



Burwill Holdings Limited
寶威控股有限公司

(incorporated in Bermuda with limited liability)

Stock code : 24

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Interim Report **2007**



HIGHLIGHTS

- Total sales for the first half of this year increased by 31% to HK\$2.6 billion
- Gross profit for the first half of this year increased by 120% to HK\$85.47 million
- The sales of the core business in steel trading for the first half of this year increased by 39% to HK\$2.4 billion, achieving an operating profit of HK\$51.26 million
- Excluding the dilution gain resulted from the issue of new shares by an associated corporation in the first half of last year and this year, the net profit for the first half of this year increased by HK\$46.44 million, as compared with the corresponding period last year

**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 2007 as follows:

Condensed Consolidated Income Statement

		Unaudited	
		Six months ended 30 June	
		2007	2006
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Sales	2	2,607,512	1,988,158
Cost of sales		(2,522,038)	(1,949,253)
		<hr/>	<hr/>
Gross profit		85,474	38,905
Other gains, net	3	52,089	224,209
Selling and distribution expenses		(19,705)	(16,875)
General and administrative expenses		(40,766)	(37,932)
		<hr/>	<hr/>
Operating profit	2 & 4	77,092	208,307
Finance costs	5	(28,583)	(28,142)
Share of profit/(loss) of associates		3,349	(1,522)
		<hr/>	<hr/>
Profit before taxation		51,858	178,643
Taxation	6	(1,358)	(591)
		<hr/>	<hr/>
Profit for the period		50,500	178,052
		<hr/>	<hr/>
Attributable to:			
Equity holders of the Company		51,229	178,501
Minority interests		(729)	(449)
		<hr/>	<hr/>
		50,500	178,052
		<hr/>	<hr/>
Earnings per share for profit attributable to the equity holders of the Company during the period – basic	7	4.93 HK Cents	17.29 HK Cents
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Condensed Consolidated Balance Sheet

		Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
	Notes		
ASSETS			
Non-current assets			
Leasehold land and land use rights		81,778	82,568
Property, plant and equipment		108,184	105,746
Investment properties		244,644	237,857
Intangible assets		188	188
Investments in associates	8	427,927	356,624
Available-for-sale financial assets		1,509	7,772
Other receivables		61	181
Deferred tax assets		9,575	9,673
		<u>873,866</u>	<u>800,609</u>
Current assets			
Inventories		193,517	157,742
Properties held for sale		30,307	29,398
Financial assets at fair value through profit or loss		7,344	10,076
Bills and accounts receivable	9	920,834	1,082,091
Deposits, prepayments and other receivables		119,489	97,097
Due from associates		3,178	1,050
Pledged bank deposits		716	839
Other cash and bank balances		336,159	275,156
		<u>1,611,544</u>	<u>1,653,449</u>
Total assets		<u><u>2,485,410</u></u>	<u><u>2,454,058</u></u>

**Condensed Consolidated Balance Sheet** (continued)

		Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
	Notes		
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	111,213	103,213
Other reserves		625,426	503,297
Retained profits		405,159	353,930
		1,141,798	960,440
Minority interests		44,151	43,779
Total equity		1,185,949	1,004,219
LIABILITIES			
Non-current liabilities			
Borrowings		54,851	127,261
Deferred tax liabilities		45,216	42,899
		100,067	170,160
Current liabilities			
Borrowings		597,022	538,974
Due to associates		20,351	22,787
Bills and accounts payable	11	509,790	648,995
Other payables and accruals		72,231	68,661
Taxation payable		–	262
Total current liabilities		1,199,394	1,279,679
Total liabilities		1,299,461	1,449,839
Total equity and liabilities		2,485,410	2,454,058
Net current assets		412,150	373,770
Total assets less current liabilities		1,286,016	1,174,379

**Condensed Consolidated Statement of Changes in Equity**

	Unaudited Six months ended 30 June 2006 Attributable to equity holders of the Company				
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2006	103,213	487,006	235,514	49,505	875,238
Currency translation differences	–	(92)	–	(147)	(239)
Profit for the period	–	–	178,501	(449)	178,052
Total recognised income for the period	–	(92)	178,501	(596)	177,813
Share of reserves of associates	–	1,951	–	–	1,951
Capital injection	–	–	–	144	144
Acquisition of additional equity interests of a subsidiary	–	–	–	(3,530)	(3,530)
Dividend of a subsidiary	–	–	–	(5,762)	(5,762)
Dividend payable	–	–	(30,964)	–	(30,964)
At 30 June 2006	<u>103,213</u>	<u>488,865</u>	<u>383,051</u>	<u>39,761</u>	<u>1,014,890</u>

	Unaudited Six months ended 30 June 2007 Attributable to equity holders of the Company				
	Share capital HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 January 2007	103,213	503,297	353,930	43,779	1,004,219
Currency translation differences	–	7,111	–	1,101	8,212
Profit for the period	–	–	51,229	(729)	50,500
Total recognised income for the period	–	7,111	51,229	372	58,712
Share of reserves of associates	–	6,440	–	–	6,440
Fair value loss of available-for-sale financial assets	–	(1,117)	–	–	(1,117)
Issue of shares	8,000	112,000	–	–	120,000
Share issue expenses	–	(2,305)	–	–	(2,305)
At 30 June 2007	<u>111,213</u>	<u>625,426</u>	<u>405,159</u>	<u>44,151</u>	<u>1,185,949</u>



Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net cash used in operating activities	(22,723)	(31,677)
Net cash (used in)/generated from investing activities	(9,097)	49,542
Net cash generated from/(used in) financing activities	92,088	(34,227)
Decrease/(increase) in pledged bank deposits	123	(6)
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	60,391	(16,368)
Cash and cash equivalents at 1 January	275,156	200,193
Effect of exchange rate changes	612	–
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	336,159	183,825
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	336,159	186,342
Bank overdrafts	–	(2,517)
	<hr/>	<hr/>
	336,159	183,825
	<hr/> <hr/>	<hr/> <hr/>



NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 31 December 2006.

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the financial statements for the year ended 31 December 2006, except that the Group has adopted the following new standards, amendments to standards and interpretations which are mandatory for financial year ending 31 December 2007 and are relevant to its operations.

HKAS 1 (Amendment)	Presentation of Financial Statements
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of such standards, amendments or interpretations has no significant effect on these financial statements.

The following new standards and interpretation that are not yet effective and have not been early adopted by the Group:

HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transactions

2. Segment information

(a) Primary reporting format – business segments

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.

Turnover recognised during the six months period is as follows:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Sale of goods	2,592,839	1,971,058
Sale of properties held for sale	–	3,534
Rental income	6,055	5,877
Service income	8,618	7,689
	<u>2,607,512</u>	<u>1,988,158</u>

**2. Segment information** (continued)

(a) Primary reporting format – business segments (continued)

The segment results are as follows:

	Unaudited Six months ended 30 June 2006					
	Steel trading, warehousing and distribution HK\$'000	Steel manufacturing and processing HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Total segment sales	1,751,171	232,122	9,506	9,800	–	2,002,599
Inter-segment sales	(14,180)	–	(261)	–	–	(14,441)
Sales	<u>1,736,991</u>	<u>232,122</u>	<u>9,245</u>	<u>9,800</u>	<u>–</u>	<u>1,988,158</u>
Operating profit/(loss)	(2,557)	2,071	1,001	(566)	208,358	208,307
Finance costs						(28,142)
Share of loss of associates						(1,522)
Profit before taxation						178,643
Taxation						(591)
Profit for the period						<u>178,052</u>

	Unaudited Six months ended 30 June 2007					
	Steel trading, warehousing and distribution HK\$'000	Steel manufacturing and processing HK\$'000	Property development and investment HK\$'000	Others HK\$'000	Unallocated HK\$'000	Total HK\$'000
Total segment sales	2,420,731	170,920	6,176	9,998	–	2,607,825
Inter-segment sales	–	–	(121)	(192)	–	(313)
Sales	<u>2,420,731</u>	<u>170,920</u>	<u>6,055</u>	<u>9,806</u>	<u>–</u>	<u>2,607,512</u>
Operating profit/(loss)	51,255	(8,310)	1,579	198	32,370	77,092
Finance costs						(28,583)
Share of profit of associates						3,349
Profit before taxation						51,858
Taxation						(1,358)
Profit for the period						<u>50,500</u>



2. Segment information (continued)

(b) Secondary reporting format – geographical segments

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Sales (by location of customers)		
– Mainland China	776,765	993,339
– Hong Kong	66,869	–
– Asia (other than Mainland China and Hong Kong)	834,800	770,632
– Europe	487,459	224,187
– Middle East	323,949	–
– Others	117,670	–
	<u>2,607,512</u>	<u>1,988,158</u>

3. Other gains, net

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Net fair value gain on financial assets at fair value through profit or loss	6,822	4,278
Interest income:		
– on bank deposits	2,032	1,223
– on financial assets	–	592
– on other receivables	572	877
Dividend income	5	632
	<u>9,431</u>	<u>7,602</u>
Investment income	9,431	7,602
Net gain on disposals of property, plant and equipment	240	85
Dilution gain in an associate (Note)	38,852	212,842
Others	3,566	3,680
	<u>52,089</u>	<u>224,209</u>

Note: The Group's equity interest in China LotSynergy Holdings Limited was diluted from 21.75% to 20.64% as a result of the issue of new shares of China LotSynergy Holdings Limited during the period. In this connection, the Group recognised a dilution gain.



4. Operating profit

Operating profit is stated after charging and crediting the following:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	4,920	5,561
Amortisation of prepaid operating lease payments	822	905
Operating lease rentals	4,073	5,142
Provision for impairment of receivables	1,750	–
Net exchange loss/(gain)	626	(435)
	<u> </u>	<u> </u>

5. Finance costs

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Interest on:		
– Bank borrowings repayable within five years	28,274	27,622
– Other loans	101	94
– Finance lease liabilities	208	426
	<u> </u>	<u> </u>
	<u>28,583</u>	<u>28,142</u>

6. Taxation

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 Acts of the British Virgin Islands or the BVI Business Companies Act 2004 and, accordingly, are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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% (2006: 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. Taxation (continued)

The amount of taxation recognised in the condensed income statement represents:

	Unaudited	
	Six months ended 30 June	
	2007	2006
	HK\$'000	HK\$'000
Current taxation		
– Mainland China taxation	59	32
Under provision in prior years		
– Mainland China taxation	158	88
Deferred taxation	1,141	471
	1,358	591

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately HK\$51,229,000 (2006: HK\$178,501,000) by the weighted average number of 1,038,758,293 (2006: 1,032,128,459) ordinary shares in issue during the period.

The diluted earnings per share for the periods ended 30 June 2006 and 2007 are not presented because the Company has no dilutive potential ordinary shares.

8. Investments in associates

	Unaudited
	HK\$'000
As at 1 January 2007	356,624
Share of associates' results	3,349
	359,973
Share of reserves of associates	6,440
Additions	22,662
Dilution gain in an associate	38,852
As at 30 June 2007	427,927



9. 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. Rentals in respect of leased properties is payable by the tenants on a monthly basis.

Ageing analysis of bills and accounts receivable is as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within three months	692,283	1,071,436
Over three months but within six months	226,218	4,686
Over six months but within twelve months	185	168
Over twelve months	9,898	11,801
	928,584	1,088,091
Less: Provision for impairment of receivables	(7,750)	(6,000)
	920,834	1,082,091

10. Share capital

	Unaudited Number of shares '000	HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2007 and 30 June 2007	1,800,000	180,000
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2007	1,032,129	103,213
New issue of shares (<i>Note</i>)	80,000	8,000
As at 30 June 2007	1,112,129	111,213

Note: Pursuant to the placing and subscription agreement dated 1 June 2007 and the supplemental agreement dated 4 June 2007, the Company allotted and issued a total of 80,000,000 new shares of the Company at a subscription price of HK\$1.50 each.



11. Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	Unaudited 30 June 2007 HK\$'000	Audited 31 December 2006 HK\$'000
Within three months	<u>509,790</u>	<u>648,995</u>

12. Related party transactions

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

	Unaudited Six months ended 30 June 2007 HK\$'000	2006 HK\$'000
Rental income received from associates	208	165
Service income received from an associate	168	159
Sale of financial assets to an associate	800	–
Sales to an associate	627	–
Acquisition of intangible assets from an associate	–	100
Key management compensation	<u>10,333</u>	<u>10,174</u>

13. Post balance sheet event

Pursuant to the agreement dated 7 July 2007 entered into between HPT Industries, Inc. and Burwill Minerals Limited, a wholly-owned subsidiary of the Company, Burwill Minerals Limited agreed with HPT Industries, Inc. to establish a joint venture company in Manila, the Philippines for the purpose of developing the commercial exploration and exploitation of nickel oxide in a nickel mining district in the Province of Palawan, the Philippines.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).



BUSINESS REVIEW AND OUTLOOK

The Group has achieved satisfactory results for the first half of 2007, particularly in its core business – international steel trading, and recorded a turnover of HK\$2.6 billion, representing a growth of 31% as compared with the corresponding period last year. The overall gross profit increased by 120% to HK\$85.47 million and the net profit amounted to HK\$50.50 million.

Excluding the dilution gain resulted from the issue of new shares by an associated corporation of the Group in the first half of last year and this year, the net profit of the Group for the first half of the year increased by HK\$46.44 million, as compared with the same period last year.

Steel Business

International Steel Trading

The Group strived to maintain its strength on the businesses in the import of iron ore and high-end downstream flat products to China and at the same time made a good progress in the expansion of its export business of China steel products to overseas market. The turnover increased by 39% to approximately HK\$2.4 billion as compared with the corresponding period last year, achieving an operating profit of HK\$51.26 million.

During the period under review, the global demand for steel in the major consumption markets remained keen and steel products from China enjoyed a pricing advantage. Despite a series of policies and measures taken by the Chinese Government on the export of steel products, such as reducing the tax rebate and increasing the custom duty, the Group's steel export business still maintained a strong momentum in the first half of the year. On the other hand, leveraging on its long established business relationship with certain large-to-medium steel mills in China, which allowed the Group to secure steady supplies for export, the Group maintained a steady growth in its core business in the international steel trading.

In order to strengthen its overseas sales network, the Group had entered into new cooperation agreements with its trading partners in Europe, Middle East and North America and had either set up new representative offices or appoint business representatives in Spain, Italy, Turkey, United Arab Emirates and India. The Group started to consolidate its procurement of the various overseas resources and had successfully established procurement connections with several overseas mills and started some non-China bilateral trades. The strengthening of the Group's overseas trading network had widened the geographic coverage for its steel exports, bringing more stable income for the Group.

It is expected that the market demand for steel in the second half of 2007 will remain strong. The export policies in China will inevitably impact the export amount of the China steel products in short term, however, in the long run, the export of the China steel products will retain its competitive advantage. Thus, whilst the Group continues to well maintain its PRC import/export trading business, it will strive to expand its overseas sales network and further develop non-China bilateral trades to maintain a healthy and well-balanced development of the business.



BUSINESS REVIEW AND OUTLOOK *(continued)*

Steel Business *(continued)*

Exploration of Mineral Resources

The Group had entered into an agreement with HPT Industries, Inc. in the Philippines, for the purpose of developing the commercial exploration and exploitation of nickel oxide in a mining site of approximately 63.5 square kilometers in the Province of Palawan, the Philippines. In early September, the Group had engaged experts from China Huadong Metallurgical Geological Exploration Bureau to the Philippines to commence pre-exploration work. The project represents the first move for the Group to tap into the business of investment in natural resources and its related exploration and exploitation.

The Philippines is a major supplier of nickel ore to China. In 2006, 90% of the China imported nickel ore were from the Philippines. The Group will be benefited from developing the nickel resources in the Philippines by way of securing a stable supply of the upstream resources.

Further, the Group had entered into a letter of intent with the Institute of Geology and Geophysics, Chinese Academy of Sciences on the cooperation in mining exploration, extraction and investment in China and overseas. This intent of cooperation will bring synergy to the Group's exploration of mineral resources. Not only that the Group has gained the technical support in areas like mineral resources exploration, but it has also allowed the Group to obtain the right of first refusal to participating in relevant mining projects.

As the major part of the long term development strategies for the Group's steel business, the Group will continue to make investments in natural mineral resources and engage in its related exploration, exploitation, downstream processing and sales business in the future five years. Currently, the Group is actively exploring other investment opportunities involving precious metal resources such as nickel, chromium and copper.

Steel Processing Business

During the period under review, the operating performance of the steel processing plant located in Jiangsu Province, a joint venture between the Group and Maanshan Iron & Steel Company Limited, was satisfactory. The second phase expansion plan is expected to be completed, and operations will be commenced, in the fourth quarter of this year, at which the sales and production capacity will be in multi-folds, and profitability is expected to be significantly enhanced.



BUSINESS REVIEW AND OUTLOOK *(continued)*

Steel Business *(continued)*

Steel Processing Business (continued)

And, as for the Group's two steel processing plants in Dongguan, despite the implementation of measures for reducing cost and reinforcing its management, due to the many adverse factors such as the intense market competition, increasing cost, reduction of tax rebate in China, the turnover declined to approximately HK\$170 million, representing a decrease of approximately 26% as compared to the corresponding period last year, and recorded an operating loss of HK\$8.31 million for the period. To improve the operating performances, in the second half of the year, the two plants plan to employ and adopt a more aggressive approach in its marketing strategies and will steadily expand domestic sales and processing business with Renminbi settlement.

Property Investment

Yangzhou Times Square, the Group's property development in China, continued to enjoy full occupancy. Rental level and brand class of tenants are in the uptrend, along with an increasing domestic consumer spending. As a quality Renminbi asset of the Group, the Group will hold it as a long-term investment and expects that it will bring stable rental returns and asset appreciation to the Group.

Long-term Investment – Lottery Business of Associated Corporation

China LotSynergy Holdings Limited (Stock code: 8161) ("China LotSynergy"), an associated corporation of the Group which is listed on the Growth Enterprise Market of the Hong Kong Stock Exchange, is principally engaged in the investment, project development and the provision of technologies and equipment and consultancy services in public welfare lottery business and related sectors. During the period under review, China LotSynergy had made substantial progress in welfare lottery related business in China with a turnover of HK\$103 million.

The Group believes that with the continuing development of welfare lottery in China and the progression of its various projects in the lottery related business, China LotSynergy will bring satisfactory investment returns to the Group in the long run. For further details of the financial results and business outlook of China LotSynergy, please refer to its 2007 interim report or visit their website at www.chinalotsynergy.com.



LIQUIDITY AND FINANCIAL RESOURCES

To broaden the Group's capital base, the Company allotted 80,000,000 shares at a subscription price of HK\$1.50 per share in June this year, receiving net proceeds of approximately HK\$118,000,000. The issue of shares enhanced the capital structure of the Group. As at 30 June 2007, the Group's total equity increased to HK\$1,185,949,000 and the gearing ratio, as a ratio of total liabilities to total assets, decreased to 0.52.

As at 30 June 2007, the Group had cash and bank balances of approximately HK\$336,875,000 and the current ratio, as a ratio of current assets to current liabilities, was 1.34.

As at 30 June 2007, the total bank borrowings of the Group was approximately HK\$640,000,000 and their maturity profile was as follows:

	<i>HK\$ million</i>
Within one year	594
In the second year	20
In the third to fifth year	26
	<hr/>
	640
	<hr/> <hr/>

All the Group's bank borrowings were denominated in Hong Kong Dollar, US Dollar and Renminbi, bearing interest at prevailing market rates.

FOREIGN EXCHANGE RISK EXPOSURE

The Group considers that its operations are of minimal exchange risk as its receipts, payments, assets and liabilities are mainly denominated in HK dollar, US dollar and Renminbi. Forward exchange contracts are used for hedging purposes when required.

As at 30 June 2007, the Group had outstanding forward foreign currency exchange contracts to buy a maximum amount of US\$21,600,000 at the exchange rates ranging from 7.718 to 7.735.

CONTINGENT LIABILITIES

There has been no material change in the Group's contingent liabilities since 31 December 2006.



CAPITAL COMMITMENTS

As at 30 June 2007, the Group had no capital commitments.

CHARGE ON ASSETS

There has been no material change in the Group's charge on assets since 31 December 2006.

STAFF

As at 30 June 2007, the Group employed 621 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, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

On 1 March 2005, Fordwell Investment Limited ("Fordwell"), a wholly-owned subsidiary of the Company, entered into a facility agreement (the "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 "Facility"). The Facility 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, 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 Facility Agreement. 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 may become immediately due and payable.



PLACING OF SHARES

Pursuant to the placing and subscription agreement dated 1 June 2007 and the supplemental agreement dated 4 June 2007, the Company allotted and issued a total of 80,000,000 new shares of the Company at a subscription price of HK\$1.50 each to Hang Sing Overseas Limited as the vendor on 15 June 2007, following the completion of the placing of a total of 80,000,000 existing shares to the three placees, Credit Suisse (Hong Kong) Limited, Keywise Greater China Master Fund and Legg Mason International Equities (Singapore) Pte Limited, at a placing price of HK\$1.50 each (the "2007 Top-up Placing"). The closing price per share on 1 June 2007 (being the last trading day prior to the entering into of the placing and subscription agreement) as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$1.69 and the net price of shares issued by the Company was approximately HK\$1.4774 each. The Company raised a net proceeds of approximately HK\$118,000,000 through the 2007 Top-up Placing and the fund was/will be used for general working capital purposes and for investments in ore companies.

The above subscription shares were issued pursuant to the general mandate to allot, issue and deal with shares granted to the directors of the Company by resolution of the shareholders at the annual general meeting of the Company held on 28 May 2007.



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

As at 30 June 2007, 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	31,431,472	21,776,072 (Note 1)	438,304,701 (Notes 2&3)	491,512,245 (Note 3)	44.20%
SIT Hoi Tung	1,576,382	-	-	1,576,382	0.14%
LAU Ting	21,776,072	31,431,472 (Note 4)	438,304,701 (Notes 2&3)	491,512,245 (Note 3)	44.20%
TUNG Pui Shan, Virginia	7,861,996	110,000	5,104,000 (Note 5)	13,075,996	1.18%

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.
- As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are deemed to be the interests of each other, the figures referred to the same shares.
- These 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.

**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 – China LotSynergy Holdings Limited (“China LotSynergy”)*

Name of Director	Number of ordinary shares of HK\$0.01 each				Approximate percentage interest in the issued share capital of China LotSynergy
	Personal interests	Family interests	Corporate interests	Total	
CHAN Shing	72,951,773	52,288,803 <i>(Note 1)</i>	407,404,308 <i>(Notes 2&3)</i>	532,644,884 <i>(Note 3)</i>	28.52%
SIT Hoi Tung	2,778,819	–	–	2,778,819	0.15%
LAU Ting	52,288,803	72,951,773 <i>(Note 4)</i>	407,404,308 <i>(Notes 2&3)</i>	532,644,884 <i>(Note 3)</i>	28.52%
TUNG Pui Shan, Virginia	2,113,610	5,500	255,200 <i>(Note 5)</i>	2,374,310	0.13%
KWOK Wai Lam	2,200,000	–	–	2,200,000	0.12%
YIN Mark	1,016,900	–	–	1,016,900	0.05%

Notes:

- These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
- 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. 385,489,074 shares were held by the Company.
- As the interests of each of Mr. CHAN Shing and Ms. LAU Ting are deemed to be the interests of each other, the figures referred to the same shares.
- These shares were owned by Mr. CHAN Shing.
- 255,200 shares were owned by Focus Cheer, a company which is wholly-owned by Ms. TUNG Pui Shan, Virginia.

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES***(continued)***(2) Interests in Share Options of China LotSynergy Holdings Limited**

Name of Director	Date of grant	Exercise period	Number of ordinary shares of China LotSynergy of HK\$0.01 each to be issued upon exercise of the share options	Exercise price per China LotSynergy share HK\$
CHAN Shing	1/9/2005	31/10/2005 – 30/10/2007	1,000,000	1.96
	8/6/2006	08/06/2007 – 07/06/2011	600,000	1.22
LAU Ting	1/9/2005	31/10/2005 – 30/10/2007	1,000,000	1.96
	8/6/2006	08/06/2007 – 07/06/2011	600,000	1.22
HUANG Shenglan	1/9/2005	31/10/2005 – 30/10/2007	1,000,000	1.96
	8/6/2006	08/06/2007 – 07/06/2011	600,000	1.22

Save as otherwise disclosed above, as at 30 June 2007, 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 2007, 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	20.36%	1
Orient Strength	Corporate interest	226,403,853	20.36%	1
Zhong Shan Company Limited	Corporate interest	226,403,853	20.36%	1
Superior Quality Assets Limited	Corporate interest	226,403,853	20.36%	1
Strong Purpose	Beneficiary	211,900,848	19.05%	2
Kingston Finance Limited	Security interest	100,000,000	8.99%	3
Bonaire International Limited	Trustee	79,644,000	7.16%	-



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

Interests in Shares *(continued)*

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.
3. 51% of the issued share capital of Kingston Finance Limited ("Kingston") was owned by Ms. CHU Yuet Wah, and 49% of the issued share capital of Kingston was owned by Ms. MA Siu Fong. Apart therefrom, Mr. LEE Wai Man, the spouse of Ms. MA Siu Fong, has a beneficial interest in 17,000,000 shares.

Save as disclosed above, as at 30 June 2007, 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

No options had been granted, exercised nor cancelled since the adoption of the share option scheme pursuant to the ordinary resolution of the then shareholders of the Company passed on 6 June 2002.

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 2007 have been reviewed by the Audit Committee.



REMUNERATION COMMITTEE

The Company has established a Remuneration Committee which comprises an Executive Director and the Deputy General Manager, Mr. SIT Hoi Tung, and two Independent Non-Executive Directors, Mr. CUI Shu Ming and Mr. HUANG Shenglan. The Remuneration Committee is responsible for considering and reviewing the terms of service contracts of the Directors and the senior management of the Company.

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the six months ended 30 June 2007, except for the following deviations:

- Code provision A.1.1 stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation, either in person or through other electronic means of communication, of a majority of directors entitled to be present. As the Company did not announce its quarterly results, one regular board meeting was held during the period for reviewing and approving the annual results of the Group for the year of 2006, which the relevant Code provision had not been fully complied with. Board meetings will be held on other occasions when board decisions are required.
- Code provision A.2.1 stipulates that the roles of chairman and chief executive 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.



CORPORATE GOVERNANCE *(continued)*

- Code provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A.4.2 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.

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 OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Listing Rules as its code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2007.

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 18 September 2007

As at the date of this report, the Board of Directors of the Company comprises Mr. Chan Shing, Mr. Sit Hoi Tung, Mr. Yang Da Wei, Ms. Lau Ting, Ms. Tung Pui Shan, Virginia, Mr. Kwok Wai Lam and Mr. Yin Mark 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.