



**Burwill** Holdings Limited

寶威控股有限公司

*(incorporated in Bermuda with limited liability)*

Interim Report

2004



**INTERIM ACCOUNTS**

The Directors of Burwill Holdings Limited (the “Company”) are pleased to present the unaudited condensed consolidated accounts of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2004 as follows:–

**Condensed Consolidated Profit and Loss Account**

		<b>Unaudited Six months ended 30 June</b>	
	<i>Notes</i>	<b>2004 HK\$'000</b>	2003 HK\$'000
<b>Turnover</b>	2	<b>2,127,329</b>	2,347,080
Cost of sales		<b>(2,031,795)</b>	(2,268,706)
Gross profit		<b>95,534</b>	78,374
Other revenue		<b>5,705</b>	3,730
Selling and distribution expenses		<b>(24,347)</b>	(21,244)
General and administrative expenses		<b>(27,521)</b>	(25,478)
Gain on disposal of investment properties		<b>17,630</b>	228
(Loss)/gain on investments, net		<b>(1,137)</b>	725
Operating profit	2 & 3	<b>65,864</b>	36,335
Finance costs	4	<b>(18,616)</b>	(15,575)
Share of profits less losses of associates		<b>3,817</b>	(2,012)
<b>Profit before taxation</b>		<b>51,065</b>	18,748
Taxation	5	<b>430</b>	(153)
<b>Profit after taxation</b>		<b>51,495</b>	18,595
Minority interests		<b>(6,743)</b>	2,086
<b>Profit attributable to shareholders</b>		<b>44,752</b>	20,681
Earnings per share – basic	6	<b>4.24 HK Cents</b>	1.96 HK Cents
– diluted		<b>4.24 HK Cents</b>	1.94 HK Cents



## Condensed Consolidated Balance Sheet

	Notes	<b>Unaudited 30 June 2004 HK\$'000</b>	Audited 31 December 2003 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		164,976	169,209
Investment properties		378,681	426,143
Investment in associates		54,016	52,678
Long-term investments		9,310	23,350
Deferred borrowing costs		1,884	2,546
Deferred tax assets		9,773	7,854
		<hr/>	<hr/>
Total non-current assets		<b>618,640</b>	681,780
<b>Current assets</b>			
Inventories		115,367	113,225
Properties held for sale		31,550	32,060
Short-term investments	7	30,162	622
Bills and accounts receivable	8	877,849	1,089,110
Deposits, prepayments and other receivables		54,523	77,160
Taxation recoverable		4,908	3,792
Pledged bank deposits		3,982	3,961
Other cash and bank balances		172,544	192,075
		<hr/>	<hr/>
Total current assets		<b>1,290,885</b>	1,512,005
<b>Current liabilities</b>			
Short-term bank borrowings		(365,980)	(587,906)
Due to associates		(22,083)	(22,220)
Bills and accounts payable	9	(423,492)	(464,643)
Other payables and accruals		(55,950)	(73,400)
Obligations under finance leases – current portion		(2,586)	(2,525)
Taxation payable		(8,345)	(13,537)
		<hr/>	<hr/>
Total current liabilities		<b>(878,436)</b>	(1,164,231)
		<hr/>	<hr/>
<b>Net current assets</b>		<b>412,449</b>	347,774
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		<b>1,031,089</b>	1,029,554
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**Condensed Consolidated Balance Sheet** (continued)

	Notes	<b>Unaudited 30 June 2004 HK\$'000</b>	Audited 31 December 2003 HK\$'000
<b>Financed by:</b>			
Share capital	10	<b>105,411</b>	105,512
Other reserves		<b>515,257</b>	525,230
Retained profit		<b>161,770</b>	117,018
		<hr/>	<hr/>
<b>Shareholders' funds</b>		<b>782,438</b>	747,760
		<hr/>	<hr/>
<b>Minority interests</b>		<b>47,025</b>	44,506
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Long-term bank loans		<b>164,712</b>	191,220
Other loans		<b>5,046</b>	5,753
Obligations under finance leases		<b>5,975</b>	6,891
Deferred tax liabilities		<b>25,893</b>	33,424
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>201,626</b>	237,288
		<hr/>	<hr/>
		<b>1,031,089</b>	1,029,554
		<hr/> <hr/>	<hr/> <hr/>



## Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2004						
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Cumulative translation reserve HK\$'000	Retained profit HK\$'000	Total HK\$'000
At 1 January 2004	105,512	471,058	9,678	43,889	605	117,018	747,760
Exchange differences arising on translation of the accounts of foreign subsidiaries	-	-	-	-	(8)	-	(8)
Net losses not recognised in the profit and loss account	-	-	-	-	(8)	-	(8)
Profit for the period	-	-	-	-	-	44,752	44,752
Share of reserves of associates	-	-	-	-	(130)	-	(130)
Reserves transferred to the profit and loss account upon disposal of investment properties	-	-	-	(9,593)	-	-	(9,593)
Repurchase of shares	(101)	(242)	-	-	-	-	(343)
At 30 June 2004	<u>105,411</u>	<u>470,816</u>	<u>9,678</u>	<u>34,296</u>	<u>467</u>	<u>161,770</u>	<u>782,438</u>

	Unaudited six months ended 30 June 2003							
	Share capital HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Investment property revaluation reserve HK\$'000	Cumulative translation reserve HK\$'000	Retained profit HK\$'000	Proposed dividends HK\$'000	Total HK\$'000
At 1 January 2003	105,392	470,632	9,678	24,407	75	204,391	42,157	856,732
Exchange differences arising on translation of the accounts of foreign subsidiaries	-	-	-	-	443	-	-	443
Net gains not recognised in the profit and loss account	-	-	-	-	443	-	-	443
Profit for the period	-	-	-	-	-	20,681	-	20,681
Reserves transferred to the profit and loss account upon disposal of investment properties	-	-	-	(67)	-	-	-	(67)
Transfer to dividend payable	-	-	-	-	-	-	(42,157)	(42,157)
Issue of shares	120	433	-	-	-	-	-	553
Share issuance expenses	-	(3)	-	-	-	-	-	(3)
At 30 June 2003	<u>105,512</u>	<u>471,062</u>	<u>9,678</u>	<u>24,340</u>	<u>518</u>	<u>225,072</u>	<u>-</u>	<u>836,182</u>



## Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
Net cash inflow/(outflow) from operating activities	<b>195,233</b>	(57,350)
Net cash inflow/(outflow) from investing activities	<b>36,350</b>	(11,248)
Net cash outflow from financing activities (Increase)/decrease in pledged bank deposits	<b>(251,093)</b> <b>(21)</b>	(102,008) 36,811
Decrease in cash and cash equivalents	<b>(19,531)</b>	(133,795)
Cash and cash equivalents, beginning of the period	<b>192,075</b>	273,832
Cash and cash equivalents, end of the period	<b>172,544</b>	140,037
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>172,544</b>	140,037



## NOTES TO CONDENSED INTERIM ACCOUNTS

### 1. Accounting policies

The unaudited condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

### 2. Segment information

#### (a) Primary segment

The Group is organised into four major operating units: (i) steel trading, warehousing and distribution; (ii) steel manufacturing and processing; (iii) property development; and (iv) property investment. An analysis by business segment is as follows:

	Unaudited Six months ended 30 June			
	2004		2003	
	External sales HK\$'000	Internal segment sales HK\$'000	External sales HK\$'000	Internal segment sales HK\$'000
Turnover				
- Steel trading, warehousing and distribution	1,850,838	9,531	2,207,614	22,875
- Steel manufacturing and processing	247,017	-	126,067	-
- Property development	1,480	-	7,127	-
- Property investment	7,655	94	6,210	-
- Others	20,339	963	62	-
	<b>2,127,329</b>	<b>10,588</b>	2,347,080	22,875
Inter-segment elimination	-	(10,588)	-	(22,875)
	<b>2,127,329</b>	<b>-</b>	<b>2,347,080</b>	<b>-</b>



2. Segment information (continued)

(a) Primary segment (continued)

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Operating profit		
– Steel trading, warehousing and distribution	<b>39,429</b>	40,666
– Steel manufacturing and processing	<b>24,070</b>	6,255
– Property development	<b>(3,465)</b>	(993)
– Property investment	<b>1,536</b>	3,330
– Others	<b>(771)</b>	(568)
	<b>60,799</b>	48,690
– Gain on disposal of investment properties	<b>17,630</b>	228
– (Loss)/gain on investments, net	<b>(1,137)</b>	725
– Unallocated expenses	<b>(11,428)</b>	(13,308)
	<b>65,864</b>	36,335

(b) Secondary segment

The Group has business operations in Mainland China, Hong Kong, Asia (other than Mainland China and Hong Kong) and other regions. An analysis by geographical location is as follows:

	<b>Unaudited</b> <b>Six months ended 30 June</b>	
	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Turnover		
– Mainland China	<b>1,665,915</b>	2,074,362
– Hong Kong	<b>164,465</b>	37,305
– Asia (other than Mainland China and Hong Kong)	<b>178,368</b>	214,931
– Others	<b>118,581</b>	20,482
	<b>2,127,329</b>	2,347,080
Operating profit		
– Mainland China	<b>48,059</b>	38,311
– Hong Kong	<b>7,325</b>	5,204
– Asia (other than Mainland China and Hong Kong)	<b>3,252</b>	4,725
– Others	<b>2,163</b>	450
	<b>60,799</b>	48,690
– Gain on disposal of investment properties	<b>17,630</b>	228
– (Loss)/gain on investments, net	<b>(1,137)</b>	725
– Unallocated expenses	<b>(11,428)</b>	(13,308)
	<b>65,864</b>	36,335





### 3. Operating profit

**Unaudited**  
**Six months ended 30 June**

	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
Operating profit is stated after charging and crediting the following:		
After charging:		
Depreciation of property, plant and equipment	<b>6,813</b>	6,225
Loss on disposal of property, plant and equipment	–	228
Net unrealised loss on investments	<b>1,549</b>	–
After crediting:		
Gain on disposal of property, plant and equipment	<b>140</b>	–
Gain on disposal of investment properties	<b>17,630</b>	228
Gain on disposal of investments	<b>36</b>	307
Net unrealised gain on investments	–	417
	<u><b>          </b></u>	<u>          </u>

### 4. Finance costs

**Unaudited**  
**Six months ended 30 June**

	<b>2004</b>	2003
	<b>HK\$'000</b>	<i>HK\$'000</i>
Interest on borrowings	<b>17,954</b>	14,899
Amortisation of deferred borrowing costs	<b>662</b>	676
	<u><b>          </b></u>	<u>          </u>
	<u><b>18,616</b></u>	<u>15,575</u>



## 5. Taxation

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2004</b>	2003
	<b>HK\$'000</b>	HK\$'000
Current taxation		
– Hong Kong profits tax	–	21
– Overseas taxation	<b>1,786</b>	326
	<b>1,786</b>	347
Under/(over) provision in prior years		
– Hong Kong profits tax	<b>116</b>	(500)
– Overseas taxation	<b>(681)</b>	(810)
	<b>(565)</b>	(1,310)
Deferred taxation relating to the origination and reversal of temporary differences	<b>(2,600)</b>	37
Deferred taxation resulting from increase in tax rate	–	(79)
	<b>(1,379)</b>	(1,005)
Share of taxation attributable to associates	<b>949</b>	1,158
	<b>(430)</b>	153

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the six months period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 33% (2003: 12% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the six months period at the rates prevailing in the respective jurisdictions.



## 6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$44,752,000 (2003: HK\$20,681,000) and the weighted average number of 1,054,914,283 (2003: 1,054,031,166) shares in issue during the period. The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$44,752,000 (2003: HK\$20,681,000) and the weighted average number of 1,054,914,283 (2003: 1,054,031,166) shares in issue during the period plus the weighted average number of 1,160,859 (2003: 9,826,952) shares deemed to be issued at no consideration if all outstanding options had been exercised.

A reconciliation of the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

	<b>Unaudited Six months ended 30 June</b>	
	<b>2004 Number of shares</b>	2003 Number of shares
Weighted average number of shares used in calculating basic earnings per share	<b>1,054,914,283</b>	1,054,031,166
Adjustment for potential dilutive effect in respect of outstanding employee share options	<b>1,160,859</b>	9,826,952
Weighted average number of shares used in calculating diluted earnings per share	<b><u>1,056,075,142</u></b>	<b><u>1,063,858,118</u></b>

## 7. Short-term investments

	<b>Unaudited 30 June 2004 HK\$'000</b>	Audited 31 December 2003 HK\$'000
Equity securities		
– listed in Hong Kong	<b>11,979</b>	392
– listed outside Hong Kong	<b>204</b>	230
Other unlisted securities	<b>17,979</b>	–
	<b><u>30,162</u></b>	<b><u>622</u></b>
Market value of listed equity securities	<b><u>12,183</u></b>	<b><u>622</u></b>



## 8. Bills and accounts receivable

The Group normally grants to its customers credit periods for sales of goods ranging from 30 days to 120 days. Consideration in respect of sold properties is payable by the purchasers pursuant to the terms of the sale and purchase agreement. Rental in respect of leased properties is payable by the tenants on monthly basis.

Ageing analysis of bills and accounts receivable is as follows:

	<b>Unaudited 30 June 2004 HK\$'000</b>	Audited 31 December 2003 HK\$'000
Within three months	<b>855,454</b>	816,436
Over three months but within six months	<b>21,300</b>	271,860
Over six months but within twelve months	<b>201</b>	372
Over twelve months	<b>2,065</b>	2,124
	<hr/>	<hr/>
	<b>879,020</b>	1,090,792
Less: Provision for doubtful debts	<b>(1,171)</b>	(1,682)
	<hr/>	<hr/>
	<b>877,849</b>	1,089,110
	<hr/> <hr/>	<hr/> <hr/>

## 9. Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	<b>Unaudited 30 June 2004 HK\$'000</b>	Audited 31 December 2003 HK\$'000
Within three months	<b>423,267</b>	464,418
Over six months but within twelve months	–	225
Over twelve months	<b>225</b>	–
	<hr/>	<hr/>
	<b>423,492</b>	464,643
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## 10. Share capital

	Unaudited	
	Number of shares	
	'000	HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.10 each	<u>1,800,000</u>	<u>180,000</u>
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.10 each		
Beginning of period	1,055,119	105,512
Repurchase of shares	<u>(1,004)</u>	<u>(101)</u>
End of period	<u>1,054,115</u>	<u>105,411</u>

## 11. Related party transactions

During the period, the Group paid commissions to an associate amounted to HK\$1,155,000 in the normal course of business.

## 12. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).



## BUSINESS REVIEW AND OUTLOOK

In the first half of the year, the Group's ongoing businesses developed at a steady pace and achieved good performance in operation and profit. The turnover was HK\$2.13 billion, a decrease of 9.4% as compared with the same period last year, and the profit was HK\$44.75 million, an increase of 116% as compared with the same period last year.

### Steel Business

During the period under review, an imbalance in supply and demand of basic steel raw and auxiliary materials was seen worldwide. Meanwhile, the oil price remained high. The rising Euro and US Dollar prompted the import of big quantities of steel raw materials and semi-products into the European and American markets, which had higher commodity prices compared with the Asian region, attracting sales to the European and American markets by major steel producers. China has imposed administrative control measures to stamp out the low-level, repetitive investment behaviour of certain sectors, including the steel industry, resulting in weakened sentiments, thin trading, price volatility and slowing growth in steel production and import. In these circumstances, the Group's trading department operated circumspectly and made every effort to avoid market risks. It changed its procurement and sales strategies in a timely manner, and adjusted the share of Chinese exports to its products. It focused on exporting China-produced steel and fluxes to Europe, Middle East and other Asian countries, and continued to supply raw materials such as iron ore lumps and pig iron to several major steel mills in China. It is envisaged that the China market would have better purchasing power and steady rising prices in the second half of the year. The demand for raw materials and high technology and high value-added steel sheets, which China is unable to satisfy, would remain to be keen, and import would rise gradually. By adopting a strategy for steady business operation, the Group will maintain good market competitiveness and satisfactory profit return.

As for our steel manufacturing and processing business, the Group's two plants in Dongguan, China recorded a significant growth in turnover and gross profit following stringent cost control measures and an enhancement of production capacity and quality. The Group will actively develop this business segment in the future. Regarding the new plant in the Yangtze River Delta, the procedures for site selection, land requisition and the submission of project proposal for approval are in smooth progress. A plan for building the basic facilities of the project will be implemented in the second half of the year. It is anticipated that the new factory will commence operation early next year and will constitute another revenue generating sector for the Group in future.

**BUSINESS REVIEW AND OUTLOOK** *(continued)***Property Development and Investment**

The Group's development, Times Square in Yangzhou, Jiangsu, having a gross floor area of 68,800 square metres, has been fully leased out. Following the gradual strengthening of comprehensive operation and management capacity, the overall planning of the mall has become more stable and reasonable, resulting in an enhancement of brand class and shopping function. The mall's rental income maintains an upward spiral.

The Group's investment property in Mongkok, Hong Kong, has benefited from an upturn of Hong Kong's economy and the introduction of the "individual travel scheme." Given the enhanced operating performance of tenants, the investment property would continue to bring in stable and satisfactory rental income for the Group.

**LIQUIDITY AND FINANCIAL RESOURCES**

The Group maintained cash and bank balances of approximately HK\$176,526,000 (31 December 2003: HK\$196,036,000) and had net current assets of approximately HK\$412,449,000 (31 December 2003: HK\$347,774,000) as at 30 June 2004.

The Group's current ratio, as a ratio of current assets to current liabilities, and gearing ratio, as a ratio of total liabilities to total assets, as at 30 June 2004 were 1.47 and 0.57 respectively (31 December 2003: 1.30 and 0.64 respectively).

As at 30 June 2004, the bank borrowings of the Group were approximately HK\$530,692,000 (31 December 2003: HK\$779,126,000). The maturity profile of the Group's bank borrowings, excluding the short-term loans on trade finance amounted to HK\$228,688,000 (31 December 2003: HK\$446,578,000), as at 30 June 2004 was as follows:

	<b>30 June 2004 HK\$ million</b>	31 December 2003 HK\$ million
Within one year	<b>137</b>	141
In the second year	<b>94</b>	114
In the third to fifth year	<b>39</b>	38
After the fifth year	<b>32</b>	39
	<b>302</b>	332

All the Group's bank borrowings were denominated in Hong Kong Dollars, US Dollar and Renminbi, bearing interest at prevailing market rates. No material exchange risk is expected on the bank borrowings and no financial instruments have been used for hedging purposes during the period.





## CONTINGENT LIABILITIES

As at 30 June 2004, the Group had the following contingent liabilities: (i) guarantee for general banking facilities granted to an associate amounted to approximately HK\$21,730,000 (31 December 2003: HK\$21,730,000); (ii) Mainland China land appreciation tax after netting off potential income tax saving amounted to approximately HK\$14,725,000 (31 December 2003: HK\$11,939,000); and (iii) guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties amounted to approximately HK\$36,971,000 (31 December 2003: HK\$29,689,000).

## CHARGE ON ASSETS

As at 30 June 2004, the following assets were pledged: (i) certain leasehold land and buildings with a net book value of approximately HK\$103,386,000 (31 December 2003: HK\$105,300,000); (ii) certain motor vehicles and machinery of approximately HK\$10,363,000 (31 December 2003: HK\$10,737,000); (iii) certain investment properties with a net book value of approximately HK\$328,412,000 (31 December 2003: HK\$362,980,000); (iv) certain properties held for sale of approximately HK\$2,389,000 (31 December 2003: HK\$27,220,000); (v) certain inventories of approximately HK\$65,784,000 (31 December 2003: HK\$21,822,000) released under trust receipts bank loans; (vi) certain investment securities of approximately HK\$11,808,000 (31 December 2003: Nil); and (vii) certain bank deposits amounted to approximately HK\$3,982,000 (31 December 2003: HK\$3,961,000).

## CHANGE OF NAME OF THE COMPANY

The Company has changed its name from "WellNet Holdings Limited" to "Burwill Holdings Limited" with effect from 3 June 2004 and has adopted "寶威控股有限公司" as its Chinese name with effect from 23 June 2004.

## STAFF

As at 30 June 2004, the Group employed 704 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 year end double pay, 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.





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

During the six months ended 30 June 2004, the Company repurchased a total of 1,004,000 shares in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the general mandate granted by the shareholders at the annual general meeting held on 18 June 2003, details of which were as follows:-

Month/Year	Number of shares repurchased	Price per share		Total consideration
		Lowest	Highest	(before expense)
		HK\$	HK\$	HK\$
05/2004	1,004,000	0.325	0.350	338,800

All shares repurchased were 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 2004.

## DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 6 December 2002, On Smart Holdings Limited ("On Smart"), a wholly-owned subsidiary of the Company, had entered into a loan agreement (the "Loan Agreement") with a group of banks and financial institutions whereby On Smart was granted a 3-year syndicated loan facility of up to HK\$130 million (the "Facility"). The Loan Agreement includes an undertaking on procuring that Mr. Chan Shing, the Chairman and Managing Director of the Company, and Ms. Lau Ting, the spouse of Mr. Chan Shing and an Executive Director of the Company, (the "Chan Family") beneficially own, in aggregate, either directly and indirectly, more than 30 per cent. of the total issued share capital from time to time of the Company and that the Chan Family shall at all times during the term of the Loan Agreement remain the single largest beneficial shareholder of the Company. A breach of such undertaking will constitute an event of default under the Facility, upon the occurrence of which all amounts outstanding and owing under the Facility shall become immediately due and payable.



## SHARE OPTION SCHEMES

At the 2002 Annual General Meeting of the Company held on 6 June 2002, the share option scheme of the Company being adopted on 23 July 1999 (the “Old Option Scheme”) was terminated and a new share option scheme (the “New Option Scheme”) was adopted by the shareholders to comply with the new requirements of Chapter 17 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Upon termination of the Old Option Scheme, no further options could be granted thereunder but in all other respects, the provisions of the Old Option Scheme shall remain in force. All outstanding options which were granted under the Old Option Scheme to subscribe for shares in the Company prior to its termination shall continue to be valid and exercisable. As at 30 June 2004, there are options for 22,000,000 shares granted under the Old Option Scheme which are valid and outstanding.

No options had been granted, exercised nor cancelled since the adoption of the New Option Scheme on 6 June 2002.

Details of the outstanding share options granted under the Old Option Scheme were as follows:

Name of Director	No. of shares under the options held as at 01/01/2004 and as at 30/06/2004 (Note)	Price for grant HK\$	Exercise price per share HK\$	Date of grant	Exercise period	
					from	until
CHAN Shing	5,400,000	1.00	0.461	07/05/2001	05/08/2001	04/08/2004
LAU Ting	5,400,000	1.00	0.461	07/05/2001	05/08/2001	04/08/2004
YU Wing Keung, Dicky	2,000,000	1.00	0.461	07/05/2001	05/08/2001	04/08/2004
TUNG Pui Shan, Virginia	1,000,000	1.00	0.461	07/05/2001	05/08/2001	04/08/2004
KWOK Wai Lam	1,000,000	1.00	0.461	07/05/2001	05/08/2001	04/08/2004
YIN Mark	1,000,000	1.00	0.461	07/05/2001	05/08/2001	04/08/2004
SIT Hoi Tung	3,100,000	1.00	0.461	07/05/2001	05/08/2001	04/08/2004
SUN Ho	3,100,000	1.00	0.461	07/05/2001	05/08/2001	04/08/2004
<b>Total:</b>	<u>22,000,000</u>					

*Note:* No options had been granted, exercised, lapsed nor cancelled under the Old Option Scheme during the six months period ended 30 June 2004.



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

As at 30 June 2004, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

### (1) Interests in Shares

#### (A) The Company

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
CHAN Shing	13,035,472	21,776,072 (Note 1)	438,304,701 (Notes 2&3)	473,116,245 (Note 3)	44.88%
LAU Ting	21,776,072	13,035,472 (Note 4)	438,304,701 (Notes 2&3)	473,116,245 (Note 3)	44.88%
YU Wing Keung, Dicky	4,789,778	-	-	4,789,778	0.45%
TUNG Pui Shan, Virginia	8,461,996	110,000	5,104,000 (Note 5)	13,675,996	1.30%
SIT Hoi Tung	1,576,382	-	-	1,576,382	0.15%
SUN Ho	200,000	-	-	200,000	0.02%



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

### (1) Interests in Shares (continued)

#### (A) The Company (continued)

Notes:

- These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
- 226,403,853 shares were held by Hang Sing Overseas Limited ("Hang Sing") which is owned as to 51% by Orient Strength Limited ("Orient Strength"), a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 211,900,848 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting.
- The interests of Mr. CHAN Shing and Ms. LAU Ting were duplicated.
- These shares were owned by Mr. CHAN Shing.
- 5,104,000 shares were owned by Focus Cheer Consultants Limited ("Focus Cheer"), a company which is wholly-owned by Ms. TUNG Pui Shan, Virginia.

#### (B) Associated Corporation – WorldMetal Holdings Limited ("WorldMetal")

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the issued share capital of WorldMetal
	Personal interests	Family interests	Corporate interests		
CHAN Shing	72,951,773	50,288,803 (Note 1)	485,746,308 (Notes 2&3)	608,986,884 (Note 3)	60.90%
YANG Da Wei	3,000,000	-	-	3,000,000	0.30%
LAU Ting	50,288,803	72,951,773 (Note 4)	485,746,308 (Notes 2&3)	608,986,884 (Note 3)	60.90%
YU Wing Keung, Dicky	28,100,000	-	-	28,100,000	2.81%
TUNG Pui Shan, Virginia	3,183,610	5,500	255,200 (Note 5)	3,444,310	0.34%
KWOK Wai Lam	3,000,000	-	-	3,000,000	0.30%
YIN Mark	3,016,900	-	-	3,016,900	0.30%
SIT Hoi Tung	3,078,819	-	-	3,078,819	0.31%
SUN Ho	5,000,000	30,000	-	5,030,000	0.50%



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

### **(1) Interests in Shares** *(continued)*

#### *(B) Associated Corporation – WorldMetal Holdings Limited (continued)*

Notes:

1. These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
2. 11,320,192 shares were held by Hang Sing which is owned as to 51% by Orient Strength, a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 10,595,042 shares were held by Strong Purpose, a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 463,831,074 shares were held by the Company.
3. The interests of Mr. CHAN Shing and Ms. LAU Ting were duplicated.
4. These shares were owned by Mr. CHAN Shing.
5. 255,200 shares were owned by Focus Cheer, a company which is wholly-owned by Ms. TUNG Pui Shan, Virginia.

### **(2) Interests in Underlying Shares**

As at 30 June 2004, the interests of the Directors and chief executive of the Company in options for shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as disclosed in the previous section headed "Share Option Schemes" of this report.

Save as otherwise disclosed above, as at 30 June 2004, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.



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

As at 30 June 2004, 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 the shares and underlying shares of the Company:

### Interests in Shares

Name of shareholder	Nature of interest	Number of shares held	Approximate percentage interest in the Company's issued share capital	Note
Hang Sing	Beneficiary	226,403,853	21.48%	1
Orient Strength	Corporate	226,403,853	21.48%	1
Zhong Shan Company Limited	Corporate	226,403,853	21.48%	1
Superior Quality Assets Limited	Corporate	226,403,853	21.48%	1
Strong Purpose	Beneficiary	211,900,848	20.10%	2
Bonnaire International Limited	Trustee	79,644,000	7.56%	-

#### Notes:

- 51% of the issued share capital of Hang Sing was owned by Orient Strength, a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting, and 49% of the issued share capital of Hang Sing was owned by Superior Quality Assets Limited, a company which is wholly-owned by Zhong Shan Company Limited. Zhong Shan Company Limited was wholly-owned by the Jiangsu Provincial People's Government of the PRC. These 226,403,853 shares held by Hang Sing formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting herein disclosed respectively.
- These 211,900,848 shares held by Strong Purpose, a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting, formed part of the interests of Mr. CHAN Shing and Ms. LAU Ting herein disclosed respectively.

Save as disclosed above, as at 30 June 2004, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.





## AUDIT COMMITTEE

The Company has established an Audit Committee, the principal duties of which include the review the Company's annual report and accounts and half-year report, and review and supervision of the Company's financial reporting and internal control procedures. The unaudited interim accounts for the six months ended 30 June 2004 have been reviewed by the Audit Committee.

## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules, except that the non-executive directors are not appointed for a specific term, as they have to retire by rotation at the Annual General Meeting of the Company when they are due for re-election pursuant to the Bye-laws of the Company.

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

Hong Kong, 10 August 2004

*As at the date of this report, the Board of Directors of the Company comprises Mr. Chan Shing, Mr. Yang Da Wei, Ms. Lau Ting, Mr. Yu Wing Keung, Dicky, Ms. Tung Pui Shan, Virginia, Mr. Kwok Wai Lam, Mr. Yin Mark, Mr. Sit Hoi Tung and Mr. Sun Ho as executive directors, Mr. Cui Shu Ming and Mr. Song Yufang as independent non-executive directors and Mr. Sze Tsai Ping, Michael as non-executive director.*