluded from participating in the Scheme as Scheme Creditors. In the event that any Secured Creditor does not eventually participate in the Debt Settlement by entering into a Debt Settlement Agreement, it is envisaged that (i) the relevant debts owed by the Company to such Secured Creditor will be recognised as unsecured debts and shall be included in and settled by the Scheme; and (ii) if any Secured Creditor holds any Collateral(s) granted by a company of the Group (including Deconsolidated Subsidiaries (as defined below) and Derecognised Associates (as defined below)) other than the Company and has an unsecured claim against the Company, the relevant Secured Creditor shall be entitled to enforce the Collateral(s) in parallel to the Scheme to recover its debt provided that it agrees (via the Scheme) to pay to the Company any amount it receives in excess of the aggregate amount of its claims.

*Scheme*

Upon finalisation of the adjudications of claims filed by the Scheme Creditors, the Company shall implement the Scheme for the full and final settlement of all debts and claims of all Scheme Creditors. It is envisaged that the Scheme shall involve a pari passu distribution of (and at the selection by each Scheme Creditor of one of the following) cash, convertible bonds, redeemable preference shares or other options or instruments which the Company may consider appropriate for the settlement of claims of the Scheme Creditors, details of which are subject to further negotiation.

***(ii) Capital Reorganisation***

The Company proposes to implement, subject to the approval by the Shareholders, the Capital Reorganisation. The Capital Reorganisation will comprise the Capital Reduction, the Share Premium Cancellation, Share Consolidation and Increase in Authorised Share Capital. Upon completion of the Capital Reorganisation, the Company shall propose the Change in Board Lot Size.

***(iii) Subscription***

The Company and the Investor shall negotiate, prepare and finalise the Subscription Agreement which shall reflect the structure and contain the terms and conditions of the Subscription. Subject to and in accordance with the terms and conditions of the Subscription Agreement, the Company shall agree to issue and allot, and the Subscriber(s) shall agree to subscribe for the Subscription Shares.

***(iv) Open Offer***

The Company shall propose the Open Offer on the basis of one (1) Offer Shares for every two (2) Consolidated Shares held by the Qualifying Shareholders on the Open Offer Record Date.

The notes to the condensed consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK$'000), unless otherwise stated. These condensed consolidated financial statements have not been audited.

## (2) BASIS OF PREPARATION AND ACCOUNTING POLICIES

This note explains the basis of preparation and provides a list of the significant accounting policies adopted in the preparation of these condensed consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The condensed consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

### (2.1) Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited. The condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2019.

Based on the limited information available to the Provisional Liquidators and the Directors, the Provisional Liquidators and the Directors were not able to ascertain the accuracy and completeness of the information in the condensed consolidated financial statements.

The comparative figures in respect of the six-month period ended 30 June 2019 presented or disclosed in these condensed consolidated financial statements are extracted from the financial information previously published by the Company, which were provided by the Company's former management. The other historical financial information presented or disclosed in these condensed consolidated financial statements are based on all available information to the extent provided to the Provisional Liquidators subsequent to their appointment on 21 November 2019. The Provisional Liquidators and the Directors note that the historical information in respect of the Company and its subsidiaries prior to such appointment date as provided to them may not be accurate, complete and sufficient to establish an accurate and reliable view of the historical transactions, trading and financial position and may contain errors. The Provisional Liquidators and the Directors provide no assurance for the condensed consolidated financial statements, financial position and results contained herein which are presented solely for the purpose of meeting the requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The Provisional Liquidators and the Directors do not accept or assume responsibility for these condensed consolidated financial statements for any purpose or to any person to whom these condensed consolidated financial statements are shown or into whose hands they may come.

#### *(i) Loss of accounting records and de-consolidation of certain subsidiaries and derecognition of certain associates and joint ventures of the Group*

The Provisional Liquidators were appointed as joint and several provisional liquidators of the Company pursuant to an Order granted by the High Court of the Hong Kong Special Administrative Region on 21 November 2019. The Provisional Liquidators are empowered to, *inter alia*, preserve the assets of the Company and take control of and exercise all rights which the Company may have in relation to entities in which the Company holds an interest.

The Provisional Liquidators and the Directors assert that since the appointment of the Provisional Liquidators, (i) the accounting books and records and supporting documents of the Company and its subsidiaries were found to be missing and attempts have been made to obtain as many copies of the accounting books and records and supporting documents of the Company and its subsidiaries as possible; (ii) efforts were made to reconstruct the books and records of the Company and its subsidiaries and obtain alternative or secondary information or confirmations within the Group or from third parties; and (iii) the Provisional Liquidators have been unable to have access to the financial information of the associates and joint ventures of the Group with the exception of 馬鋼(揚州)鋼材加工有限公司("**馬鋼(揚州)**"), a 29% owned associate of the Group, (the "**Derecognised Associates**") or obtain cooperation from management of the Derecognised Associates. As of the date of approval for issuance of the condensed consolidated financial statements, the retrieval of copies of the accounting books and records and supporting documents and reconstruction of books and records referred to above was far from completion and the Provisional Liquidators do not expect that these could be completed in the foreseeable future. In the view of the Provisional Liquidators, there exist insufficient, and incomplete, documentary information regarding the books and records of the Company and its subsidiaries and the treatments of balances and transactions of the Company and its subsidiaries. Under these circumstances, the Provisional Liquidators are unable to assess the effects of these matters, as well as the causes and effects of the loss of accounting books and records and supporting documents of the Company and its subsidiaries and the lack of access to the associates and joint ventures of the Group, and their implications and impacts on the elements presented in the condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

Given the loss of accounting books and records and supporting documents of the Company and its subsidiaries and the fact that the Provisional Liquidators have not been able to have contact with a number of key accounting personnel and management personnel of the Group, all of whom had left the Group before the preparation of the consolidated financial statements commenced, as well as their inability to have access to financial information and management of the Derecognised Associates, the Provisional Liquidators consider that the Group did not have the necessary information about the transactions and account balances of many of the subsidiaries and associates and joint ventures of the Group for inclusion of these entities in the consolidated financial statements of the Group for the year ended 31 December 2019 and the condensed consolidated financial statements of the Group for the six-month ended 30 June 2020. Accordingly, the Provisional Liquidators have determined that (i) the subsidiaries of the Group, with the exception of Burwill Steel Holdings Limited and its subsidiary, (the "**Deconsolidated Subsidiaries**") shall be de-consolidated from the consolidated financial statements of the Group with effect from 1 July 2019; and (ii) the Derecognised Associates shall be derecognised and cease to be equity accounted for in the consolidated financial statements of the Group with effect from 1 July 2019.

In the preparation of the consolidated financial statements of the Group for the year ended 31 December 2019, the Provisional Liquidators have included (i) the revenue, income, expenses and cash flows of the Group for the period from 1 January 2019 to 30 June 2019 as reported in the interim condensed consolidated financial statements of the Group included in the interim report for the interim period of six months ended 30 June 2019, published by the Company on 27 September 2019, prior to the appointment of the Provisional Liquidators; and (ii) the results, cash flows and financial position of Burwill Steel Holdings Limited and its subsidiary Burwill (China) Limited (collectively, "**Burwill Steel**") in the consolidated financial statements based on the current status of their retrieval and reconstruction of the accounting books and records of Burwill Steel. The two entities comprising Burwill Steel are wholly owned subsidiaries of the Company which are shell investment holding companies which held the entire equity interests of 東莞市創盛貿易有限公司(one of the Deconsolidated Subsidiaries) and the 29% equity interests in 馬鋼(揚州), a 29% owned associate of the Group. 東莞市創盛貿易有限公司was deregistered on 23 January 2020.

In the view of the Provisional Liquidators, it is impracticable to prepare consolidated financial statements that include the Deconsolidated Subsidiaries and Derecognised Associates.

### *(ii) Material uncertainties related to going concern*

As presented in the condensed consolidated financial statements, (i) as at 30 June 2020, the Group's current liabilities exceeded its current assets by approximately HK$510,399,000 and the Group was in net liabilities position of approximately HK$444,774,000; and (ii) the Group had total borrowings of approximately HK$376,635,000 which were matured and defaulted for repayment as at 30 June 2020. As part of the Proposed Restructuring, on 18 February 2021, (i) a subscription agreement in respect of the subscription of new shares of the Company by Alpha Pioneer Ventures Limited (the "**Investor**") have been entered into among the Company, the Provisional Liquidators and the Investor; and (ii) a debt settlement agreement in respect of certain secured debts owed by the companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates) to a secured creditor of the Company has been entered into among the Company, the Provisional Liquidators and the relevant secured creditor. Upon the successful implementation of the Proposed Restructuring, all claims against, and liabilities (other than the normal operating liabilities incurred during the ordinary course of business operations of the Group, such as daily operating expenses and administrative expenses) of the Company will be discharged and compromised in full by way of schemes of arrangement in Hong Kong and/or Bermuda.

In addition, the adjustments found to be necessary to the Group's results for the six-month period ended 30 June 2020 and closing balances of its assets and liabilities as at 30 June 2020 of the matters described in the paragraphs above may cause the operating results, liquidity position and financial position of the Group as presented in the condensed consolidated financial statements for the six-month period ended 30 June 2020 to be adversely affected.

The conditions described above indicate the existence of material uncertainties that may cast significant doubts about the Group's ability to continue as a going concern. Notwithstanding the abovementioned, the condensed consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group's ability to repay or extend existing borrowings and liabilities upon their maturities or when they fall due through cash flows from operations and working capital to be provided through continuing support from financial institutions.

### *(iii) Historical cost convention*

The condensed consolidated financial statements have been prepared on a historical cost basis except for the revaluation of certain financial instruments at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

### (2.2) Accounting policies

### *Adoption of new accounting policy in the current interim period*

Except as described below, the accounting policies applied are consistent with those of the annual consolidated financial statements of the Group for the year ended 31 December 2019, as described in those annual financial statements.

*(i) New and amended standards adopted by the Group*

The following amendments to existing standards are effective to the Group for accounting periods beginning on or after 1 January 2020 but did not result in any significant impact on the results and financial position of the Group:

| | |
|---|---|
| HKAS 1 and HKAS 8 (Amendments) | Definition of Material |
| HKFRS 3 (Amendments) | Definition of a Business |
| HKAS 39, HKFRS 7 and HKFRS 9 (Amendments) | Hedge Accounting |
| Conceptual Framework for Financial Reporting 2018 | Revised Conceptual Framework for Financial Reporting |

*(ii) New and amended standards not yet adopted*

The following new standards and amendments have been issued but are not effective for the financial year beginning on or after 1 January 2020 and have not been early adopted by the Group:

| | | **Effective for annual periods beginning on or after** |
|---|---|---|
| HKFRS 3 (Amendment) | Reference to the Conceptual Framework | 1 January 2022 |
| HKAS 16 (Amendment) | Property, plant and equipment – proceeds before intended use | 1 January 2022 |
| HKAS 37 (Amendment) | Onerous contracts – cost of fulfilling a contact | 1 January 2022 |
| Annual improvements to HKFRSs 2018-2020 cycle | Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41 | 1 January 2022 |
| HKAS 1 (Amendment) | Classification of liabilities as current or non-current | 1 January 2023 |
| HKFRS 17 | Insurance Contracts | 1 January 2023 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

The Group will adopt the above new and amended standards when they become effective. The Group is in the process of assessing the impact of adoption of such new and amended standards on the Group's results and financial position.

## (3) REVENUE AND SEGMENT INFORMATION

Revenue recognised during the six months period is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Continuing operations** | | |
| Sale of goods | **152,379** | 932,797 |

The Group only had one principal activity during the six-month period ended 30 June 2020, which is steel trading and represents the only operating segment of the Group. Accordingly, no segment information analysed by operating segment is presented in respect of the six-month period ended 30 June 2020. The segment information in respect of the six-month period ended 30 June 2019 is set out below.

| | Six months ended 30 June 2019 | | | |
|---|---|---|---|---|
| | Continuing operations | | | |
| | Steel trading | Lithium business | Unallocated | Group |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* | *(Unaudited)* |
| Total segment sales | 932,797 | – | – | 932,797 |
| Inter-segment sales | – | – | – | – |
| Sales to external customers | 932,797 | – | – | 932,797 |
| Operating profit/(loss) before below items | (10,214) | 831 | (21,165) | (30,548) |
| Fair value losses on financial assets at fair value through profit or loss | – | – | (55,100) | (55,100) |
| Net impairment losses on financial assets | – | – | (30,000) | (30,000) |
| Share option expenses | – | – | (21,002) | (21,002) |
| Operating profit/(loss) | (10,214) | 831 | (127,267) | (136,650) |
| Finance costs | (5,207) | (2,948) | (27,327) | (35,482) |
| Share of profits of associates | – | – | 1,173 | 1,173 |
| Share of (losses)/profit of joint ventures | – | (12,121) | 136 | (11,985) |
| Segment results | (15,421) | (14,238) | (153,285) | (182,944) |
| Income tax credit | | | | 1,061 |
| Loss for the period | | | | (181,883) |

The geographical analysis of revenue by location of customers are as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Continuing operations** | | |
| Mainland China | **152,379** | 464,831 |
| Europe | **–** | 384,553 |
| Asia (other than Mainland China and Hong Kong) | **–** | 76,480 |
| Hong Kong | **–** | 4,896 |
| Others | **–** | 2,037 |
| | **152,379** | 932,797 |

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the completeness, occurrence, cut-off, classification and accuracy of revenue of the Group as of the date of publication of these condensed consolidated financial statements.

## (4) OTHER EXPENSES, GAINS AND LOSSES

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Fair value losses on financial assets at fair value through profit or loss | **–** | (55,100) |
| Interest income on: | | |
| – bank deposits | **–** | 37 |
| – other receivables | **–** | 79 |
| – due from associates | **–** | 1,170 |
| Others | **–** | 2,355 |
| | **–** | (51,459) |

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the accuracy, completeness, occurrence, cut-off and classification of other expenses, gains and losses of the Group as of the date of publication of these condensed consolidated financial statements.

## (5) OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after (crediting)/charging the following:

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Depreciation of property, plant and equipment | **–** | 551 |
| Depreciation of right-of-use assets | **–** | 4,451 |
| Operating lease rentals | **1** | 526 |
| Bank charges | **3** | – |
| Net exchange losses/(gains) | **27** | (2,856) |

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the accuracy, completeness, occurrence, cut-off and classification of the operating profit/(loss) of the Group as of the date of publication of these condensed consolidated financial statements.

## (6) FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Interest on: | | |
| – bank borrowings | **–** | 5,181 |
| – finance lease liabilities | **–** | 123 |
| – convertible bonds | **–** | 17,757 |
| – notes payables | **–** | 7,515 |
| – other loans | **34** | 4,906 |
| | **34** | 35,482 |

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the accuracy, completeness, occurrence, cut-off and classification of the finance costs of the Group as of the date of publication of these condensed consolidated financial statements.

## (7) INCOME TAX EXPENSE/(CREDIT)

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% (2019: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the six-month periods ended 30 June 2020 and 2019. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax of 25% (2019: 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 six months period at the rates of taxation prevailing in the countries in which the Group operates.

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| *Current tax* | | |
| Current tax on profit for the period | | |
| – Hong Kong taxation | **819** | – |
| *Deferred income tax* | | |
| Origination and reversal of temporary differences | **–** | (1,061) |
| Income tax expense/(credit) | **819** | (1,061) |

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the accuracy, completeness, occurrence, cut-off and classification of the income tax credit/expenses of the Group as of the date of publication of these condensed consolidated financial statements.

## (8) EARNINGS/(LOSS) PER SHARE

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***(Unaudited)*** | *(Unaudited)* |
| Profit/(Loss) attributable to owners of the Company (HK$'000) | **5,406** | (181,883) |
| Weighted average number of ordinary shares in issue (thousands) | **5,111,623** | 5,110,628 |
| Basic and diluted earnings/(loss) per share (HK cents) | **0.11** | (3.56) |

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the accuracy, completeness, occurrence, cut-off and classification of the disclosure of (loss)/earnings per share as of the date of publication of these condensed consolidated financial statements.

The outstanding share options and convertible bonds during the period ended 30 June 2019 and 30 June 2020 have an anti-dilutive effect on the basic (loss)/earnings per share.

## (9) BILLS AND ACCOUNTS RECEIVABLE

There were nil bills and accounts receivable as at 31 December 2019 and 30 June 2020.

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the completeness, existence, rights and obligations, and valuation of the bills and accounts receivable of the Group as of the date of publication of these condensed consolidated financial statements.

## (10) SHARE CAPITAL

| | **Number of shares** | **Nominal value** |
|---|---|---|
| | *(Unaudited)* | *(Unaudited)* |
| | *Thousands* | *HK$'000* |
| *Authorised* | | |
| Ordinary shares of HK$0.1 each | | |
| At 1 January 2019 | 6,800,000 | 680,000 |
| Creation of additional new shares | 2,000,000 | 200,000 |
| At 30 June 2019, 1 January 2020 and 30 June 2020 | 8,800,000 | 880,000 |
| *Issued and fully paid* | | |
| Ordinary shares of HK$0.1 each | | |
| At 1 January 2019 | 5,109,623 | 510,962 |
| Share options exercised | 2,000 | 200 |
| At 30 June 2019, 1 January 2020 and 30 June 2020 | 5,111,623 | 511,162 |

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the completeness, existence, rights and obligations, and valuation of the underlying share capital of the Company as at the date of publication of these condensed consolidated financial statements.

## (11) DUE TO DECONSOLIDATED SUBSIDIARIES AND DERECOGNISED ASSOCIATES

Due to Deconsolidated Subsidiaries and Derecognised Associates represent the amounts due to Deconsolidated Subsidiaries and Derecognised Associates as a result of the de-consolidation of the Deconsolidated Subsidiaries and derecognition of the Derecognised Associates with effect from 1 July 2019 as described in note 2.

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the completeness, existence, rights and obligations, and valuation of due to deconsolidated subsidiaries and derecognised associates of the Group as of the date of publication of these condensed consolidated financial statements.

## (12) COMMITMENTS AND CONTINGENT LIABILITIES

At 30 June 2020, the Company acts as the guarantor for loans borrowed by its Deconsolidated Subsidiaries and the amounts arising from the corporate guarantees are approximately HK$183.1 million (2019: HK$183.1 million).

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the accuracy, completeness, occurrence, cut-off and classification of the commitments and contingent liabilities of the Group as of the date of publication of these condensed consolidated financial statements.

## (13) RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties during the period:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2020** | 2019 |
| | ***HK$'000*** | *HK$'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Interest income received from associates | **–** | 1,170 |
| Key management compensation | **120** | 7,552 |

As disclosed in note 2, on the basis of the lack of complete books and records of the Group, no representation is made by the Provisional Liquidators and the Directors as to the accuracy, completeness, occurrence, cut-off and classification of the related party transactions of the Group as of the date of publication of these condensed consolidated financial statements.

## (14) EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, there are certain updates on the Group's proposed restructuring in progress including a proposed debt restructuring, proposed capital reorganisation, subscription and open offer, and further details of which are stated in note 1 to the condensed consolidated financial statements.

Approval by shareholders at the special general meeting of the Company held on 8 July 2020 of the Proposed Reduction of (i) the issued share capital of the Company by cancelling the paid up capital of the Company to the extent of HK$0.0999 on each of the issued existing share such that the par value of each issued existing share be reduced from HK$0.10 to HK$0.0001; (ii) the authorised share capital of the Company be reduced from HK$880,000,000 divided into 8,800,000,000 existing shares to HK$880,000 divided into 8,800,000,000 new shares by reducing the par value of each authorised existing share from HK$0.10 to HK$0.0001; and (iii) the credit arising in the books of the Company from the capital reduction and the share premium cancellation be transferred to the contributed surplus account and the Provisional Liquidators or the Directors be and are authorised to use the amount then standing to the credit of the contributed surplus account to eliminate or to set off the accumulated losses of the Company as at the effective date. The implementation of the proposed reduction of authorised and issued share capital and the listing of these new shares are conditional upon: (i) the compliance with the relevant procedures and requirements under the Listing Rules, the Bye-Laws, the Companies Act and all applicable laws to effect the reduction of authorised and issued share capital; and (ii) the Stock Exchange granting the listing of, and the permission to deal in, these new shares, which shall be subject to the Stock Exchange's satisfaction that the Company has fulfilled all resumption conditions the Stock Exchange imposed on the Company and the resumption of trading in the Shares having taken place.

On 24 September 2020, the Company entered into the Restructuring Agreement with the Investor pursuant to which the Company will conduct the Proposed Restructuring which comprises (i) debt restructuring (which consists of debt settlement and scheme of arrangement); (ii) capital reorganisation; (iii) subscription of new Shares; and (iv) open offer.

As part of the Proposed Restructuring, on 18 February 2021, (i) a side letter in respect of certain amendments to the Restructuring Agreement and a subscription agreement in respect of the subscription of new Shares by the Investor have been entered into among the Company, the Provisional Liquidators and the Investor; and (ii) a debt settlement agreement in respect of certain secured debts owed by the companies of the Group (including Deconsolidated Subsidiaries and Derecognised Associates) to a secured creditor of the Company has been entered into among the Company, the Provisional Liquidators and the relevant secured creditor.

## (15) DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).