SINOCAN HOLDINGS LIMITED

(Incoporated in Bermuda with limited liability)

2001

Interim Report 2001

The Board of Directors of Sinocan Holdings Limited (the "Company") announces that the unaudited consolidated results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2001 with comparative figures for the previous corresponding period are as follows:

Condensed Consolidated Income Statement

For the six months ended 30 June 2001

		Six months ended 30 June	
		2001	**2000**
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
Turnover	3	83,183	108,612
Cost of sales		(75,581)	(78,045)
Gross profit		7,602	30,567
Other revenue		622	354
Distribution costs		(3,638)	(3,697)
Administrative expenses		(7,801)	(9,463)
Other operating expenses		(3,506)	(1,099)
(Loss)/profit from operations		(6,721)	16,662
Finance costs	4	(25,328)	(25,642)
Loss before taxation		(32,049)	(8,980)
Taxation	6	–	–
Loss before minority interests		(32,049)	(8,980)
Minority interests		(3,680)	(5,313)
Loss for the period attributable to shareholders		(35,729)	(14,293)
Loss per share	7	(4.2 cents)	(1.7 cents)

Condensed Consolidated Balance Sheet

At 30 June 2001

	Notes	30 June 2001 (Unaudited) HK$'000	31 December 2000 HK$'000
Assets and liabilities			
Non-current assets			
Property, plant and equipment		458,566	486,065
Interests in associates		(3,662)	(3,662)
		454,904	482,403
Current assets			
Inventories		74,202	64,527
Trade receivables	*8*	75,489	57,872
Prepayments, deposits and other receivables		7,766	26,652
Tax recoverable		68	68
Bank and cash balances		4,984	40,334
		162,509	189,453
Current liabilities			
Trade and other payables	*9*	131,793	147,714
Short term bank borrowings – secured		82,743	111,657
Loans from minority shareholders of a subsidiary	*11*	33,245	31,982
Loans from a shareholder	*11*	534,364	513,503
Dividend payable		320	–
		782,465	804,856
Net current liabilities		(619,956)	(615,403)
Net liabilities		(165,052)	(133,000)
Capital and reserves			
Share capital	*10*	84,960	84,960
Reserves		(266,387)	(230,975)
Shareholders' deficit		(181,427)	(146,015)
Minority interests		16,375	13,015
		(165,052)	(133,000)

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30 June 2001

	Six months ended 30 June 2001 (unaudited) *HK$'000*
Exchange differences arising on translation of the financial statements of foreign subsidiaries not recognised in the income statement	317
Net loss for the period	(35,729)
Total recognised losses	(35,412)

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2001

	Six months ended 30 June 2001 (unaudited) *HK$'000*
Net cash outflow from operating activities	(3,123)
Returns on investments and servicing of finance	
Interest received	309
Borrowing cost paid	(3,194)
Net cash outflow from returns on investments and servicing of finance	(2,885)
Investing activities	
Purchases of property, plant and equipment	(540)
Net cash outflow before financing	(6,548)
Financing	
Repayment of bank loans	(28,914)
Decrease in cash and cash equivalents	(35,462)
Cash and cash equivalents at 1 January 2001	40,334
Effect of foreign exchange rate change, net	112
Cash and cash equivalents at 30 June 2001	4,984
Analysis of the balances of cash and cash equivalents	
Bank and cash balances	4,984

Notes to the Condensed Financial Statements

1. Basis of preparation of condensed financial statements

In preparing the unaudited condensed financial statements, the directors have given careful consideration to the going concern status of the Group in the light of its net current liabilities of approximately HK$620 million as at 30 June 2001.

After completion of an assignment agreement signed between JHY International Inc. ("JHY"), the Company and certain subsidiaries and a group of Hong Kong bank creditors dated 13 October 1999, JHY became the Company's largest creditor. As at the date of approval of these condensed financial statements by the directors of the Company, the Company was still engaged in ongoing negotiations with JHY on reorganising the Group's affairs and no agreement had been reached.

Since the Group continues to face a severe liquidity problem and an unsatisfactory business environment, the ability of the Group to continue to trade through the existing difficult period depends on the successful outcome of any further restructuring measures to be implemented to secure new or restructured funding for the Group and turnaround of its business.

On the basis that the directors anticipate the reorganisation of the Group's affairs will be successful, they have adopted the going concern basis of presentation for these condensed financial statements. Should the Group be unable to continue in business as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non–current assets and liabilities as current assets and liabilities, respectively.

Subsequent to 15 October 1999, the Group ceased to exercise significant influence over Kisco (B.V.I.) Limited and its subsidiary (the "Kisco Group"). As a result, the condensed financial statements have not equity accounted for the Group's share of results of Kisco Group during the six months ended 30 June 2001. No reliable financial information for the Kisco Group was available for the six months ended 30 June 2001.

The condensed financial statements include the unaudited financial information of Shanghai Sinocan Lianxing Metal Containers & Printing Co., Limited ("Lianxing"), a major subsidiary company of the Group, on which no reliable detailed financial analyses are available.

The condensed financial statements also include the unaudited financial information of Fujian Sinocan Lianjian (Group) Co., Limited, Desheng Lianfeng Tin Manufacture Co., Limited, Fujian, Putian Lianfa Tin Manufacture Co., Limited, Fujian and Tianjin Sinocan Lianda Co., Limited. Substantially all the assets of these subsidiaries were seized and auctioned or applied by the Group's creditors in satisfaction of a portion of the indebtedness owed by these subsidiaries to the creditors. These subsidiaries have ceased operations and no reliable financial information was available.

2. Principal accounting policies

The condensed financial statements have been prepared under the historical cost convention.

The condensed financial statements have been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" ("SSAP 25") issued by the Hong Kong Society of Accountants except that for the first year of implementation of SSAP 25, as permitted by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules"), no comparative figures have been presented for the condensed consolidated statement of recognised gains and losses and for the first condensed consolidated cash flow statement. The accounting policies adopted in the preparation of the condensed financial statements are consistent with those followed in the Group's annual financial statements for the year ended 31 December 2000.

3. Turnover and segment information

Turnover represents the invoiced value of goods sold, net of sales tax, discounts and returns, and processing charges invoiced to customers. The analysis of the principal activities of the operations of the Group during the period were as follows:–

	Group turnover Six months ended		Contribution to (loss)/ profit from operations Six months ended	
	30 June 2001 (unaudited) *HK$'000*	**30 June 2000** (unaudited) *HK$'000*	**30 June 2001** (unaudited) *HK$'000*	**30 June 2000** (unaudited) *HK$'000*
Sales of steel cans, tinplate processing, lacquering and printing	51,267	62,753	(4,505)	8,683
Sales of plastic bottles	31,916	45,859	2,253	14,582
	83,183	108,612	(2,252)	23,265
Other group expenses net of other income			(4,469)	(6,603)
(Loss)/profit from operations			(6,721)	16,662

No geographic analysis is shown as all of the principal activities of the Group took place in the People's Republic of China (the "PRC").

4. Finance costs

Finance costs included interest expenses of HK$25,317,000 incurred during the period (2000 : HK$26,923,000).

5. Depreciation

During the period, depreciation of HK$29,381,000 (2000 : HK$18,010,000) was charged in respect of the Group's property, plant and equipment.

6. Taxation

No provision for taxation has been made as the Group has no assessable profits during the period (2000 : Nil). The Group did not have any significant unprovided deferred taxation (2000 : Nil).

7. Loss per share

The calculation of loss per share is based on the loss attributable to shareholders for the six months ended 30 June 2001 of HK$35,729,000 (2000 : HK$14,293,000) and on 849,600,000 shares in issue throughout the period.

Notes to the Condensed Financial Statements *(cont'd)*

8. Trade receivables

The Group does not have a uniform credit policy in relation to goods sold to customers. The credit terms granted by the Group to the customers are determined with respect to their creditability and relationship with the Group.

All trade receivables are expected to be recovered within one year. No aging analysis for trade and note receivables (net of specific provision for bad and doubtful debts) as at 30 June 2001 was prepared as no reliable detailed financial information for Lianxing was available.

9. Trade and other payables

All trade and other payables are expected to be settled within one year. No aging analysis for trade payables as at 30 June 2001 was prepared as no reliable detailed financial information for Lianxing was available.

10. Share capital

There were no movements in the share capital of the Company in either the current or the prior reporting period.

11. Related party transactions

(a) In the normal course of business the Group paid interest on loans advanced by the minority shareholders of a subsidiary and a shareholder in the total of HK$22,123,000 during the period (2000 : HK$23,123,000).

(b) The loans from minority shareholders of a subsidiary are unsecured, interest bearing at the Hong Kong dollar best lending rate and have no fixed terms of repayment.

(c) The loans from a shareholder are unsecured, interest bearing at the rates ranging from 6.75% to 9.5% per annum and have no fixed terms of repayment.

12. Contingencies and commitments contingent

There were no changes in the amount of outstanding contingent liabilities and capital commitments not provided for in the condensed financial statements in the current reporting period.

Interim Dividend

The Board of Directors does not recommend the payment of any interim dividends for the six months ended 30 June 2001 (2000: Nil).

Business Review

For the six months under review, the Group recorded a turnover of HK$83 million, representing a decrease of approximately 23% as compared with the same period last year. The turnover of steel cans business and the related services and plastic bottles business recorded decreases of 18% and 30% respectively as compared with the same period last year. Loss attributable to shareholders was HK$35 million, equivalent to a loss per share of 4.2 cents.

The decrease in the Group's turnover for the six months ended 30 June 2001 was attributed mainly to over–supply of three–piece steel can and the inducement of a continuous fall in the price of cans in the People's Republic of China ("PRC"). The plastic bottles market was also influenced that the price of plastic bottles recorded a fall simultaneously during the period. The Directors believe that the overall market atmosphere for the beverage industry remains poor and hence the nature of business in that competition is almost entirely based on price.

As at 30 June 2001, the Group's borrowings amounted to HK$650 million. As stated in the Group's last annual report for the year ended 31 December 2000, JHY International Inc. ("JHY"), the Company's largest creditor, with a loan amounted to HK$534 million, had informed the Company that it intended to convert the debts into new shares of the Company. However, JHY has not yet put forward to the Company any definite proposal regarding the terms and conditions of the debt–to–equity conversion and the timetable in relation thereto up to the date of this announcement. The loan is unsecured, interest bearing at the rates ranging from 6.75% to 9.5% per annum and has no fixed terms of repayment.

The bank loans amounted to HK$83 million were repayable within one year. The loans from minority shareholders of a subsidiary amounted to HK$33 million are unsecured, interest bearing at the Hong Kong dollar best lending rate and have no fixed terms of repayment.

As at 30 June 2001, certain assets of the Group were pledged to secure bank loans granted to the Group.

The Group continued to have a high gearing ratio, calculated on the basis of the Group's interest–bearing loans over deficiency on shareholders' funds, at approximately 358% as at 30 June 2001.

As at 30 June 2001, the Group had approximately 460 full time managerial, administrative and production staff, the majority of them are employed in the PRC. For the period under review, the number of employees of the Group remained stable. The Group remunerates its employees largely based on the prevailing industry practice and provides rent–free quarters to most of its employees in the PRC. Remuneration packages are structured to reward and motivate individual performance and contribution to the Group. Review of remuneration policies are conducted on a regular basis. The Group has not adopted any share option scheme.

Business Prospects

Currently the Group is still facing a severe liquidity problem and unsatisfactory business environment. In the meantime, the Group is financing the daily activities through internal generated resources. The ability of the Group to operate and steer through the existing difficult period depends on the successful outcome of the restructuring plans and any further measures to be implemented by the Company to turnaround the Group's business.

Directors' and Chief Executives' Interests In Share Capital

As at 30 June 2001, the interests of the directors and chief executives in the issued share capital of the Company and its associated corporations (within the meanings of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) as recorded in the register maintained by the Company pursuant to Section 29 of SDI Ordinance were as follows:

(a) The Company

Name of director	Type of interest	Number of ordinary shares
Mr. Wong Man Wing	Other *(Note)*	142,531,682
Madam Hou Mai Chin	Other *(Note)*	142,531,682
	Personal	40,000

Note: 83,420,000 of these shares were held by First Regal (Hong Kong) Limited which was owned by a family trust (the "Wong Family Trust"). The beneficiaries of which included Mr. Wong Man Wing, Madam Hou Mai Chin and their family members.

59,111,682 of these shares were held by Lucky Earn Holdings Limited, a corporate trustee for a unit trust, the units of which were beneficially owned by the Wong Family Trust and Mr. Wong Man Wing.

Mr. Wong Man Wing was a director of First Regal (Hong Kong) Limited and Lucky Earn Holdings Limited.

(b) Fore Great International Limited

Name of director	Type of interest	Number of non–voting deferred shares
Mr. Wong Man Wing	Personal	220,000
Madam Hou Mai Chin	Personal	200,000

Save as disclosed above, none of the directors and chief executives or their associates had any personal, family, corporate or other beneficial interest in the equity or debt securities of the Company or any of its associated corporations within the meanings of the SDI Ordinance.

Directors' Right To Acquire Shares

At no time during the period was the Company or any of its subsidiaries a party to any arrangements to enable the Company's directors, their respective spouse or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 30 June 2001 and save for the interests of the Directors in the Shares as disclosed in the paragraph headed "Directors' and chief executives' interest in share capital" above, the following details were recorded in the register kept by the Company under section 16(1) of the SDI Ordinance for the purposes of section 3 to 7 of the SDI Ordinance:

	No. of ordinary shares	
Name	**Direct Interest**	**Deemed Interest**
Itochu Corporation	90,864,000	36,376,000*
JHY International Inc.	112,610,000	–

Note:

* Itochu Corporation was deemed to be interested in 36,376,000 shares in the Company by virtue of its shareholding in Itochu Hong Kong Limited which owned these shares.

Save as disclosed herein, the Directors are not aware of any shareholder who is interested in 10 per cent. or more of the issued share capital of the Company.

Significant Investments and Acquisitions

The Group was not engaged in any material acquisitions or disposals of subsidiaries or associated companies during the period.

Purchase, Sale or Redemption of the Company's Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed shares during the period.

Code of Best Practice

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the period covered by the interim report, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules except that prior to:

(i) the appointment of two independent non–executive directors of the Company on 26 February 2001;

(ii) the appointment of a company secretary on 19 March 2001; and

(iii) the formation of the Audit Committee on 12 April 2001.

The Audit Committee has adopted the terms of reference governing the authority and duties of the audit committee.

By order of the Board
Wong Man Wing
Chairman

Hong Kong, 27 September 2001

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS OF SINOCAN HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have been instructed by the Company to review the interim financial statements set out on pages 1 to 6.

Directors' responsibilities

The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of an interim financial statements to be in compliance with SSAP 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provision thereof. The interim financial statements are the responsibility of, and have been approved by the Directors.

Review work performed

We conducted our review in accordance with SAS 700 "Engagement to review interim financial reports" issued by the Hong Kong Society of Accountants, except that the scope of our review was limited as explained below.

A review consists principally of making enquiries of Group management and applying analytical procedures to the interim financial statements and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial statements.

The scope of our review was limited because as stated in Note 1 to the interim financial statements, no reliable financial information or detailed financial analyses are available in respect of the major subsidiary company, Shanghai Sinocan Lianxing Metal Containers & Printing Co., Limited ("Lianxing"). For the six months ended 30 June 2001, Lianxing contributed approximately 62% to the Group turnover and incurred a loss from operation of approximately HK$4,505,000. Note 1 also stated that no reliable financial information is available in respect of four subsidiaries which ceased operations and all their assets were substantially seized and auctioned or applied by the Group's creditors in satisfaction of a portion of the indebtedness owed by these subsidiaries to the creditors. In these circumstances we were unable to carry out all the review procedures, or obtain all the information and explanations we considered necessary.

Fundamental uncertainty

In arriving at our review conclusion we have considered the adequacy of disclosures made in the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared. As explained in Note 1 to the interim financial statements, the Company has experienced severe financial difficulty in the past few years and is currently in negotiation with JHY International Inc ("JHY"), its shareholder and major creditor, for the purpose of restructuring the Group's indebtedness and revitalising the Group's financial position and business. The interim financial statements have been prepared on a going concern basis, the validity of which depends upon the successful outcome of the Company's negotiations with JHY or any other further restructuring measures to be implemented which will secure new funding for the Group and the successful turnaround of its business. The interim financial statements do not include any adjustments that would result from the failure of these measures.

Review Conclusion

Because of the significance of the possible effect of the limitation in evidence available to us, we are unable to reach a review conclusion as to whether or not material modifications should be made to the interim financial statements for the six months ended 30 June 2001.

HORWATH HONG KONG CPA LIMITED
Certified Public Accountants

Chan Kam Wing, Clement
Practising Certificate number P02038

2001 Central Plaza
18 Harbour Road
Wanchai
Hong Kong

27 September 2001