



Burwill *Holdings Limited*

寶威控股有限公司

(incorporated in Bermuda with limited liability)

Stock code : 24

Interim Report **2018**

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 2018 as follows:

Condensed Consolidated Income Statement

		Unaudited	
		Six months ended 30 June	
	<i>Notes</i>	2018	2017
		HK\$'000	<i>HK\$'000</i>
			(restated)
Continuing operations			
Revenue	2	1,014,126	1,277,408
Cost of sales		(989,349)	(1,256,449)
Gross profit		24,777	20,959
Other income and net losses	3	(2,263)	(10,633)
Selling and distribution expenses		(16,329)	(15,742)
General and administrative expenses		(36,465)	(23,131)
Other operating expenses		–	(85,606)
Share option expenses		–	(14,824)
Operating loss	4	(30,280)	(128,977)
Finance costs	5	(22,631)	(7,082)
Gain on disposal of property, plant and equipment		–	202,462
Share of profit/(losses) of associates		2,990	(210)
Share of losses of joint ventures		(262)	(1)
(Loss)/Profit before income tax		(50,183)	66,192
Income tax expense	6	(1,742)	(1,064)
(Loss)/Profit for the period from continuing operations		(51,925)	65,128
Discontinued operations			
Profit for the period from discontinued operations	11	94,451	57,937
Profit for the period		42,526	123,065

Condensed Consolidated Income Statement (continued)

	Unaudited	
	Six months ended 30 June	
	2018	2017
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
		(restated)
Profit/(Loss) attributable to:		
Owners of the Company	42,792	124,085
Non-controlling interests	(266)	(1,020)
	42,526	123,065
Profit/(Loss) attributable to owners of the Company arises from:		
Continuing operations	(51,925)	65,128
Discontinued operations	94,717	58,957
	42,792	124,085
Earnings/(Loss) per share from continuing and discontinued operations attributable to owners of the Company for the period	7	
Basic earnings/(loss) per share		
From continuing operations (HK cents)	(1.04)	1.31
From discontinued operations (HK cents)	1.89	1.18
	0.85	2.49
Diluted earnings/(loss) per share		
From continuing operations (HK cents)	(1.04)	1.31
From discontinued operations (HK cents)	1.89	1.18
	0.85	2.49

Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	<i>HK\$'000</i>
		(restated)
Profit for the period	42,526	123,065
Other comprehensive income/(expense):		
Share of other comprehensive income/(expense) of associates	(1,741)	1,762
<i>Items that may be reclassified to profit or loss</i>		
Release of translation adjustments upon disposal of subsidiaries	(55,515)	(9,890)
Change in fair value of available-for-sale financial assets	(8,012)	–
Currency translation differences	(432)	19,167
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Other comprehensive income/(expense) for the period, net of tax	(65,700)	11,039
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Total comprehensive income/(expense) for the period	(23,174)	134,104
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Attributable to:		
Owners of the Company	(22,908)	135,215
Non-controlling interests	(266)	(1,111)
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Total comprehensive income/(expense) for the period	(23,174)	134,104
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Total comprehensive income/(expense) attributable to owners of the Company arising from:		
Continuing operations	(62,110)	86,048
Discontinued operations	39,202	49,167
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	(22,908)	135,215
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Condensed Consolidated Balance Sheet

	Unaudited	Audited
	30 June	31 December
	2018	2017
<i>Notes</i>	HK\$'000	HK\$'000
ASSETS		
Non-current assets		
Leasehold land and land use rights	–	3,754
Property, plant and equipment	2,460	90,774
Investments in associates	216,385	217,665
Investments in joint ventures	53,096	5,737
Available-for-sale financial assets	17,052	25,063
Club debentures	1,473	1,473
Deferred income tax assets	14,092	15,861
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Total non-current assets	304,558	360,327
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Current assets		
Inventories	8,128	35,190
Financial assets at fair value through profit or loss	173,890	170,086
Bills and accounts receivable	691,694	704,600
Deposits, prepayments and other receivables	476,206	253,011
Due from associates	140,350	120,163
Due from joint ventures	45	43
Income tax refundable	–	87
Cash and bank balances	58,760	149,226
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Total current assets	1,549,073	1,432,406
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Total assets	1,853,631	1,792,733
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Condensed Consolidated Balance Sheet (continued)

		Unaudited 30 June 2018 <i>HK\$'000</i>	Audited 31 December 2017 <i>HK\$'000</i>
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	9	514,023	497,283
Other reserves		1,014,134	1,010,532
Accumulated losses		(527,304)	(520,363)
		1,000,853	987,452
Non-controlling interests		(8,670)	(35,646)
Total equity		992,183	951,806
LIABILITIES			
Non-current liabilities			
Borrowings		314,234	220,025
Deferred income tax liabilities		3	415
Provision for land restoration and environmental costs		–	4,125
Total non-current liabilities		314,237	224,565
Current liabilities			
Borrowings		257,991	251,093
Due to associates		565	568
Bills and accounts payable	10	36,137	116,916
Other payables and accruals		252,349	247,753
Income tax payable		169	32
Total current liabilities		547,211	616,362
Total liabilities		861,448	840,927
Total equity and liabilities		1,853,631	1,792,733
Net current assets		1,001,862	816,044
Total assets less current liabilities		1,306,420	1,176,371

Condensed Consolidated Statement of Changes in Equity

Unaudited
Six months ended 30 June 2018

	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 2018	497,283	1,010,532	(520,363)	(35,646)	951,806
Total comprehensive income/ (expense) for the period	-	(65,700)	42,792	(266)	(23,174)
Share option scheme:					
– share options exercised	16,740	19,569	-	-	36,309
– share options lapsed	-	(294)	294	-	-
Disposal of subsidiaries	-	50,027	(50,027)	27,242	27,242
Total transactions with owners	16,740	69,302	(49,733)	27,242	63,551
Balance at 30 June 2018	514,023	1,014,134	(527,304)	(8,670)	992,183

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

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	<i>HK\$'000</i>
Net cash used in operating activities	(185,740)	(276,744)
Net cash (used in)/generated from investing activities	(91,537)	330,030
Net cash generated from/(used in) financing activities	211,703	(53,996)
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Net decrease in cash and cash equivalents	(65,574)	(710)
Cash and cash equivalents at 1 January	121,530	60,566
Effect of exchange rate changes	(35)	195
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Cash and cash equivalents at 30 June	55,921	60,051
	<hr/>	
Analysis of the balances of cash and cash equivalents		
Cash at bank and on hand	58,760	110,752
Less: Pledged bank balances	(2,839)	–
Bank overdrafts	–	(50,701)
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Cash and cash equivalents	55,921	60,051
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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 2017.

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 2017, except that the Group has adopted the new standards and interpretations which are mandatory for financial year ending 31 December 2018. 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

The mineral resources and steel processing segments presented as separate reportable segments in the previous year are classified as discontinued operations.

Revenue recognised during the six months period is as follows:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Continuing operations		
Sale of goods	1,014,126	1,277,408
Discontinued operations	-	-
	1,014,126	1,277,408

(2) Segment information (continued)

The segment results are as follows:

	Unaudited Six months ended 30 June 2018			
	Continuing operations			
	Steel trading HK\$'000	Lithium business HK\$'000	Unallocated HK\$'000	Group HK\$'000
Total segment sales	1,014,126	–	–	1,014,126
Inter-segment sales	–	–	–	–
Sales to external customers	1,014,126	–	–	1,014,126
Operating profit/(loss) before below items	10,195	(3,628)	(32,869)	(26,302)
Fair value losses on financial assets at fair value through profit or loss	–	(3,934)	(44)	(3,978)
Operating profit/(loss)	10,195	(7,562)	(32,913)	(30,280)
Finance costs	(4,865)	(144)	(17,622)	(22,631)
Share of profits of associates	–	–	2,990	2,990
Share of losses of joint ventures	–	(262)	–	(262)
Segment results	5,330	(7,968)	(47,545)	(50,183)
Income tax expense				(1,742)
Loss for the period from continuing operations				(51,925)
Profit for the period from discontinued operations				94,451
Profit for the period				42,526

(2) Segment information (continued)

	Unaudited Six months ended 30 June 2017		
	Continuing operations		
	Steel trading <i>HK\$'000</i>	Unallocated <i>HK\$'000</i> (restated)	Group <i>HK\$'000</i> (restated)
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	(28,116)	(14,257)
Fair value losses on financial assets at fair value through profit or loss	–	(203)	(203)
Settlement of customer claims	–	(85,606)	(85,606)
Dilution losses on associates	–	(14,087)	(14,087)
Share option expenses	–	(14,824)	(14,824)
Operating profit/(loss)	13,859	(142,836)	(128,977)
Finance costs	(7,071)	(11)	(7,082)
Gain on disposal of property, plant and equipment	–	202,462	202,462
Share of losses of associates	–	(210)	(210)
Share of losses of joint ventures	–	(1)	(1)
Segment results	6,788	59,404	66,192
Income tax expense			(1,064)
Profit for the period from continuing operations			65,128
Profit for the period from discontinued operations			57,937
Profit for the period			123,065

(2) Segment information (continued)

The revenue by location of customers are as follows:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Continuing operations		
Europe	426,986	647,908
Mainland China	259,254	105,614
Asia (other than Mainland China and Hong Kong)	223,825	269,457
Hong Kong	94,336	61,085
Middle East	7,151	184,104
Others	2,574	9,240
	<hr/>	<hr/>
	1,014,126	1,277,408
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Discontinued operations	-	-
	<hr/>	<hr/>
	1,014,126	1,277,408
	<hr/>	<hr/>

(3) Other income and net losses

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000 (restated)
Fair value losses on financial assets at fair value through profit or loss	(3,978)	(203)
Interest income on:		
– bank deposits	21	9
– other receivables	79	78
– due from associates	1,170	1,001
Dividend income	-	3
Dilution losses on associates	-	(14,087)
Others	445	2,566
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	(2,263)	(10,633)
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(4) Operating loss

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000 (restated)
Depreciation of property, plant and equipment	558	1,081
Operating lease rentals	4,544	1,972
Net exchange losses/(gains)	712	(5,134)

(5) Finance costs

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000 (restated)
Interest on:		
– bank borrowings	4,865	7,032
– finance lease liabilities	–	50
– convertible bonds	13,229	–
– notes payables	3,193	–
– other loans	1,344	–
	22,631	7,082

(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% (2017: 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% (2017: 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.

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Current tax:		
– Hong Kong taxation	–	1,100
Adjustments in respect of prior years:		
– Hong Kong taxation	465	32
Deferred tax:		
– Origination and reversal of temporary differences	1,277	(68)
Income tax expense	1,742	1,064

(7) 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.

	Unaudited Six months ended 30 June 2018	2017 (restated)
Profit/(Loss) from continuing operations attributable to owners of the Company (HK\$'000)	(51,925)	65,128
Profit from discontinued operations attributable to owners of the Company (HK\$'000)	94,717	58,957
Profit attributable to owners of the Company (HK\$'000)	42,792	124,085
Weighted average number of ordinary shares in issue (thousands)	5,005,953	4,991,153
Basic and diluted earnings/(loss) per share (HK cents)		
From continuing operations	(1.04)	1.31
From discontinued operations	1.89	1.18
	0.85	2.49

The outstanding share options and convertible bonds during the period ended 30 June 2017 and 30 June 2018 have an anti-dilutive effect on the basic earnings/(loss) per share.

(8) Bills and accounts receivable

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

Ageing analysis of bills and accounts receivable is as follows:

	Unaudited 30 June 2018 HK\$'000	Audited 31 December 2017 <i>HK\$'000</i>
Within three months	690,518	618,072
Over three months but within six months	1,176	86,528
	691,694	704,600

(9) Share capital

	Unaudited	
	Number of shares	Nominal value
	<i>(thousands)</i>	<i>HK\$'000</i>
<i>Authorised</i>		
Ordinary shares of HK\$0.1 each		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	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
Share options exercised	9,400	940
At 1 January 2018	4,972,829	497,283
Share options exercised	167,400	16,740
At 30 June 2018	5,140,229	514,023

(10) Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	Unaudited	Audited
	30 June	31 December
	2018	2017
	HK\$'000	HK\$'000
Within three months	35,772	94,316
Over twelve months	365	22,600
	36,137	116,916

(11) Discontinued operations

On 4 May 2018, the Company (as vendor) and Zaozhuang Dongya Enterprise Company Limited (棗莊東亞實業有限公司) (as purchaser) entered into the sales and purchase agreement, pursuant to which the Company agreed to sell and the purchaser agreed to acquire the sale shares, representing the entire issued share capital of Smart Task Limited, a wholly-owned subsidiary of the Company, at the consideration of RMB18,000,000.

Smart Task Limited and its subsidiaries (the "Disposal Group") were principally engaged in the business of iron ore resources operations of the Group.

Upon the disposal of the Disposal Group in May 2018, the Group had discontinued its iron ore resources operations. Accordingly, the results of iron ore resources operations have been presented as discontinued operations in the condensed consolidated income statement. The comparative financial information for the six months ended 30 June 2018 has been reclassified to conform with current presentation in accordance with HKFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations".

Analysis of the result of discontinued operations, and the results recognised on the re-measurement of Disposal Group, is as follows:

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Revenue	–	–
Expenses	(616)	(8,222)
Loss before income tax of discontinued operations	(616)	(8,222)
Income tax expense	–	–
Loss after tax from discontinued operations	(616)	(8,222)
Gain on disposal of subsidiaries	95,067	66,159
Profit for the period from discontinued operations	94,451	57,937
Profit for the period from discontinued operations attributable to:		
– Owners of the Company	94,717	58,957
– Non-controlling interests	(266)	(1,020)
Profit for the period from discontinued operations	94,451	57,937

Cash flows

	Unaudited	
	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Operating cash flows	(449)	(3,490)
Investing cash flows	1,631	93,763
Financing cash flows	–	–
Total cash flows	1,182	90,273

(11) Discontinued operations (continued)

The assets and liabilities of the Disposal Group arising from the disposal are as follows:

	Unaudited HK\$'000
Leasehold land and land use rights	3,698
Property, plant and equipment	87,531
Deposits, prepayments and other receivables	4,262
Due from associates	219
Cash and bank balances	125
Borrowings	(56,660)
Bills and accounts payable	(22,227)
Other payables and accruals	(57,981)
Provision for land restoration and environmental costs	(4,125)
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Net liabilities of the subsidiaries	(45,158)
Non-controlling interest	27,242
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	(17,916)

Details of sales proceeds and gain on disposal are as follows:

Consideration	21,687
Cost directly attributable to the disposal	(51)
Net liabilities disposed of	17,916
Release of reserve	55,515
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Gain on disposal of the subsidiaries	95,067

Proceeds on disposal of the subsidiaries are as follows:

Proceeds received	1,807
Proceeds receivable	19,880
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	21,687

Net cash inflow arising on disposal:

Proceeds received in cash	1,807
Cost directly attributable to the disposal	(51)
Cash and bank balances disposed of	(125)
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	1,631

(12) Related party transactions

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

	Unaudited	
	Six months ended 30 June	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest income received from associates	1,170	1,001
Key management compensation	9,444	11,039

(13) Comparative figures

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

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

REVIEW AND OUTLOOK

During the first half of 2018, the Group's revenue decreased by 20.6% to approximately HK\$1,014 million compared to the same period last year; gross profit increased by 18.2% to approximately HK\$24.8 million. Benefiting from gain on disposal of subsidiaries, the Group recorded half-year profit attributable to shareholders of approximately HK\$42.8 million.

Lithium-related Business

In recent years, more and more countries have advocated the production and adoption of new energy vehicles ("NEV(s)"), among which electric vehicles are in the dominant position, in response to rising demand for clean energy and environment protection. Some European countries, along with large global automakers, have set timetables to ban the sales or production of internal combustion engine (ICE) vehicles. As part of China's "Energy-Saving and New Energy Vehicle Industry Development Plan", the Chinese government has also introduced a variety of policies to encourage the rapid development of NEV industry. Already the world's largest market, China automobile industry has fully embraced NEV as its future direction.

In the first half of 2018, the NEV sales in China recorded a robust year-on-year growth of 112%, while market penetration rate increased from 1.5% to 2.9% over the same period. As of this June, the stock volume of NEVs in China has reached 1.99 million. In the meantime, the Chinese government has rolled out relevant policies, including (i) the introduction of a dual-credit policy in April, i.e. average fuel consumption for ICE and NEV credits for passenger vehicle manufacturers; (ii) the implementation of a new national subsidy policy in June, of which the subsidy standard to promote pure electric vehicles with long range and high energy density is raised substantially; (iii) the issuance of an industry action plan by the Ministry of Industry and Information Technology (MIIT) in July, which sets a target of production and sales of 2 million NEVs by 2020, as well as boosting the adoption of NEVs when adding or replacing the vehicles used by cities' public transport, sanitation, postal, rental and light-duty logistic services, so that the units of NEV in these areas will reach 600,000 by the end of 2020.

REVIEW AND OUTLOOK (continued)

Lithium-related Business (continued)

In other countries, the growth of NEVs is also on the fast track. During the first half of 2018, the sales of NEVs in Europe increased by 43% year-on-year to 185,000 units, with a penetration rate of approximately 2.2%. In the United States, the sales of NEVs increased by 40% year-on-year to 125,000 units, with a penetration rate of approximately 1.4%. According to the data from EV Sales, in 1H18, the global sales of electric vehicles rose by 69% year-on-year to 760,000 units while the annual global sales are expected to reach 2 million units. Based on industry forecasts, the global market penetration rate of NEVs will reach 10–15% by 2025, driving up the demand for lithium by more than 10 times.

Since 2017, the Group has fully committed to execute business transformation into a resource powerhouse in the upstream of new energy materials. Beginning with the acquirement of lithium resources that are in short supply, the Group has expanded into the procurement, logistics, processing and sales operations of related products. This business model relates to the Group's long-term strengths and advantages in importing and processing iron ore into related products for sale. At present, the Group has opened up the upstream and midstream of the lithium-ion industry chain and become the only Hong Kong-listed company that owns upstream lithium resources and is capable of processing midstream lithium-ion materials through a joint venture.

As for the business operation, the Bald Hill Project in Western Australia has commenced production of lithium concentrate in April and begun shipment since May. The project has become the first mine among all new lithium mining projects in Australia to commence operation in 2018. A total of 18,800 tonnes of high-quality lithium concentrates were produced in the second quarter and approximately 60,000 tonnes of lithium concentrates will be produced as planned in the second half of the year.

REVIEW AND OUTLOOK (continued)

Lithium-related Business (continued)

The Bald Hill Lithium Mine is superiorly characterized by simple processing, rapid production ramp-up, and high product purity. In comparison with brine lithium projects that supply the conventional industrial market, the Bald Hill Project is better positioned to enjoy the best market timing, thus laying a solid foundation for the Group's transformation to enter the new energy industry. In view of this, the Group further subscribed for 13,000,000 placement shares in Alliance Mineral Assets Limited ("AMAL"), a Singapore-listed company that owns 50% of the Bald Hill Project, in July 2018, representing approximately 2.01% of the issued share capital of AMAL. Upon the further subscription, the Group holds an aggregate interest of approximately 14.16% in AMAL as at the date hereof and is the single largest shareholder of AMAL.

In addition, Jiangxi Bao Jiang Lithium Industrial Limited, a joint venture company established by the Group and Jiangxi Special Electric Motor Co., Ltd., a company listed on the Shenzhen Stock Exchange, has begun construction of a new plant since August last year. The new plant with a designed annual capacity of 10,000 tonnes of lithium carbonate and 5,000 tonnes of lithium hydroxide, sets to consume approximately 120,000 tonnes of lithium concentrates yearly. Currently, the project is slated for trial production at the end of August.

The Group also continues to keep a close watch on other new energy metal resources that are essential for lithium-ion batteries, such as cobalt and nickel, and seek selective opportunities actively. In June 2018, Burwill Cobalt Company Limited ("Burwill Cobalt"), a wholly-owned subsidiary of the Group, and Optimal Mining Ltd ("Optimal") entered into an agreement. Pursuant to which, Burwill Cobalt has agreed to subscribe for 47,000,000 new shares in Optimal at a total consideration of AUD14,100,000, representing approximately 19.67% of the issued share capital of Optimal as enlarged by the new shares. Meanwhile, Burwill Cobalt will secure a 5-year offtake agreement to purchase at least 40% of the total cobalt and copper output at a discounted price from Optimal's mine in Congo, with an option to renew for a further 5 years.

With solid progresses achieved at both the Australian lithium mine and the Chinese joint venture plant, the Group will further seize suitable opportunities in related business areas, and strive to deliver great returns for shareholders.

REVIEW AND OUTLOOK (continued)

Steel Trading

In the first half of the year, the steel market still presented a complex and volatile situation and the Chinese government has enforced rigid environmental supervision on production cut against the steel industry. However, the production of crude steel and steel increased by 6% year-on-year, driven by the bullish steel demand and the shift to the adoption of environmentally friendlier electric arc furnaces for steel making by some steel plants.

In the first half of the year, the domestic economy remained generally stable with GDP growth of 6.8% year-on-year. The demand for steel held steady and its price has shown a weak start but strong comeback. At the end of June, China Steel Price Index stood at 115.8 points, representing a 14.6% year-on-year increase and has exceeded the acceptable level to foreign users, leading them to turn to sourcing steel from other countries. As a result, China, the long-term leader of the global steel export market, has been edged out by other steel exporting countries. According to the statistics of the General Administration of Customs of the PRC, China exported 35.43 million tonnes of steel in the first half of 2018, down 13.2% year-on-year, while the cumulative export amount reached US\$30.56 billion, up 10% year-on-year. The persistent high prices have already undermined the competitiveness of Chinese steel exports. Simultaneously, the growing global trade protectionism has caused China's steel industry to take the brunt of facing 21 trade remedy investigations initiated by various countries, an increase of 11 cases over the same period last year. This has exacerbated the impact on steel exports.

During the first half of the year, the Group has sustained steady business growth. Looking forward to the second half of the year, the Group does not envision a large scale of steel production release due to the continuous rigid implementation of environmental supervision by the Chinese government. Coupled with the steady domestic demand, steel price is expected to remain high and China's steel exports will continue to face much difficulty. With the trade war being triggered by the US Section 301 investigation, policies of restricting steel imports have been rolled out by various countries. These policies are expected to have a negative impact on steel trade. However, the weakening trend of RMB may help to reducing the export costs of Chinese steel. The trade department will continue to uphold a prudent and pragmatic attitude with strict risk controls and persistent effort on strengthening the marketing of low-risk and high-benefit steel products. Against the backdrop of trade barriers, the steel resources from other non-Chinese origins developed in prior stages have started to pay off.

REVIEW AND OUTLOOK (continued)

Iron Ore Mining Business

During the period, the Group had discontinued its iron ore mining business in Shandong and had disposed of the subject subsidiaries. As the iron ore mining business had ceased production for years, the discontinuation of such business had no adverse effect on the Group's operations.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group has issued convertible bonds and company notes for cash amounted to approximately HK\$157 million as working capital. The Group's gearing ratio and current ratio increased to 0.52 (31 December 2017: 0.37) and 2.83 (31 December 2017: 2.32) respectively as at 30 June 2018.

The total borrowings of the Group increased to approximately HK\$572 million (31 December 2017: HK\$471 million) as at 30 June 2018 and their maturity profile as agreed with the lenders was as follows:

	<i>HK\$ million</i>
Within one year	258
Between one and two years	310
Between two and five years	4
	<hr/>
	572

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

FOREIGN EXCHANGE RISK EXPOSURE

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

CONTINGENT LIABILITIES

There has been no material change in the Group's contingent liabilities since 31 December 2017.

CAPITAL COMMITMENTS

As at 30 June 2018, the Group had capital commitments of approximately HK\$69,720,000 in respect of subscription for shares in Optimal Mining Ltd subject to fulfillment of conditions set out in subscription agreement.

CHARGE ON ASSETS

As at 30 June 2018, the following assets of the Group were pledged: (i) certain inventories of approximately HK\$2,105,000 (2017: HK\$27,355,000); (ii) certain financial assets at fair value through profit or loss of approximately HK\$173,640,000 (2017: HK\$169,792,000); (iii) certain bills and accounts receivable of approximately HK\$89,104,000 (2017: HK\$126,436,000); and (iv) certain bank balances of approximately HK\$2,839,000 (2017: HK\$27,696,000).

STAFF

As at 30 June 2018, the Group employed 270 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 SCHEMES

The share option scheme adopted by the Company on 8 June 2011 (“2011 Option Scheme”) was terminated after the adoption of a new share option scheme (“2018 Option Scheme”) approved by shareholders of the Company at the annual general meeting of the Company held on 7 June 2018. As at 30 June 2018, there were options for 254,300,000 shares granted by the Company pursuant to 2011 Option Scheme which were outstanding and continue to be valid and exercisable.

Movements of option shares under 2011 Option Scheme during the six months ended 30 June 2018 were as follows:

	Date of grant	Exercise price per share HK\$	Exercise period		Number of option shares						
			from	until	outstanding as at 01/01/2018	granted during the period	exercised during the period (Note 1)	cancelled during the period	lapsed during the period	balance as at 30/06/2018	
(i) Directors											
CHAN Shing	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	-	(3,000,000)	-	-	-	7,000,000
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
CHEUNG Kwan (Note 2)	13/06/2017	0.217	14/07/2017	13/07/2019	4,900,000	-	-	-	(4,900,000)	-	-
(ii) Continuous contract employees											
	13/06/2017	0.217	14/07/2017	13/07/2019	372,500,000	-	(154,600,000)	-	-	-	217,900,000
					Total:	426,600,000	-	(167,400,000)	-	(4,900,000)	254,300,000

SHARE OPTION SCHEMES (continued)

Notes:

1. Details of option shares exercised during the six months ended 30 June 2018 are as follows:

Exercise date	Exercise price per share HK\$	Weighted average closing price per share of the Company at exercise date HK\$	Number of option shares exercised
09/01/2018	0.217	0.343	1,000,000
18/01/2018	0.217	0.311	1,000,000
27/02/2018	0.217	0.302	3,000,000
27/03/2018	0.217	0.351	500,000
18/04/2018	0.217	0.327	2,200,000
20/04/2018	0.217	0.323	3,000,000
11/05/2018	0.217	0.374	10,000,000
16/05/2018	0.217	0.379	10,000,000
18/05/2018	0.217	0.382	15,000,000
25/05/2018	0.217	0.405	4,900,000
01/06/2018	0.217	0.404	4,900,000
04/06/2018	0.217	0.400	100,000,000
12/06/2018	0.217	0.431	10,000,000
25/06/2018	0.217	0.339	1,900,000

2. Ms. CHEUNG Kwan retired as a Director of the Company after the conclusion of the annual general meeting of the Company held on 7 June 2018.

Pursuant to 2018 Option Scheme, no share options had been granted, exercised, cancelled nor lapsed since its adoption.

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

As at 30 June 2018, 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 1)
	Personal Interests	Family Interests	Corporate Interests			
CHAN Shing	170,772,521 (L)	104,042,601 (L)	1,091,486,149 (L) (Note 2)	1,366,301,271 (L)	26.58% (L)	-
SIT Hoi Tung	8,413,869 (L)	-	-	8,413,869 (L)	0.16% (L)	7,000,000
KWOK Wai Lam	-	-	-	-	0.00% (L)	4,900,000
SHAM Kai Man	5,900,000 (L)	-	-	5,900,000 (L)	0.11% (L)	-
CUI Shu Ming	2,250,000 (L)	-	-	2,250,000 (L)	0.04% (L)	4,900,000
CHAN Ming Fai	1,250,000 (L)	-	-	1,250,000 (L)	0.02% (L)	4,900,000
TSANG Kwok Wa	-	-	-	-	0.00% (L)	4,900,000
CHEUNG Sing Din	-	-	-	-	0.00% (L)	4,900,000
HUANG Shenglan	2,250,000 (L)	-	-	2,250,000 (L)	0.04% (L)	4,900,000

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

Interests in Shares and Underlying Shares of the Company (continued)

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. 879,119,336 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).
3. The letter "L" denotes long position and the letter "S" denotes short position.

Save as otherwise disclosed above, as at 30 June 2018, 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 2018, 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
LAU Ting	Personal, Family & Corporate	1,366,301,271 (L) (Note 1)	26.58% (L)
Favor King	Corporate	879,119,336 (L) (Note 2)	17.10% (L)
CHEUNG Kwan	Personal & Corporate	662,110,000 (Note 3)	12.88% (L)

Notes:

- 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, 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 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.
- 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.
- The letter "L" denotes long position and the letter "S" denotes short position.

Save as disclosed above, as at 30 June 2018, 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.

ISSUE OF CONVERTIBLE BONDS

2017 Convertible Bonds

The subscription agreement dated 25 September 2017 entered into between Haitong International Financial Products (Singapore) Pte. Ltd. and the Company in relation to convertible bonds in the principal amount of US\$20,000,000 (the “2017 Convertible Bonds”). Upon full conversion of the 2017 Convertible Bonds at the conversion price of HK\$0.26 per conversion share (subject to adjustments), a total of 603,846,000 new ordinary shares of the Company (the “2017 Conversion Share(s)”) will be issued. The 2017 Convertible Bonds may be converted into ordinary shares of the Company commencing on 3 June 2018. As at the date hereof, no 2017 Conversion Shares are converted into ordinary shares of the Company and therefore, no dilutive impact on number of issued shares of the Company and its respectively shareholdings of the substantial shareholders of the Company. Details of the 2017 Convertible Bonds were set out in the Company’s 2017 annual report (the “2017 Annual Report”).

2018 Convertible Bonds

On 20 March 2018, the Company entered into the subscription agreement with Tongfang Securities Limited, Haitong International Asset Management (HK) Limited and Mount Everest Fund in relation to the issue of convertible bonds in the aggregate principal amount of US\$13,000,000 by the Company (the “2018 Convertible Bonds”). Upon full conversion of the 2018 Convertible Bonds at the conversion price of HK\$0.32 per conversion share (subject to adjustments), a total of 316,875,000 new ordinary shares of the Company (the “2018 Conversion Share(s)”) will be issued. The 2018 Conversion Shares will be allotted and issued pursuant to the general mandate granted to the Directors of the Company at annual general meeting of the Company held on 30 June 2017. The conversion period of the 2018 Convertible Bonds will commence on 28 July 2019. As at the date hereof, no 2018 Conversion Shares are convertible into ordinary shares of the Company and therefore, no dilutive impact on number of issued shares of the Company and its respectively shareholdings of the substantial shareholders of the Company. Net proceeds of approximately HK\$24.74 million were applied for further acquisition of shares in Alliance Mineral Assets Limited, a company incorporated in Australia, which is admitted to the official list of Singapore Exchange Securities Trading Limited; and approximately HK\$74.63 million were applied for general working capital in particular necessary expenses for the operating cycle of procurement, logistics, processing and sales in relation to lithium concentrates.

Mr. CHAN Shing has undertaken to remain as a substantial shareholder of the Company during the term of the 2018 Convertible Bonds. Details of the issue of the 2018 Convertible Bonds were set out in the Company’s announcements dated 20 March 2018 and 26 March 2018.

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 was further extended to 30 April 2019.

As at the date hereof, 2-year-notes for an aggregate principal amount of HK\$45,500,000 were issued.

DISPOSAL OF INTEREST IN A SUBSIDIARY

On 4 May 2018, the Company (as vendor), Zaozhuang Dongya Enterprise Company Limited (棗莊東亞實業有限公司) (“Zaozhuang”) (as purchaser) and Mr. Hou Chuanqi (侯傳齊) (as guarantor) entered into a sale and purchase agreement dated 4 May 2018, pursuant to which the Company agreed to sell the entire issued shares of Smart Task Limited to Zaozhuang for a consideration of RMB18,000,000 in cash (the “Disposal”). The initial payment and second payment in an aggregate of RMB1,500,000 were paid; the third payment of RMB6,500,000 will be paid on or before 18 May 2019 and the fourth payment of RMB10,000,000 will be paid on or before 18 May 2020 by Zaozhuang to the Company. The Disposal was completed on 15 May 2018. The Group records a gain of approximately HK\$95 million from the Disposal.

Details of the Disposal were set out in the Company’s announcement dated 4 May 2018.

UPDATE ON LITIGATION

Legal proceeding in Hong Kong in relation to BCHL

All matters disclosed in the 2017 Annual Report remain unchanged.

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

Save as disclosed in the 2017 Annual Report, there were no further information to be updated during the period from 1 January 2018 to 15 May 2018, the date of completion for the Disposal.

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

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 2018.

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

Starting from 1 April 2018, the annual salary of Mr. SHAM Kai Man, an Executive Director of the Company, was increased by approximately 5.9%.

Ms. CHEUNG Kwan retired as a Director of the Company after the conclusion of the annual general meeting of the Company held on 7 June 2018.

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 2018, 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 2017, which the relevant Code provision had not been fully complied with. Board meetings will be held on other occasions when Board decisions are required.

CORPORATE GOVERNANCE (continued)

- Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Chairman and Managing Director of the Company, Mr. CHAN Shing, currently assumes the role of the chairman and also the chief executive. Given the nature of the Group's businesses which require considerable market expertise, the Board believed that the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.
- Code provision A.4.2 stipulates, inter alia, that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

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

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

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 2018 have been reviewed by the Audit Committee.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2018.

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 24 August 2018

As at the date of this report, the Board of Directors of the Company comprises Mr. Chan Shing, 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.