



**Burwill** *Holdings Limited*

寶威控股有限公司

(incorporated in Bermuda with limited liability)

Stock code : 24

Interim Report

2017

The Directors of Burwill Holdings Limited (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 2017 as follows:

## Condensed Consolidated Income Statement

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2017</b>	2016
		<b>HK\$'000</b>	HK\$'000
<b>Continuing operations</b>			
Revenue	2	<b>1,277,408</b>	1,526,935
Cost of sales		<b>(1,256,449)</b>	(1,510,352)
Gross profit		<b>20,959</b>	16,583
Other income and net gains	3	<b>172,119</b>	54,470
Selling and distribution expenses		<b>(15,742)</b>	(22,144)
General and administrative expenses		<b>(31,082)</b>	(27,260)
Share option expenses		<b>(14,824)</b>	–
Operating profit	4	<b>131,430</b>	21,649
Finance costs	5	<b>(7,090)</b>	(6,983)
Share of losses of associates		<b>(210)</b>	(18,141)
Share of losses of joint ventures		<b>(1)</b>	(52)
Profit/(Loss) before income tax		<b>124,129</b>	(3,527)
Income tax expense	6	<b>(1,064)</b>	(3,082)
Profit/(Loss) for the period from continuing operations		<b>123,065</b>	(6,609)
<b>Discontinued operations</b>			
Profit for the period from discontinued operations		–	4,431
Profit/(Loss) for the period		<b>123,065</b>	(2,178)

## Condensed Consolidated Income Statement (continued)

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
Profit/(Loss) attributable to:		
Owners of the Company	<b>124,085</b>	(3,883)
Non-controlling interests	<b>(1,020)</b>	1,705
	<b>123,065</b>	(2,178)
Profit/(Loss) attributable to owners of the Company arises from:		
Continuing operations	<b>124,085</b>	(5,451)
Discontinued operations	–	1,568
	<b>124,085</b>	(3,883)
<b>Earnings/(Loss) per share from continuing and discontinued operations attributable to owners of the Company for the period</b>	<b>7</b>	
Basic earnings/(loss) per share		
From continuing operations (HK cents)	<b>2.49</b>	(0.11)
From discontinued operations (HK cents)	–	0.03
	<b>2.49</b>	(0.08)
Diluted earnings/(loss) per share		
From continuing operations (HK cents)	<b>2.49</b>	(0.11)
From discontinued operations (HK cents)	–	0.03
	<b>2.49</b>	(0.08)

## Condensed Consolidated Statement of Comprehensive Income

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Profit/(Loss) for the period	<b>123,065</b>	(2,178)
Other comprehensive income/(expense):		
Share of other comprehensive income of associates	<b>1,762</b>	7
<i>Items that may be reclassified subsequently to profit or loss</i>		
Release of revaluation reserve upon disposal of subsidiaries	–	(11,213)
Release of translation adjustments upon disposal of subsidiaries	<b>(9,890)</b>	(34,648)
Currency translation differences	<b>19,167</b>	(7,230)
	<hr/>	<hr/>
Other comprehensive income/(expense) for the period, net of tax	<b>11,039</b>	(53,084)
	<hr/>	<hr/>
Total comprehensive income/(expense) for the period	<b>134,104</b>	(55,262)
	<hr/>	<hr/>
Attributable to:		
Owners of the Company	<b>135,215</b>	(56,814)
Non-controlling interests	<b>(1,111)</b>	1,552
	<hr/>	<hr/>
Total comprehensive income/(expense) for the period	<b>134,104</b>	(55,262)
	<hr/>	<hr/>
Total comprehensive income/(expense) attributable to owners of the Company arising from:		
Continuing operations	<b>135,215</b>	(58,584)
Discontinued operations	–	1,770
	<hr/>	<hr/>
	<b>135,215</b>	(56,814)
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## Condensed Consolidated Balance Sheet

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2017</b>	2016
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Leasehold land and land use rights	<b>3,661</b>	7,906
Property, plant and equipment	<b>106,128</b>	171,906
Investments in associates	<b>360,187</b>	353,241
Investments in joint ventures	<b>5,900</b>	5,901
Club debentures	<b>1,473</b>	1,473
Deferred income tax assets	<b>14,113</b>	42,631
	<hr/>	
Total non-current assets	<b>491,462</b>	583,058
	<hr/>	
<b>Current assets</b>		
Inventories	<b>114,171</b>	81,570
Financial assets at fair value through profit or loss	<b>396</b>	711
Derivative financial instruments	<b>–</b>	3,632
Bills and accounts receivable	<b>700,035</b>	730,978
Deposits, prepayments and other receivables	<b>226,830</b>	131,509
Due from associates	<b>114,355</b>	98,135
Due from joint ventures	<b>37</b>	35
Income tax refundable	<b>87</b>	87
Cash and bank balances	<b>110,752</b>	84,299
	<hr/>	
Total current assets	<b>1,266,663</b>	1,130,956
	<hr/>	
<b>Total assets</b>	<b>1,758,125</b>	1,714,014
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## Condensed Consolidated Balance Sheet (continued)

	Notes	Unaudited 30 June 2017 HK\$'000	Audited 31 December 2016 HK\$'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	9	496,343	501,656
Other reserves		994,791	972,159
Accumulated losses		(388,563)	(512,648)
		<b>1,102,571</b>	961,167
Non-controlling interests		(28,938)	(27,827)
Total equity		<b>1,073,633</b>	933,340
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		57,392	58,468
Deferred income tax liabilities		1	1
Provision for land restoration and environmental costs		3,935	3,804
Total non-current liabilities		<b>61,328</b>	62,273
<b>Current liabilities</b>			
Borrowings		354,036	371,168
Derivative financial instruments		410	1,103
Due to associates		520	476
Bills and accounts payable	10	85,254	240,489
Other payables and accruals		180,883	104,316
Income tax payable		2,061	849
Total current liabilities		<b>623,164</b>	718,401
Total liabilities		<b>684,492</b>	780,674
<b>Total equity and liabilities</b>		<b>1,758,125</b>	1,714,014
<b>Net current assets</b>		<b>643,499</b>	412,555
<b>Total assets less current liabilities</b>		<b>1,134,961</b>	995,613

## Condensed Consolidated Statement of Changes in Equity

	Unaudited Six months ended 30 June 2017				
	Attributable to owners of the Company				
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2017	501,656	972,159	(512,648)	(27,827)	933,340
Total comprehensive income/(expense) for the period	-	11,130	124,085	(1,111)	134,104
Repurchase of shares	(5,313)	(3,322)	-	-	(8,635)
Share option scheme: - value of services	-	14,824	-	-	14,824
Total transactions with owners	(5,313)	11,502	-	-	6,189
Balance at 30 June 2017	496,343	994,791	(388,563)	(28,938)	1,073,633

	Unaudited Six months ended 30 June 2016				
	Attributable to owners of the Company				
	Share capital HK\$'000	Other reserves HK\$'000	Accumulated losses HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2016	506,436	1,074,762	(326,212)	219,118	1,474,104
Total comprehensive (expense)/income for the period	-	(52,931)	(3,883)	1,552	(55,262)
Repurchase of shares	(1,950)	(3,232)	-	-	(5,182)
Share option scheme: - vested share options forfeited	-	(626)	626	-	-
Dividends	-	-	-	(6,217)	(6,217)
Disposal of subsidiaries	-	-	-	(234,007)	(234,007)
Total transactions with owners	(1,950)	(3,858)	626	(240,224)	(245,406)
Balance at 30 June 2016	504,486	1,017,973	(329,469)	(19,554)	1,173,436

## Condensed Consolidated Statement of Cash Flows

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	<i>HK\$'000</i>
Net cash (used in)/generated from operating activities	<b>(276,744)</b>	9,481
Net cash generated from/(used in) investing activities	<b>330,030</b>	(2,013)
Net cash used in financing activities	<b>(53,996)</b>	(263,132)
	<b>(710)</b>	(255,664)
Net decrease in cash and cash equivalents		
Cash and cash equivalents at 1 January	<b>60,566</b>	340,748
Effect of exchange rate changes	<b>195</b>	281
	<b>60,051</b>	85,365
Cash and cash equivalents at 30 June		
	<b>110,752</b>	87,942
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand		
Less: Bank overdrafts	<b>(50,701)</b>	(2,577)
	<b>60,051</b>	85,365
Cash and cash equivalents		



Notes:

## (1) Basis of preparation and accounting policies

The unaudited 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").

The unaudited condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 31 December 2016.

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the financial statements for the year ended 31 December 2016, except that the Group has adopted the new standards and interpretations which are mandatory for financial year ending 31 December 2017. The adoption of the new standards and interpretations has no significant effect on these financial statements.

The Group has not early applied any new or revised standards or interpretations that have been issued by the HKICPA but are not yet effective.

## (2) Segment information

Revenue recognised during the six months period is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Continuing operations</b>		
Sale of goods	<b>1,277,408</b>	1,526,935
<b>Discontinued operations</b>		
Rental income	-	13,421
Service income	-	5,376
	-	18,797
	<b>1,277,408</b>	1,545,732

## (2) Segment information (continued)

The segment results are as follows:

	Unaudited				
	Six months ended 30 June 2017				
	Continuing operations				
	Steel trading HK\$'000	Steel processing HK\$'000	Mineral resources HK\$'000	Unallocated HK\$'000	Group HK\$'000
Total segment sales	1,277,408	-	-	-	1,277,408
Inter-segment sales	-	-	-	-	-
Sales to external customers	1,277,408	-	-	-	1,277,408
Operating profit/(loss) before below items	13,859	(4,831)	(3,020)	(28,116)	(22,108)
Fair value gains/(losses) on financial assets at fair value through profit or loss	-	11	-	(203)	(192)
Gain/(loss) on disposal of property, plant and equipment	-	(374)	-	202,462	202,088
Gain on disposal of subsidiaries	-	-	-	66,159	66,159
Settlement of claims from customers	-	-	-	(85,606)	(85,606)
Dilution losses on associates	-	-	-	(14,087)	(14,087)
Share option expenses	-	-	-	(14,824)	(14,824)
Operating profit/(loss)	13,859	(5,194)	(3,020)	125,785	131,430
Finance costs	(7,071)	(8)	-	(11)	(7,090)
Share of losses of associates	-	-	-	(210)	(210)
Share of losses of joint ventures	-	-	-	(1)	(1)
Segment results	6,788	(5,202)	(3,020)	125,563	124,129
Income tax expense					(1,064)
Profit for the period from continuing operations					123,065
Profit for the period from discontinued operations					-
Profit for the period					123,065

## (2) Segment information (continued)

	Unaudited Six months ended 30 June 2016				
	Continuing operations				
	Steel trading <i>HK\$'000</i>	Steel processing <i>HK\$'000</i>	Mineral resources <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Group <i>HK\$'000</i>
Total segment sales	1,498,010	28,925	–	–	1,526,935
Inter-segment sales	–	–	–	–	–
Sales to external customers	1,498,010	28,925	–	–	1,526,935
Operating profit/(loss) before below items	14,482	(9,086)	(2,489)	(18,080)	(15,173)
Fair value losses on financial assets at fair value through profit or loss	–	(705)	–	(187)	(892)
Gain on disposal of subsidiaries	–	–	–	42,751	42,751
Dilution losses on associates	–	–	–	(5,037)	(5,037)
Operating profit/(loss)	14,482	(9,791)	(2,489)	19,447	21,649
Finance costs	(6,623)	(125)	–	(235)	(6,983)
Share of losses of associates	–	–	–	(18,141)	(18,141)
Share of losses of joint ventures	–	–	–	(52)	(52)
Segment results	7,859	(9,916)	(2,489)	1,019	(3,527)
Income tax expense					(3,082)
Loss for the period from continuing operations					(6,609)
Profit for the period from discontinued operations					4,431
Loss for the period					(2,178)

## (2) Segment information (continued)

The revenue by location of customers are as follows:

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
<b>Continuing operations</b>		
Europe	647,908	381,402
Asia (other than Mainland China and Hong Kong)	269,457	187,053
Middle East	184,104	348,783
Mainland China	105,614	174,751
Hong Kong	61,085	336,862
Others	9,240	98,084
	<b>1,277,408</b>	1,526,935
<b>Discontinued operations</b>		
Mainland China	-	18,797
	<b>1,277,408</b>	1,545,732

## (3) Other income and net gains

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Fair value losses on financial assets at fair value through profit or loss	(192)	(892)
Interest income on:		
– bank deposits	40	102
– other receivables	78	93
– due from associates	1,001	131
Dividend income	3	5
Gain on disposal of property, plant and equipment	202,088	-
Gain on disposal of subsidiaries	66,159	42,751
Dilution losses on associates	(14,087)	(5,037)
Settlement of claims from customers	(85,606)	-
Others	2,635	17,317
	<b>172,119</b>	54,470

#### (4) Operating profit

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

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	1,942	2,620
Amortisation of prepaid operating lease payments	130	160
Operating lease rentals	1,973	903
Provision for impairment of other receivables	-	622
Provision for amounts due by an associate	-	2,405
Net exchange gains	(5,085)	(2,296)

#### (5) Finance costs

	Unaudited	
	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
Interest on:		
- bank borrowings	7,040	6,934
- finance lease liabilities	50	49

## (6) Income tax expense

The Company is exempted from taxation in Bermuda until 2035. The Company's subsidiaries established in the British Virgin Islands are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the six months period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax of 25% (2016: 25%) on their taxable income determined according to Mainland China tax laws. Taxation on other overseas profits has been calculated on the estimated assessable profit for the six months period at the rates of taxation prevailing in the countries in which the Group operates.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Current tax:		
– Hong Kong taxation	<b>1,100</b>	–
– Mainland China taxation	–	151
– Overseas taxation	–	1,600
	<b>1,100</b>	1,751
Adjustments in respect of prior years:		
– Hong Kong taxation	<b>32</b>	–
– Mainland China taxation	–	36
	<b>32</b>	36
Deferred tax:		
– Origination and reversal of temporary differences	<b>(68)</b>	1,295
Income tax expense	<b>1,064</b>	3,082

## (7) Earnings/(Loss) per share

- (a) Basic 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
Profit/(Loss) from continuing operations attributable to owners of the Company (HK\$'000)	<b>124,085</b>	(5,451)
Profit from discontinued operations attributable to owners of the Company (HK\$'000)	<b>-</b>	1,568
	<hr/>	<hr/>
Profit/(Loss) attributable to owners of the Company (HK\$'000)	<b>124,085</b>	(3,883)
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue (thousands)	<b>4,991,153</b>	5,060,853
	<hr/>	<hr/>
Basic earnings/(loss) per share (HK cents)		
From continuing operations	<b>2.49</b>	(0.11)
From discontinued operations	<b>-</b>	0.03
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	<b>2.49</b>	(0.08)
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The outstanding share options during the period ended 30 June 2016 had an anti-dilutive effect on the basic earnings/(loss) per share.

## (7) Earnings/(Loss) per share (continued)

- (b) Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2017</b>	<b>2016</b>
Profit/(Loss) from continuing operations attributable to owners of the Company (HK\$'000)	<b>124,085</b>	(5,451)
Profit from discontinued operations attributable to owners of the Company (HK\$'000)	–	1,568
	<hr/>	<hr/>
Profit/(Loss) attributable to owners of the Company (HK\$'000)	<b>124,085</b>	(3,883)
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue (thousands)	<b>4,991,153</b>	5,060,853
Effect of dilutive potential ordinary shares:		
– Share options	<b>27</b>	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings/(loss) per share	<b>4,991,180</b>	5,060,853
	<hr/>	<hr/>
Diluted earnings/(loss) per share (HK cents)		
From continuing operations	<b>2.49</b>	(0.11)
From discontinued operations	–	0.03
	<hr/>	<hr/>
	<b>2.49</b>	(0.08)
	<hr/>	<hr/>

## (8) Bills and accounts receivable

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

Ageing analysis of bills and accounts receivable is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Within three months	<b>536,331</b>	575,602
Over three months but within six months	<b>91,173</b>	106,975
Over six months but within twelve months	<b>72,491</b>	48,401
Over twelve months	<b>40</b>	–
	<hr/>	<hr/>
	<b>700,035</b>	730,978
	<hr/>	<hr/>



## (9) Share capital

	<b>Unaudited</b>	
	<b>Number of shares</b> <i>(thousands)</i>	<b>Nominal value</b> <i>HK\$'000</i>
<i>Authorised</i>		
Ordinary shares of HK\$0.1 each At 1 January 2017 and 30 June 2017	6,800,000	680,000
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.1 each At 1 January 2017	5,016,565	501,656
Repurchase of shares	(53,136)	(5,313)
At 30 June 2017	4,963,429	496,343

## (10) Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	<b>Unaudited</b> <b>30 June</b> <b>2017</b> <b>HK\$'000</b>	Audited 31 December 2016 <i>HK\$'000</i>
Within three months	<b>62,395</b>	220,272
Over three months but within six months	<b>1,065</b>	38
Over six months but within twelve months	<b>900</b>	523
Over twelve months	<b>20,894</b>	19,656
	<b>85,254</b>	240,489

## (11) Related party transactions

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

	<b>Unaudited</b> <b>Six months ended 30 June</b> <b>2017</b> <b>HK\$'000</b>	2016 <i>HK\$'000</i>
Rental income received from an associate	–	978
Service income received from an associate	–	173
Interest income received from associates	<b>1,001</b>	1,322
Key management compensation	<b>11,039</b>	12,039

## REVIEW AND OUTLOOK

During the first half of 2017, the Group's turnover decreased by 16% to approximately HK\$1,280 million compared to the same period last year; gross profit however increased by 26% to approximately HK\$20.96 million. Benefitting from gains on disposals of property and subsidiaries, the Group recorded half-year profit attributable to shareholders of approximately HK\$124 million.

### Lithium-related Business

In recent years, the production capacity of lithium-battery has experienced a robust expansion in China, Japan, South Korea, the United States and Europe. This has fueled the rapid development of lithium-battery manufacturers in mainland China. As the Chinese Government prepares to implement the *Measure for the Parallel Administration of Average Fuel Consumption and New Energy Vehicle Credits for Passenger Vehicle Enterprises* as part of its long-term strategic planning, the future development of the lithium-battery industry looks promising both over the short- as well long-term based on current circumstances.

Lithium concentrate and related products are the raw materials for rechargeable batteries used in electric cars. However, global lithium resources, especially lithium concentrates used in the manufacturing process of lithium carbonate, are very scarce. Experts predict that electric cars will outsell gasoline-powered cars with internal combustion engines over the next two decades, sparking another industrial revolution in the energy and infrastructure industries, which will help drive overall demand for the entire lithium supply chain.

In view of this bright outlook for the lithium-battery industry, the Group this year has gone through a major business transformation and has taken its advantages to enter into the lithium business, both at the up-stream and middle-stream points.

## **REVIEW AND OUTLOOK (continued)**

### **Lithium-related Business (continued)**

In April, the Group was granted exclusive off-take rights for a five-year term and pre-emptive rights to the same for a subsequent five years with respect to the lithium concentrate that was explored and processed from the Bald Hill Project in Western Australia. According to the agreements, starting from the first quarter of 2018, the Group will secure at least 200,000 dry metric tons of high-grade lithium concentrate during the first two years.

In June, the Group successfully acquired an eight-year off-take rights of high grade lithium concentrate, comprising 80% of the total production of the La Corne Lithium Mine Project in Quebec, Canada. Starting from 2018, the Group will be able to obtain annual supplies of not less than 100,000 dry metric tons of lithium concentrates.

With the above two offtake contracts, the Group has emerged as one of the leading lithium concentrate suppliers in China.

In addition to acquiring up-stream resources, the Group formed a strategic alliance with Jiangxi Special Electric Motor Co., Ltd., a company listed on the Shenzhen Stock Exchange, for the formation of a joint venture company (“JV Company”) in July. This JV Company is principally engaged in import and process of lithium concentrates as well as sales of lithium carbonate and lithium hydroxide, which are now in short supply on the market. The JV Company began construction of a new plant in August for establishing production lines with an annual output of 10,000 tonnes of lithium carbonate and 5,000 tonnes of lithium hydroxide, which is equivalent to an annual consumption of approximately 120,000 tons of lithium concentrates. Trial production is slated for March 2018.

Recognising the strong profitability inherent in the lithium-battery business, the Group will seize new opportunities in related businesses and will strive to create satisfactory returns for shareholders.

## REVIEW AND OUTLOOK (continued)

### Steel Trading

Steel prices recorded significant growth in 2017 after an on-going plunge since 2015, indirectly reducing the volume of steel product exports from China.

As a result of the Chinese Government's strict policy to reduce excessive steel capacity, more than 600 poor quality steel plants were banned nationwide, causing a disruption in overall domestic supply and demand. Steel prices escalated with some steel product prices rising nearly 30% since the beginning of 2017 to the end of June. The increase in domestic steel prices, which surpassed the generally acceptable level of international trade, coupled with RMB appreciation since the second quarter of the year, substantially weakened the competitiveness of China's steel exports. According to data released by China's General Administration of Customs, China exported a total of 40.99 million tons of steel in the first half of 2017, representing a decrease of 28% compared to the corresponding period in 2016. The average selling price of exported steel was USD680.33 per ton, an increase of 47.08% year-on-year.

In addition, the governments of China's major steel export markets, including the United States, the European Union, India, Turkey, Thailand, Indonesia, Malaysia and Taiwan, have all erected a series of anti-dumping policies and trade restrictions on Chinese steel products that further reduce the market share of China's steel exports.

In response to these circumstances, the Group has developed a series of measures, which include: active access to steel resources outside China to compensate for the reduction of Chinese steel exports; imposing strict risk management and reducing the trade in price-sensitive steel types; focusing more on high value-added steel products with relatively stable prices; and participating in projects that show a solid demand. These measures took effect immediately in the first half of the year and achieved positive result. However, several disputes arose from contracts signed last year due to fluctuations in market prices, which ultimately incurred considerable loss after resolution of the disputes. This, in turn, affected the financial performance of the business segment in the first half of the year.

Looking forward to the second half of the year, the Group's steel trading operations will continue to embrace the principle of prudence in order to maintain a steady growth.

## **REVIEW AND OUTLOOK (continued)**

### **Commercial Property Investment**

The Group holds a 45% share capital in China Land Assets Limited (“CLA”), which holds 69% equity interest in Yangzhou Times Square and 100% equity interest in Wuxi Sunshine Plaza.

CLA was unable to repay loans to the Group as scheduled, and Charm Best Investments Inc. (“Charm Best”), which held 55% of the share capital of CLA, also failed with respect to repayment obligations on CLA’s behalf; therefore the Group exercised its right to take over the charged shares in accordance with the deed of share charge on 14 October 2016. The 55% charged shares have now been transferred to the Group’s wholly-owned subsidiary, Double Honour Enterprises Limited, and is held in trust.

On 4 November 2016, the Group issued a writ of summons to Charm Best and its key shareholder at the High Court of the Hong Kong Special Administrative Region. This action was done to declare that the Group has the right under the deed to take over the charged shares and to restrain Charm Best from purporting to exercise any powers pertaining to the charged shares as well as restraining any related parties from purportedly acting as director of CLA. The Group filed a reply and defence in court in accordance with the standard legal procedures in July 2017 and is confident of the outcome of the legal proceedings.

### **DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

## LIQUIDITY AND FINANCIAL RESOURCES

From the disposals of the property and subsidiaries during the first half of the year, the intrinsic value of the Group was reflected and the total equity of the Group increased to approximately HK\$1,074 million as at 30 June 2017. The Group's gearing ratio and current ratio were 0.33 (31 December 2016: 0.40) and 2.03 (31 December 2016: 1.57) respectively as at 30 June 2017.

The total borrowings of the Group decreased to approximately HK\$411 million (31 December 2016: HK\$430 million) as at 30 June 2017 and their maturity profile as agreed with the lenders was as follows:

	<i>HK\$ million</i>
Within one year	<b>354</b>
Between one and two years	<b>1</b>
Between two and five years	<b>56</b>
	<hr/>
	<b>411</b>
	<hr/>

The Group's borrowings were denominated in US Dollar, Renminbi, Hong Kong Dollar and Euro.

## FOREIGN EXCHANGE RISK EXPOSURE

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

## CONTINGENT LIABILITIES

There has been no material change in the Group's contingent liabilities since 31 December 2016.



## **CAPITAL COMMITMENTS**

The Group had capital commitments of approximately HK\$120 million in respect of subscription for shares in North American Lithium Inc. as at 30 June 2017.

## **CHARGE ON ASSETS**

As at 30 June 2017, the following assets of the Group were pledged: (i) certain bills and accounts receivable of approximately HK\$112,911,000; and (ii) certain inventories of approximately HK\$75,360,000.

## **STAFF**

As at 30 June 2017, the Group employed 283 staff. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits. The Group also provides other staff benefits which include contributory provident fund and medical insurance. Share options and discretionary bonus may also be granted to eligible staff based on individual and Group performance. Training programmes for staff are provided as and when required.

## SHARE OPTION SCHEME

As at 30 June 2017, there were options for 436,000,000 shares granted by the Company pursuant to the share option scheme adopted by the Company on 8 June 2011 (the "Option Scheme") which were valid and outstanding.

Movements of option shares under the Option Scheme during the six months ended 30 June 2017 were as follows:

	Date of grant	Exercise price per share HK\$	Exercise period		Number of option shares					
			from	until	outstanding as at 01/01/2017	granted during the period (Note)	exercised during the period	cancelled during the period	lapsed during the period	balance as at 30/06/2017
<b>(i) Directors</b>										
CHAN Shing	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
CHEUNG Kwan	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
SIT Hoi Tung	13/06/2017	0.217	14/07/2017	13/07/2019	-	10,000,000	-	-	-	10,000,000
KWOK Wai Lam	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
SHAM Kai Man	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
CUI Shu Ming	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
CHAN Ming Fai	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
TSANG Kwok Wa	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
CHEUNG Sing Din	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
HUANG Shenglan	13/06/2017	0.217	14/07/2017	13/07/2019	-	4,900,000	-	-	-	4,900,000
<b>(ii) Continuous contract employees</b>	13/06/2017	0.217	14/07/2017	13/07/2019	-	381,900,000	-	-	-	381,900,000
					<b>Total:</b>	<b>- 436,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>- 436,000,000</b>

Note:

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).

According to Black-Scholes options pricing model, the fair value of options granted as at 13 June 2017 was approximately HK\$26,160,000 of which the Group recognised a share option expenses of approximately HK\$14,824,000 for the six months ended 30 June 2017.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2017, 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 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

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

Name of Director	Number of issued voting ordinary shares held			Total	Approximate percentage in the Company's issued voting shares	Number of option shares personally held (Note 3)
	Personal Interests	Family Interests	Corporate Interests			
CHAN Shing	165,872,521 (L)	104,042,601 (L)	1,067,998,149 (L) (Note 1)	1,337,913,271 (L)	26.96% (L)	4,900,000
CHEUNG Kwan	590,428,000 (L)	-	123,000,000 (L) (Note 2)	713,428,000 (L)	14.37% (L)	4,900,000
SIT Hoi Tung	5,413,869 (L)	-	-	5,413,869 (L)	0.11% (L)	10,000,000
KWOK Wai Lam	-	-	-	-	0% (L)	4,900,000
SHAM Kai Man	1,000,000 (L)	-	-	1,000,000 (L)	0.02% (L)	4,900,000
CUI Shu Ming	2,250,000 (L)	-	-	2,250,000 (L)	0.05% (L)	4,900,000
CHAN Ming Fai	1,250,000 (L)	-	-	1,250,000 (L)	0.03% (L)	4,900,000
TSANG Kwok Wa	-	-	-	-	0% (L)	4,900,000
CHEUNG Sing Din	-	-	-	-	0% (L)	4,900,000
HUANG Shenglan	2,250,000 (L)	-	-	2,250,000 (L)	0.05% (L)	4,900,000

## **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (continued)**

Notes:

1. 855,631,336 shares were held by Glory Add Limited ("Glory Add"), a wholly-owned subsidiary of Favor King Limited ("Favor King"). 211,900,848 shares were held by Strong Purpose Corporation ("Strong Purpose"). Favor King and Strong Purpose are wholly-owned by Mr. CHAN Shing and Ms. LAU Ting, the spouse of Mr. CHAN Shing. 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).
2. 123,000,000 shares were held by The Internet of Things Investment Ltd. which is wholly-owned by Ms. CHEUNG Kwan.
3. These underlying shares were unlisted option shares granted pursuant to the share option scheme of the Company. Particulars of which are set out in section "Share Option Scheme".
4. The letter "L" denotes long position and the letter "S" denotes short position.

Save as otherwise disclosed above, as at 30 June 2017, 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 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 for Securities Transactions by Directors of Listed Issuers.

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

As at 30 June 2017, 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 issued voting ordinary shares held	Approximate percentage in the Company's issued voting shares	Number of option shares held by family members
LAU Ting	Personal, Family & Corporate	1,337,913,271 (L) (Note 1)	26.96% (L)	4,900,000 (Note 2)
Favor King	Corporate	855,631,336 (L) (Note 3)	17.24% (L)	-

#### Notes:

- 104,042,601 shares were directly held by Ms. LAU Ting. 165,872,521 shares were directly held by Mr. CHAN Shing, the spouse of Ms. LAU Ting. 855,631,336 shares were held by Glory Add, a wholly-owned subsidiary of Favor King. 211,900,848 shares were held by Strong Purpose. 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.
- These underlying shares were unlisted option shares held by Mr. CHAN Shing, the spouse of Ms. LAU Ting, granted pursuant to the share option scheme of the Company. Particulars of which are set out in section "Share Option Scheme". 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.
- 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.
- The letter "L" denotes long position and the letter "S" denotes short position.

Save as disclosed above, as at 30 June 2017, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in 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.

## **LITHIUM CONCENTRATE OFFTAKE AGREEMENT/CONTRACT AND FORMATION OF JOINT VENTURE**

Burwill Commodity Limited (“BCL”), a wholly-owned subsidiary of the Company, principally engages in lithium concentrate procurement, lithium carbonate and lithium hydroxide processing and sales.

### **Australia**

On 20 April 2017, BCL entered into exclusive lithium concentrate offtake agreements (the “Offtake Agreement(s)”) with Lithco No. 2 Pty Ltd, Alliance Mineral Assets Limited and Tawana Resources NL (collectively, the “Sellers”) respectively, pursuant to which, BCL will advance AUD25,000,000 in stages to the Sellers by September 2017 and thereby has exclusive selling rights to the lithium concentrate flowing from the Bald Hill Project in Western Australia for a five year term and pre-emptive rights to the same for subsequent five years. The advance payment is a non-interest bearing advance and will be repaid in full within the first two years of the five years term, by way of set-off against the purchase price for each delivery of the lithium concentrate to BCL in accordance with the Offtake Agreements. As at the date of this report, BCL has paid to the Sellers advance payment of AUD16,250,000.

### **Canada**

On 9 June 2017, BCL entered into long-term lithium concentrate offtake contract (“Offtake Contract”) with North American Lithium Inc. (“NAL”), pursuant to which, BCL acquired off-take right, together with extension, of 80% of the total production of the La Corne Lithium Mine Project in Quebec, Canada for a total period of eight years. BCL undertakes to subscribe for no more than approximately 10% stake in NAL (upon completion of the proposed listing of NAL’s shares on Toronto Stock Exchange (“NAL Listing”)) for a total consideration of CAD25,000,000. If NAL Listing fails to complete by 30 September 2017, the CAD10,000,000 payment by BCL will be for the subscription of certain common shares of NAL and the CAD15,000,000 payment by BCL will become an advance payment made by BCL to NAL for the purchase of products under the Offtake Contract and will be repaid by NAL to BCL by way of set-off against the purchase price for the products in accordance with the Offtake Contract.

## LITHIUM CONCENTRATE OFFTAKE AGREEMENT/CONTRACT AND FORMATION OF JOINT VENTURE (continued)

### China

On 10 July 2017, BCL entered into the joint venture contract with Jiangxi Jiangte Mining Development Co., Ltd. (江西江特礦業發展有限公司) (“Jiangte Mining”) for the formation of a joint venture company (the “JV Company”) at Yichun, Jiangxi Province, China, namely Jiangxi Bao Jiang Lithium Industrial Limited, which is held as to 50% by BCL and 50% by Jiangte Mining, established on 4 August 2017 as a limited liability company with registered capital of RMB80,000,000.

The JV Company will principally engage in the processing of lithium concentrates and sales of lithium carbonate and lithium hydroxide. Lithium carbonate and lithium hydroxide are fundamental material for producing lithium battery. The JV Company plans to establish production lines with annual production scale of up to 10,000 tons of lithium carbonate and 5,000 tons of lithium hydroxide and schedules to have trial production in March 2018.

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

During the six months ended 30 June 2017, the Company via Hillot Limited, a wholly-owned subsidiary of the Company, repurchased a total of 53,136,000 shares of the Company on the Stock Exchange pursuant to the general mandate granted by the shareholders at the annual general meeting held on 22 June 2016, details of which were as follows:

Month/Year	Number of shares repurchased	Price per share		Total consideration (before expense) HK\$'000
		Highest HK\$	Lowest HK\$	
04/2017	53,136,000	0.165	0.156	8,506

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

## **DISPOSAL OF INTEREST IN A SUBSIDIARY**

On 8 February 2017, Burwill and Company Limited (as vendor), a wholly-owned subsidiary of the Company, the Company (as guarantor) and Huge Mark International Holdings Limited (as purchaser) entered into a conditional sale and purchase agreement dated 8 February 2017, pursuant to which Burwill and Company Limited conditionally agreed to sell and Huge Mark International Holdings Limited conditionally agreed to acquire the entire issued share capital of Burwill Steel Company Limited at a consideration of HK\$97,000,000 (the “Disposal”). The transaction was completed in April 2017. The Group records a gain of approximately HK\$66 million from the Disposal.

Details of the Disposal were set out in the Company’s announcement dated 8 February 2017.

## **DISPOSAL OF PROPERTY**

On 20 March 2017, Yinmain Industrial Limited (“Yinmain”), a wholly-owned subsidiary of the Company, and Gold Merit Ventures Limited (“GMVL”) entered into the provisional agreement for sale and purchase dated 20 March 2017, pursuant to which Yinmain agreed to sell, and GMVL agreed to acquire, the property located at Unit 1402, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong for a consideration of HK\$265,192,500 (the “Property Disposal”). The Property Disposal was duly approved by the Company’s shareholders at the special general meeting of the Company held on 5 May 2017 and completed in May 2017. Based on the consideration of HK\$265,192,500 and associated direct cost of the Property Disposal, the Group records a gain on the Property Disposal of approximately HK\$202 million.

Details of the Property Disposal were set out in the Company’s circular dated 11 April 2017.

## **PLACING OF 7% NOTES DUE 2019, 2020 AND 2025**

On 17 May 2017, the Company entered into conditional placing agreement with GEO Securities Limited (the “Placing Agent”) pursuant to which the Placing Agent agreed to act as a placing agent, on a best effort basis, for the purposes of arranging placees for the issue of notes of an aggregate principal amount of up to HK\$200,000,000 in multiple tranches with maturity period(s) of two, three or eight years from the issue date. The placing period is valid until 8 November 2017 (or such later time and day as may be agreed in writing by the Placing Agent and the Company).

As at the date of this report, 2-year-notes for an aggregate principal amount of HK\$8,500,000 were issued.

## SUBSCRIPTION OF NEW SHARES

On 31 May 2017, the Company and GO Scale Capital, L.P. (the “Subscriber”) entered into the subscription agreement dated 31 May 2017 (the “Subscription Agreement”) under which the Company agreed to issue and allot and the Subscriber agreed to subscribe or procure its nominee(s) to subscribe, 876,000,000 new ordinary shares of the Company at subscription price of HK\$0.18 per subscription share under the general mandate granted to the Directors of the Company at annual general meeting of the Company held on 22 June 2016. The closing price per share of the Company on 31 May 2017, being the day of the Subscription Agreement, as quoted on the Stock Exchange was HK\$0.223. The gross proceeds and net proceeds from the Subscription Agreement of approximately HK\$157,680,000 and HK\$157,580,000 are intended to be applied for procurement, processing of lithium concentrates business purposes. However, as one of the conditions precedent to the Subscription Agreement had not been fulfilled on 30 June 2017, the Subscription Agreement had lapsed in accordance with its terms.

## UPDATE ON LITIGATION

### Legal proceeding in Hong Kong in relation to BCHL

On 23 May 2017, Mr. IP Kwok Kin and Charm Best Investments Inc. as defendants issued a defence and counterclaim in the High Court of Hong Kong against Burwill Commercial Holdings Limited (“BCHL”) and China Land Assets Limited under the action no. 2895 of 2016 (“HCA 2895/2016”). BCHL as plaintiff (by original action) had filed and served the Reply and Defence to Counterclaim on 17 July 2017. As at the date of this report, the date of trial of HCA 2895/2016 has not been fixed.

Save as disclosed herein, all other matters disclosed in the 2016 annual report of the Company remain unchanged.

## OTHER INFORMATION DISCLOSED PURSUANT TO RULE 13.51B(1) OF LISTING RULES

Mr. TSANG Kwok Wa and Mr. CHEUNG Sing Din have been appointed as Independent Non-Executive Directors and members of the Audit Committee and the Nomination Committee of the Company with effect from 2 June 2017.

Mr. WEI Jiafu was removed as an Executive director of the Company with effect from 9 June 2017.

Mr. HUANG Shenglan resigned as an Executive Director of Asia Investment Finance Group Limited with effect from 16 June 2017.

## AUDIT COMMITTEE

The Company has established an Audit Committee which comprises four Independent Non-Executive Directors of the Company, Mr. CUI Shu Ming, Mr. CHAN Ming Fai, Mr. TSANG Kwok Wa and Mr. CHEUNG Sing Din. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The unaudited interim financial statements of the Group for the six months ended 30 June 2017 have been reviewed by the Audit Committee.

## CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the six months ended 30 June 2017, except for the following deviations:

- Code provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation, either in person or through other electronic means of communication, of a majority of directors entitled to be present. As the Company did not announce its quarterly results, one regular Board meeting was held during the period for reviewing and approving the annual financial performance of the Group for the year 2016, which the relevant Code provision had not been fully complied with. Board meetings will be held on other occasions when Board decisions are required.
- Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Chairman and Managing Director of the Company, Mr. CHAN Shing, currently assumes the role of the chairman and also the chief executive. Given the nature of the Group’s businesses which require considerable market expertise, the Board believed that the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.
- Code provision A.4.2 stipulates, inter alia, that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.



## CORPORATE GOVERNANCE (continued)

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

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

Following the re-designation of Mr. HUANG Shenglan as a Non-Executive Director with effect from 3 March 2017, the Company was temporarily not compliant with Rule 3.10(1), Rule 3.10A and Rule 3.21 of the Listing Rules. The Company has subsequently on 2 June 2017 appointed Mr. TSANG Kwok Wa and Mr. CHEUNG Sing Din as Independent Non-Executive Directors and members of the Audit Committee of the Company.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2017.

On behalf of the Board  
**CHAN Shing**  
Chairman

Hong Kong, 29 August 2017

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