Burwill Holdings Limited

寶 威 控 股 有 限 公 司

(incorporated in Bermuda with limited liability)

寶威

Interim Report 2005

INTERIM FINANCIAL STATEMENTS

The Directors of Burwill Holdings Limited (the "Company") are pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 as follows:

Condensed Consolidated Income Statement

		Unaudited Six months ended 30 June	
		2005	2004
	Notes	***HK$'000***	*HK$'000*
			(As restated)
Turnover	*3*	**1,869,661**	2,127,329
Cost of sales		**(1,816,514)**	(2,031,795)
Gross profit		**53,147**	95,534
Other revenue		**6,489**	5,705
Selling and distribution expenses		**(14,606)**	(24,347)
General and administrative expenses		**(46,396)**	(27,109)
(Loss)/gain on disposal of investment properties		**(22)**	17,630
Gain/(loss) on investments, net	*4*	**69,829**	(1,137)
Operating profit	*3 & 5*	**68,441**	66,276
Finance costs	*6*	**(21,327)**	(18,616)
Share of (loss)/profit of associates		**(4,752)**	2,868
Profit before income tax		**42,362**	50,528
Income tax expense	*7*	**(1,901)**	1,379
Profit for the period		**40,461**	51,907
Attributable to:			
Equity holders of the Company		**41,210**	45,164
Minority interest		**(749)**	6,743
		40,461	51,907
Earnings per share for profit attributable to the equity holders of the Company during the period	*8*		
– basic		**3.91 HK Cents**	4.28 HK Cents
– diluted		**N/A**	4.28 HK Cents

Condensed Consolidated Balance Sheet

	Notes	Unaudited 30 June 2005 HK$'000	As restated 31 December 2004 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**109,538**	83,292
Investment properties		**171,999**	203,801
Leasehold land and land use rights		**84,970**	84,737
Investment in associates	9	**46,409**	54,740
Held-to-maturity investments		**7,800**	–
Available-for-sale financial assets		**217**	–
Long-term investments		**–**	9,310
Intangible assets	10	**1,293**	–
Deferred borrowing costs		**11,391**	1,221
Deferred tax assets		**7,495**	10,259
		441,112	447,360
Current assets			
Inventories		**185,018**	131,793
Properties held for sale		**28,236**	28,858
Financial assets at fair value through profit or loss	11	**86,908**	–
Held-to-maturity investments		**21,894**	–
Short-term investments		**–**	28,934
Bills and accounts receivable	12	**1,029,950**	945,486
Deposits, prepayments and other receivables		**152,894**	58,861
Taxation recoverable		**7,782**	4,854
Pledged bank deposits		**1,399**	1,394
Other cash and bank balances		**193,873**	265,838
		1,707,954	1,466,018
Total assets		**2,149,066**	1,913,378
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	13	**105,411**	105,411
Other reserves		**482,235**	510,042
Retained profit			
– Proposed dividends		**–**	18,974
– Others		**206,175**	137,065
		793,821	771,492
Minority interest		**46,497**	47,751
Total equity		**840,318**	819,243

Condensed Consolidated Balance Sheet *(continued)*

	Notes	Unaudited 30 June 2005 HK$'000	As restated 31 December 2004 HK$'000
LIABILITIES			
Non-current liabilities			
Long-term bank loans		**327,225**	24,722
Other loans		**2,509**	2,509
Obligations under finance leases		**4,330**	5,584
Deferred tax liabilities		**21,633**	22,804
		355,697	55,619
Current liabilities			
Short-term bank borrowings		**500,468**	540,721
Due to associates		**18,518**	20,998
Bills and accounts payable	*14*	**362,511**	412,002
Other payables and accruals		**38,489**	49,937
Other loans – current portion		**2,883**	2,244
Obligations under finance leases – current portion		**2,604**	2,766
Dividend payable		**18,974**	–
Taxation payable		**8,604**	9,848
		953,051	1,038,516
Total liabilities		**1,308,748**	1,094,135
Total equity and liabilities		**2,149,066**	1,913,378
Net current assets		**754,903**	427,502
Total assets less current liabilities		**1,196,015**	874,862

Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2005 Attributable to equity holders of the Company							
	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	Minority interest HK$'000	Total HK$'000
At 1 January 2005, as previously reported as equity	105,411	470,820	9,779	28,006	1,437	151,505	–	766,958
At 1 January 2005, as previously separately reported as minority interest	–	–	–	–	–	–	47,751	47,751
Adjustment for the adoption of HKAS 17	–	–	–	–	–	4,534	–	4,534
Opening adjustment for the adoption of HKAS 40	–	–	–	(28,006)	–	27,900	(47)	(153)
At 1 January 2005, as restated	105,411	470,820	9,779	–	1,437	183,939	47,704	819,090
Currency translation differences	–	–	–	–	68	–	26	94
Net income recognized directly in equity	–	–	–	–	68	–	26	94
Profit for the period	–	–	–	–	–	41,210	(749)	40,461
Acquisition of minority interest	–	–	–	–	–	–	(484)	(484)
Share of reserves of associates	–	–	–	–	131	–	–	131
Transfer to dividend payable	–	–	–	–	–	(18,974)	–	(18,974)
At 30 June 2005	105,411	470,820	9,779	–	1,636	206,175	46,497	840,318

Condensed Consolidated Statement of Changes in Equity *(continued)*

	Unaudited six months ended 30 June 2004							
	Attributable to equity holders of the Company							
	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*	Minority interest *HK$'000*	Total *HK$'000*
At 1 January 2004, as previously reported as equity	105,512	471,058	9,678	43,889	605	117,018	–	747,760
At 1 January 2004, as previously separately reported as minority interest	–	–	–	–	–	–	44,506	44,506
Adjustment for the adoption of HKSA 17	–	–	–	–	–	3,711	–	3,711
At 1 January 2004, as restated	105,512	471,058	9,678	43,889	605	120,729	44,506	795,977
Currency translation differences	–	–	–	–	(8)	–	2	(6)
Net income recognized directly in equity	–	–	–	–	(8)	–	2	(6)
Profit for the period	–	–	–	–	–	45,164	6,743	51,907
Share of reserves of associates	–	–	–	–	(130)	–	–	(130)
Reserves transferred to the income statement upon disposal of investment properties	–	–	–	(9,593)	–	–	(4,310)	(13,903)
Capital injection	–	–	–	–	–	–	84	84
Repurchase of shares	(101)	(242)	101	–	–	(101)	–	(343)
At 30 June 2004	105,411	470,816	9,779	34,296	467	165,792	47,025	833,586

Condensed Consolidated Cash Flow Statement

	Unaudited Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Net cash (used in)/generated from operating activities	**(300,198)**	195,233
Net cash (used in)/generated from investing activities	**(18,201)**	36,350
Net cash generated from/(used in) financing activities	**244,937**	(251,093)
Increase in pledged bank deposits	**(5)**	(21)
Net decrease in cash and cash equivalents	**(73,467)**	(19,531)
Cash and cash equivalents, beginning of the period	**262,930**	192,075
Cash and cash equivalents, end of the period	**189,463**	172,544
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**193,873**	172,544
Bank overdrafts	**(4,410)**	–
	189,463	172,544

NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed financial statements has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34, "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated financial statements should be read in conjunction with the 2004 annual financial statements.

The accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new/revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRS") which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in note 2 below.

2. Changes in accounting policies

(a) *Effect of adopting new HKFRS*

In 2005, the Group adopted the new HKFRS below, which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 40	Investment Property

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27, 28, 33, 36 and 38 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 16, 21, 23, 27, 28, 33, 36 and 38 had no material effect on the Group's policies.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to the reclassification of leasehold land and land use rights from property, plant and equipment to operating leases. The up-front prepayments made for the leasehold land and land use rights are expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement. In prior years, the leasehold land and land use rights was accounted for at cost less accumulated depreciation and accumulated impairment.

The adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to the classification of financial assets at fair value through profit or loss and available-for-sale financial assets.

2. Changes in accounting policies *(continued)*

(a) Effect of adopting new HKFRS (continued)

The adoption of revised HKAS 40 has resulted in a change in the accounting policy of which the changes in fair values are recorded in the income statement. In prior years, the increases in fair value were credited to the investment property revaluation reserve. Decreases in fair value were first set off against increases on earlier valuations on a portfolio basis and thereafter expensed in the income statement.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than:

– HKAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted at fair value prospectively only to future transactions.

– HKAS 39 – does not permit to recognize, derecognize and measure financial assets and liabilities in accordance with this standard on a retrospective basis. The Group applied the previous SSAP 24 "Accounting for investments in securities" to investments in securities for the 2004 comparative figures. The adjustments required for the accounting differences between SSAP 24 and HKAS 39 are determined and recognized at 1 January 2005.

– HKAS 40 – since the Group has adopted the fair value model, there is no requirement for the Group to restate the comparative figures, any adjustment should be made to the retained profit as at 1 January 2005, including the reclassification of any amount held in revaluation surplus for investment property.

(i) The adoption of revised HKAS 17 resulted in an increase in opening reserves at 1 January 2004 by HK$3,711,000:

	As at	
	30 June 2005	31 December 2004
	HK$'000	*HK$'000*
Decrease in property, plant and equipment	**78,985**	80,203
Increase in leasehold land and land use rights	**83,931**	84,737

	For the year ended 31 December 2004	**For the six months ended 30 June**	
		2005	2004
	HK$'000	***HK$'000***	*HK$'000*
Decrease in general and administrative expenses	823	**412**	412
Increase in basic earnings per share	0.08 HK cents	**0.04 HK cents**	0.04 HK cents
Increase in diluted earnings per share	0.08 HK cents	**N/A**	0.04 HK cents

2. Changes in accounting policies *(continued)*

(a) *Effect of adopting new HKFRS (continued)*

(ii) The adoption of HKAS 39 resulted in the following changes in assets:

	As at 30 June 2005 *HK$'000*
Increase in held-to-maturity investments	**29,694**
Increase in available-for-sale financial assets	**217**
Decrease in long term investments	**9,310**
Increase in financial assets at fair value through profit or loss	**86,908**
Decrease in short term investments	**28,934**
Increase in intangible assets	**1,293**

There was no impact on basic and diluted earnings per share from the adoption of HKAS 39.

(iii) The adoption of HKAS 40 resulted in a decrease in opening reserves at 1 January 2005 by HK$106,000 and the details of the adjustments to the balance sheet and income statement are as follows:

	As at 30 June 2005 *HK$'000*
Increase in property, plant and equipment	**30,020**
Increase in leasehold land and land use rights	**1,039**
Decrease in investment property	**31,739**
Decrease in investment property revaluation reserve	**27,993**
Decrease in deferred tax liability	**224**
Decrease in minority interest	**141**
Increase in retained profit	**27,678**

	For the six months ended 30 June 2005 *HK$'000*
Increase in general and administrative expenses	**482**
Decrease in basic earnings per share	**0.05 HK cents**
Decrease in diluted earnings per share	**0.05 HK cents**

(b) *New Accounting Policies*

The accounting policies used for the condensed consolidated financial statements for the six months ended 30 June 2005 are the same as those set out in note 2 to the 2004 annual financial statements except for the following:

Property, plant and equipment

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. Changes in accounting policies *(continued)*

(b) New Accounting Policies (continued)

Investments

From 1 January 2005 onwards, the Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments are held. Listed equity investments were redesignated as financial assets at fair value through profit or loss. Club debentures and other unlisted equity investments were redesignated as available-for-sale financial assets. Available-for-sale financial assets are included in non-current assets unless the Group intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognized on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investment securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

2. Changes in accounting policies *(continued)*

(b) New Accounting Policies (continued)

Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement.

3. Segment information

(a) Primary segment

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

	Unaudited Six months ended 30 June			
	2005		2004	
	External sales	**Internal segment sales**	External sales	Internal segment sales
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Turnover				
– Steel trading, warehousing and distribution	**1,614,738**	**29,050**	1,850,838	9,531
– Steel manufacturing and processing	**233,674**	**–**	247,017	–
– Property development and investment	**7,989**	**93**	9,135	94
– Others	**13,260**	**533**	20,339	963
	1,869,661	**29,676**	2,127,329	10,588
Inter-segment elimination	**–**	**(29,676)**	–	(10,588)
	1,869,661	**–**	2,127,329	–

3. Segment information *(continued)*

(a) Primary segment (continued)

	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000
Operating profit		
– Steel trading, warehousing and distribution	**17,238**	39,429
– Steel manufacturing and processing	**3,263**	24,070
– Property development and investment	**(1,635)**	15,701
– Others	**(212)**	(771)
	18,654	78,429
– Gain/(loss) on investments, net	**69,829**	(1,137)
– Unallocated expenses	**(20,042)**	(11,016)
	68,441	66,276

(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:

	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000
Turnover		
– Mainland China	**1,160,862**	1,665,915
– Hong Kong	**192,540**	164,465
– Asia (other than Mainland China and Hong Kong)	**440,995**	178,368
– Others	**75,264**	118,581
	1,869,661	2,127,329
Operating profit		
– Mainland China	**11,579**	65,689
– Hong Kong	**2,124**	7,325
– Asia (other than Mainland China and Hong Kong)	**4,229**	3,252
– Others	**722**	2,163
	18,654	78,429
– Gain/(loss) on investments, net	**69,829**	(1,137)
– Unallocated expenses	**(20,042)**	(11,016)
	68,441	66,276

4. Gain/(loss) on investments, net

	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000
Dividend income	**18**	91
Gain on disposal of investments	**–**	36
Interest income on held-to-maturity investments	**355**	–
Interest income on investments	**–**	285
Change in fair value of financial assets at fair value through profit or loss	**70,424**	–
Loss on disposal of financial assets at fair value through profit or loss	**(968)**	–
Net unrealised loss on investments	**–**	(1,549)
	69,829	(1,137)

5. Operating profit

	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000
Operating profit is stated after charging and crediting the following:		
After charging:		
Depreciation of property, plant and equipment	**5,927**	5,595
Amortisation of leasehold land and land use rights	**821**	806
Provision for doubtful debts	**6,000**	–
After crediting:		
Gain on disposal of property, plant and equipment	**–**	140

6. Finance costs

	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000
Interest on borrowings	**19,071**	17,954
Amortisation of deferred borrowing costs	**2,256**	662
	21,327	18,616

7. Income tax expense

	Unaudited Six months ended 30 June 2005 HK$'000	2004 HK$'000
Current taxation		
– Hong Kong profits tax	–	–
– Overseas taxation	49	1,786
	49	1,786
Under/(over) provision in prior years		
– Hong Kong profits tax	188	116
– Overseas taxation	–	(681)
	188	(565)
Deferred taxation relating to the origination and reversal of temporary differences	1,664	(2,600)
	1,901	(1,379)

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% (2004: 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% (2004: 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.

8. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to equity holders of the Company of approximately HK$41,210,000 (2004: HK$45,164,000) and the weighted average number of 1,054,114,459 (2004: 1,054,914,283) shares in issue during the period. The calculation of diluted earnings per share for the six months ended 30 June 2004 is based on the consolidated profit attributable to equity holders of the Company of approximately HK$45,164,000 and the weighted average number of 1,054,914,283 shares in issue during the period plus the weighted average number of 1,160,859 shares deemed to be issued at no consideration if all outstanding options had been exercised. No diluted earnings per share for the six months ended 30 June 2005 is presented as there were no potential dilutive ordinary shares in issue during such period.

9. Investment in associates

	Unaudited 30 June 2005 *HK$'000*	Audited 31 December 2004 *HK$'000*
Share of net assets		
– Unlisted shares	**36,522**	37,894
– Shares listed in Hong Kong	**9,887**	16,846
	46,409	54,740
Market value of listed shares	**364,639**	12,987

During the period, 80,000,000 shares in WorldMetal Holdings Limited of book value amounted to HK$2,061,000 were redesignated as financial assets at fair value through profit or loss.

10. Intangible assets

Intangible assets represents club memberships.

11. Financial assets at fair value through profits or loss

	Unaudited 30 June 2005 *HK$'000*
Equity securities	
– Listed in Hong Kong	**86,679**
– Listed outside Hong Kong	**229**
	86,908

12. 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:

	Unaudited 30 June 2005 *HK$'000*	Audited 31 December 2004 *HK$'000*
Within three months	**835,642**	909,195
Over three months but within six months	**193,088**	35,938
Over six months but within twelve months	**7,085**	306
Over twelve months	**135**	47
	1,035,950	945,486
Less: Provision for doubtful debts	**(6,000)**	–
	1,029,950	945,486

13. Share capital

	Unaudited Number of shares *'000*	*HK$'000*
Authorised		
Ordinary shares of HK$0.10 each	**1,800,000**	**180,000**
Issued and fully paid		
Ordinary shares of HK$0.10 each		
Beginning and end of period	**1,054,115**	**105,411**

14. Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	Unaudited 30 June 2005 ***HK$'000***	Audited 31 December 2004 *HK$'000*
Within three months	**225,191**	412,002
Over three months but within six months	**136,702**	–
Over six months but within twelve months	**618**	–
	362,511	412,002

15. Related party transactions

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

	Unaudited Six months ended 30 June **2005** ***HK$'000***	2004 *HK$'000*
Commission paid to an associate	**–**	1,155
Key management's emoluments	**13,871**	9,030

16. Events after the balance sheet date

80,000,000 shares in WorldMetal Holdings Limited of carrying amount of HK$76,000,000 as at 30 June 2005 included in the financial assets at fair value through profit or loss were disposed of at a total consideration of HK$103,200,000 in August 2005.

17. Comparative figures

For the adoption of the new HKFRS detailed in note 2 above, 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 2005 (2004: Nil).

BUSINESS REVIEW AND OUTLOOK

In the first half of the year, the steel industry went through major adjustments under the macroeconomic measures launched by China. The profitability of the steel business of the Group declined as compared to the corresponding period last year, for the business was affected by the highly volatile market price movement. However, the overall results were satisfactory due to the outstanding return of other investments.

Steel Business

During the period under review, the global steel market experienced a downturn. In particular, affected by a series of macroeconomic policies and measures launched by China, the market in the second quarter became over-sensitive and financial pressures were severe. The situation was exacerbated by factors like over-production of steel and oversupply of certain steel varieties. As a result, the price of steel slumped. Affected by the market circumstances, the international steel trading and the warehousing and distribution businesses of the Group declined as compared to the corresponding period of last year. At the moment, both the market and the price of steel products are stabilizing. In view of the sustained economic growth of China, the demand for raw materials and high technology and high value-added flat steel products, which otherwise could not be satisfied by domestic supply, would remain keen. Therefore, it is anticipated that the international steel trading and the warehousing and distribution businesses will remain stable in the second half of the year.

As for our steel manufacturing and processing business, the two plants of the Group in Dongguan performed differently. During the period under review, the metal processing industry in the Pearl River Delta was in decline, with unsatisfactory number of export orders, intensifying competition within the industry and decrease in profit margin. The output and efficiency of the steel pipe plant in Changan dropped while the performance of the steel coils processing centre in Dongcheng, Dongguan remained stable. In addition, since the Group had made a bad debt provision of HK$6,000,000, the profitability of the business was affected. Another plant, Yangzhou steel coil processing centre, which is under construction, will be completed and commence operation in October. By then, benefited from the state-of-the-art equipment, brilliant product mix and the local market demand, the new plant will become a new area of profit growth. The Group believes that due to the improvement of the market conditions and gradual increase of domestic and overseas orders, the overall performance of the processing business will improve in the second half of the year.

BUSINESS REVIEW AND OUTLOOK *(continued)*

Property Development and Investment

Times Square, the Group's property development in Jiangsu Province with an area of 68,800 square metres, has reached full occupancy. The integrated operation and management standards of the development have been improving and the development has gained a strong brand reputation. As a result of the sustained economic growth in Jiangsu Province, the rental level of newly entered and renewed leases has increased remarkably. The Group is confident that similar commercial premises in the Yangtze River Delta have great appreciation potential in the long run, and has discontinued its property sales at the current stage. It is envisaged that the project will continually generate stable rental return and opportunity for value creation for the Group.

Associated Corporation

During the period under review, WorldMetal Holdings Limited (stock code: 8161), an associated corporation of the Group, has formed a joint venture with Tabcorp Group of Australia, an internationally renowned gaming and entertainment group, with a plan to introduce advanced and well-developed lottery business expertise and technologies into China. The joint venture also entered into a Technical Cooperation Agreement with Beijing Lottery, a company under China Welfare Lottery Issuance and Administration Centre of the PRC which is a welfare lottery issuance and management authority in China. Pursuant to this agreement, the joint venture would provide the relevant software, central systems, terminals, and other technical support to assist Beijing Lottery in building and developing a nationwide unified platform for lottery operation suitable for use throughout the PRC. To expand the new business, WorldMetal Holdings Limited placed its shares at the price of HK$1.29 per share on 9 August 2005. The Group decreased its holding by 80,000,000 shares in the placing and realized approximately HK$94,000,000. At present, the Group holds 26.84% interest in WorldMetal Holdings Limited. The Group believes that, following the continuing development of welfare lottery industry in China and the launch of the above projects, the lottery business will generate satisfactory investment return for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity increased to HK$840,318,000 at 30 June 2005 from HK$819,243,000 at 31 December 2004. The cash and bank balances of the Group were approximately HK$195,272,000 (31 December 2004: HK$267,232,000) and the net current assets were approximately HK$754,903,000 (31 December 2004: HK$427,502,000) as at 30 June 2005.

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 2005 were 1.79 and 0.61 respectively (31 December 2004: 1.41 and 0.57 respectively).

LIQUIDITY AND FINANCIAL RESOURCES *(continued)*

In March 2005, the Group was granted a three-year syndicated loan amounted to US$39,000,000. The resultant bank borrowings of the Group at 30 June 2005 was approximately HK$827,693,000 (31 December 2004: HK$565,443,000). The maturity profile of the Group's bank borrowings, excluding the short-term loans on trade finance amounted to HK$400,711,000 (31 December 2004: HK$375,470,000), as at 30 June 2005 was as follows:

	As at	
	30 June 2005	31 December 2004
	HK$ million	*HK$ million*
Within one year	**100**	165
In the second year	**110**	4
In the third to fifth year	**215**	13
After the fifth year	**2**	8
	427	190

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

There has been no material change in the Group's contingent liabilities since 31 December 2004.

CAPITAL COMMITMENTS

As at 30 June 2005, the Group had capital commitments contracted but not provided amounted to approximately HK$26,803,000 in respect of the construction of the new Yangzhou steel coil processing centre and it will be financed by the internal fund.

CHARGE ON ASSETS

There has been no material change in the Group's charge on assets since 31 December 2004.

STAFF

As at 30 June 2005, the Group employed 659 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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2005.

DISCLOSURES PURSUANT TO RULE 13.21 OF THE LISTING RULES

(1) On 6 December 2002, On Smart Holdings Limited ("On Smart"), a wholly-owned subsidiary of the Company, had entered into a loan agreement (the "On Smart 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 "On Smart Facility"). The On Smart Loan Agreement included 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 On Smart Loan Agreement remain the single largest beneficial shareholder of the Company. A breach of such undertaking would constitute an event of default under the On Smart Facility, upon the occurrence of which all amounts outstanding and owing under the On Smart Facility should become immediately due and payable.

The On Smart Facility was fully repaid on 6 April 2005 and the above specific performance obligation cease to exist thereafter.

(2) On 1 March 2005, Fordwell Investment Limited ("Fordwell"), a wholly-owned subsidiary of the Company, entered into a facility agreement (the "Fordwell Facility Agreement") with a syndicate of financial institutions whereby Fordwell was granted a 3-year transferable term loan facility of up to US$39,000,000 (the "Fordwell Facility"). The Fordwell Facility Agreement includes an undertaking on procuring that the Chan Family shall remain as the combined single largest shareholder of the Company and own (directly or indirectly) in the aggregate 30% or more of the ordinary issued shares of the Company at all times during the term of the Fordwell Facility Agreement. A breach of such undertaking will constitute an event of default under the Fordwell Facility, upon the occurrence of which all amounts outstanding and owing under the Fordwell Facility may become immediately due and payable.

RESIGNATION OF DIRECTORS

Mr. YU Wing Keung, Dicky and Mr. SUN Ho resigned as Executive Directors of the Company, effective 11 April 2005 and 1 August 2005 respectively.

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

As at 30 June 2005, 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Interests in Shares

(A) The Company

	Number of ordinary shares				
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**Approximate percentage interest in the Company's issued share capital**
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%
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 *(Note 6)*	200,000	–	–	200,000	0.02%

Notes:

1. These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
2. 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.
3. 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.
4. These shares were owned by Mr. CHAN Shing.
5. 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.
6. Mr. SUN Ho resigned as an Executive Director of the Company, effective 1 August 2005.

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

Interests in Shares *(continued)*

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

Name of Director	Number of ordinary shares Personal interests	 Family interests	 Corporate interests	 Total	Approximate percentage interest in the issued share capital of WorldMetal
CHAN Shing	72,951,773	50,288,803 *(Note 1)*	485,746,308 *(Notes 2&3)*	608,986,884 *(Note 3)*	50.75%
LAU Ting	50,288,803	72,951,773 *(Note 4)*	485,746,308 *(Notes 2&3)*	608,986,884 *(Note 3)*	50.75%
TUNG Pui Shan, Virginia	3,183,610	5,500	255,200 *(Note 5)*	3,444,310	0.29%
KWOK Wai Lam	3,000,000	–	–	3,000,000	0.25%
YIN Mark	3,016,900	–	–	3,016,900	0.25%
SIT Hoi Tung	3,078,819	–	–	3,078,819	0.25%
SUN Ho *(Note 6)*	5,000,000	30,000	–	5,030,000	0.42%

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. 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.
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.
6. Mr. SUN Ho resigned as an Executive Director of the Company, effective 1 August 2005.

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

Interests in Shares *(continued)*

Save as otherwise disclosed above, as at 30 June 2005, 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 2005, 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:

1. 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.

2. 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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES *(continued)*

Interests in Shares *(continued)*

Save as disclosed above, as at 30 June 2005, 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.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") at the 2002 Annual General meeting of the Company held on 6 June 2002 in order to comply with the requirements of Chapter 17 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange.

No options had been granted, exercised nor cancelled since the adoption of the Scheme.

DISCLOSEABLE TRANSACTION – DISPOSAL OF INTEREST IN WORLDMETAL HOLDINGS LIMITED

On 9 August 2005, the Company, WorldMetal Holdings Limited ("WorldMetal") and Deutsche Bank AG, Hong Kong Branch as the placing agent entered into a placing agreement (the "Placing Agreement") whereby the placing agent agreed to place, on an underwritten basis, 80,000,000 existing ordinary shares (the "Placing Shares") of HK$0.01 each in the capital of WorldMetal ("WorldMetal Share") owned by the Company at a price of HK$1.29 per WorldMetal Share on behalf of the Company (the "Placing"). The estimated realised gain on the disposal of the Placing Shares by the Company is approximately HK$92,217,000.

The Placing Agreement is unconditional and completion of the Placing took place on 15 August 2005.

The Directors considered that the Placing provided an opportunity for the Company to realize its assets at a reasonable market price and the Directors intended to apply the proceeds as general working capital of the Group. The Placing constituted a discloseable transaction for the Company and a circular containing further details of the Placing had been dispatched to the shareholders of the Company on 31 August 2005.

AUDIT COMMITTEE

The Company has established an Audit Committee which comprises the three Independent Non-Executive Directors of the Company, Mr. CUI Shu Ming, Mr. SONG Yufang and Mr. HUANG Shenglan. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The unaudited interim financial statements of the Group for the six months ended 30 June 2005 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005, except for the following deviations:

– Code provision A2.1 stipulates that the roles of chairman and chief executive officer 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 officer. 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 A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  The Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company (the "Bye-laws"). The Directors have not been required by 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 provisions. 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.

CORPORATE GOVERNANCE *(continued)*

– Code provision B1.1 stipulates the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and a majority of the remuneration committee should be independent non-executive directors. The Company has not set up a remuneration committee during the period under review. Nevertheless, the staff (including Directors) remuneration policies have been set out in annual reports, which were received by shareholders in the general meetings and stipulated in the Directors' service contracts.

The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board consider appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by 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 2005.

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 26 September 2005

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, Ms. Tung Pui Shan, Virginia, Mr. Kwok Wai Lam, Mr. Yin Mark and Mr. Sit Hoi Tung as executive directors, Mr. Cui Shu Ming, Mr. Song Yufang and Mr. Huang Shenglan as independent non-executive directors and Mr. Sze Tsai Ping, Michael as non-executive director.