



**Burwill** Holdings Limited

寶威控股有限公司

(incorporated in Bermuda with limited liability)

Stock code : 24



Interim Report

2008



## **HIGHLIGHTS**

- Total sales increased by 54% to approximately HK\$4.02 billion when compared with the corresponding period last year
- Gross profit increased by 161% to approximately HK\$223 million when compared with the corresponding period last year
- Operating profit of core steel business increased by 304% to approximately HK\$174 million when compared with the corresponding period last year
- Profit attributable to equity holders increased by 49% to approximately HK\$76.4 million when compared with the corresponding period last year



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 2008 as follows:

### Condensed Consolidated Income Statement

		<b>Unaudited</b>	
		<b>Six months ended 30 June</b>	
		<b>2008</b>	<b>2007</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Sales</b>	2	<b>4,024,848</b>	2,607,512
Cost of sales		<b>(3,801,381)</b>	(2,522,038)
<b>Gross profit</b>		<b>223,467</b>	85,474
Other (losses)/gains, net	3	<b>(46,074)</b>	52,089
Selling and distribution expenses		<b>(34,863)</b>	(19,705)
General and administrative expenses		<b>(34,684)</b>	(40,766)
<b>Operating profit</b>	2 & 4	<b>107,846</b>	77,092
Finance costs	5	<b>(28,215)</b>	(28,583)
Share of profit of associates		<b>451</b>	3,349
<b>Profit before taxation</b>		<b>80,082</b>	51,858
Taxation	6	<b>(2,814)</b>	(1,358)
<b>Profit for the period</b>		<b>77,268</b>	50,500
Attributable to:			
Equity holders of the Company		<b>76,396</b>	51,229
Minority interests		<b>872</b>	(729)
		<b>77,268</b>	50,500
Earnings per share for profit attributable to the equity holders of the Company during the period	7		
– basic and diluted		<b>6.87 HK Cents</b>	4.93 HK Cents

**Condensed Consolidated Balance Sheet**

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2008</b>	2007
<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Leasehold land and land use rights	<b>80,239</b>	81,001
Property, plant and equipment	<b>102,973</b>	105,210
Investment properties	<b>301,292</b>	286,501
Intangible assets	<b>170</b>	170
Investments in associates	<b>471,784</b>	475,321
Available-for-sale financial assets	<b>1,509</b>	1,509
Other receivables	<b>635</b>	–
Deferred tax assets	<b>8,176</b>	10,722
	<hr/> <b>966,778</b>	<hr/> 960,434
Total non-current assets		
<b>Current assets</b>		
Inventories	<b>213,040</b>	167,340
Properties held for sale	<b>33,407</b>	31,611
Financial assets at fair value through profit or loss	<b>30,280</b>	48,610
Bills and accounts receivable	<b>957,680</b>	894,707
Deposits, prepayments and other receivables	<b>224,302</b>	134,679
Due from associates	<b>4,193</b>	4,032
Pledged bank deposits	<b>628</b>	750
Other cash and bank balances	<b>424,793</b>	394,028
	<hr/> <b>1,888,323</b>	<hr/> 1,675,757
Total current assets		
<b>Total assets</b>	<hr/> <b>2,855,101</b>	<hr/> 2,636,191

**Condensed Consolidated Balance Sheet (continued)**

		<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
	<i>Notes</i>		
<b>EQUITY</b>			
Capital and reserves attributable to the Company's equity holders			
Share capital	10	<b>111,153</b>	111,213
Other reserves		<b>670,451</b>	644,300
Retained profits		<b>516,573</b>	440,237
		<b>1,298,177</b>	1,195,750
Minority interests		<b>60,517</b>	56,218
Total equity		<b>1,358,694</b>	1,251,968
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>149,250</b>	44,376
Deferred tax liabilities		<b>43,827</b>	42,552
Total non-current liabilities		<b>193,077</b>	86,928
<b>Current liabilities</b>			
Borrowings		<b>695,374</b>	642,030
Due to associates		<b>24,318</b>	24,906
Bills and accounts payable	11	<b>346,832</b>	529,078
Other payables and accruals		<b>236,668</b>	100,998
Taxation payable		<b>138</b>	283
Total current liabilities		<b>1,303,330</b>	1,297,295
Total liabilities		<b>1,496,407</b>	1,384,223
<b>Total equity and liabilities</b>		<b>2,855,101</b>	2,636,191
<b>Net current assets</b>		<b>584,993</b>	378,462
<b>Total assets less current liabilities</b>		<b>1,551,771</b>	1,338,896

**Condensed Consolidated Statement of Changes in Equity**

Unaudited six months ended 30 June 2007  
Attributable to equity holders  
of the Company

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
Issue of shares	8,000	112,000	-	-	120,000
Share issue expenses	-	(2,305)	-	-	(2,305)
Share of reserves of associates	-	6,440	-	-	6,440
Fair value loss of available-for-sale financial assets	-	(1,117)	-	-	(1,117)
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>

Unaudited six months ended 30 June 2008  
Attributable to equity holders of the Company

	Share capital <i>HK\$'000</i>	Other reserves <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2008	111,213	644,300	440,237	56,218	1,251,968
Currency translation differences	-	17,963	-	3,351	21,314
Profit for the period	-	-	76,396	872	77,268
Total recognised income for the period	-	17,963	76,396	4,223	98,582
Repurchase of shares	(60)	(246)	(60)	-	(366)
Share of reserves of associates	-	8,434	-	-	8,434
Capital injection	-	-	-	76	76
At 30 June 2008	<u>111,153</u>	<u>670,451</u>	<u>516,573</u>	<u>60,517</u>	<u>1,358,694</u>



## Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net cash used in operating activities	<b>(167,520)</b>	(22,723)
Net cash used in investing activities	<b>(52,222)</b>	(9,097)
Net cash generated from financing activities	<b>154,627</b>	92,088
Decrease in pledged bank deposits	<b>122</b>	123
	<hr/>	<hr/>
(Decrease)/increase in cash and cash equivalents	<b>(64,993)</b>	60,391
Cash and cash equivalents at 1 January	<b>283,461</b>	275,156
Effect of exchange rate changes	<b>6,494</b>	612
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b>224,962</b>	336,159
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>224,962</b>	336,159
	<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 2007.

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 2007, except that the Group has adopted the following new interpretation which is mandatory for financial year ending 31 December 2008 and are relevant to its operations.

HK(IFRIC)-Int 11                      HKFRS 2-Group and Treasury Share Transactions

The adoption of such interpretation has no significant effect on these financial statements.

The following standards, amendments and interpretation that are not yet effective and have not been early adopted by the Group.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKFRS 8	Operating Segments
HK(IFRIC)-Int 13	Customer Loyalty Programmes

### 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:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Sale of goods	<b>4,006,777</b>	2,592,839
Rental income	<b>7,425</b>	6,055
Service income	<b>10,646</b>	8,618
	<b>4,024,848</b>	2,607,512





## 2. Segment information (continued)

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

The segment results are as follows:

	Unaudited Six months ended 30 June 2007					Total HK\$'000
	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 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>

	Unaudited Six months ended 30 June 2008					Total HK\$'000
	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 segment sales	3,694,570	312,622	7,542	10,616	–	4,025,350
Inter-segment sales	(160)	–	(117)	(225)	–	(502)
Sales	<u>3,694,410</u>	<u>312,622</u>	<u>7,425</u>	<u>10,391</u>	<u>–</u>	<u>4,024,848</u>
Operating profit/(loss)	145,516	28,026	3,736	126	(69,558)	107,846
Finance costs						(28,215)
Share of profit of associates						451
Profit before taxation						80,082
Taxation						(2,814)
Profit for the period						<u>77,268</u>



## 2. Segment information (continued)

### (b) Secondary reporting format – geographical segments

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Sales (by location of customers)		
– Asia (other than Mainland China and Hong Kong)	1,688,228	834,800
– Mainland China	1,328,089	776,765
– Europe	836,915	487,459
– Middle East	142,058	323,949
– Others	29,558	184,539
	<u>4,024,848</u>	<u>2,607,512</u>

## 3. Other (losses)/gains, net

	Unaudited	
	Six months ended 30 June	
	2008	2007
	HK\$'000	HK\$'000
Net fair value (loss)/gain on financial assets at fair value through profit or loss	(45,083)	6,822
Interest income:		
– on bank deposits	4,379	2,032
– on other receivables	623	572
Dividend income	278	5
Investment (loss)/income	(39,803)	9,431
Net gain on disposals of property, plant and equipment	435	240
Premium on deemed acquisition of interest in an associate (Note)	(13,537)	–
Dilution gain in an associate	–	38,852
Others	6,831	3,566
	<u>(46,074)</u>	<u>52,089</u>

Note: The Group's equity interest in China LotSynergy Holdings Limited was increased from 20.14% to 20.83% as a result of repurchase of its own shares by China LotSynergy Holdings Limited during the period. In this connection, the Group recognised a loss.



#### 4. Operating profit

Operating profit is stated after charging and crediting the following:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of property, plant and equipment	<b>5,257</b>	4,920
Amortisation of prepaid operating lease payments	<b>824</b>	822
Operating lease rentals	<b>4,548</b>	4,073
Provision for impairment of receivables	<b>555</b>	1,750
Net exchange (gain)/loss	<b>(2,934)</b>	626
	<b><u>          </u></b>	<b><u>          </u></b>

#### 5. Finance costs

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest on:		
– Bank borrowings repayable within five years	<b>27,047</b>	28,274
– Bank borrowings repayable after five years	<b>587</b>	–
– Other loans	<b>443</b>	101
– Finance lease liabilities	<b>138</b>	208
	<b><u>          </u></b>	<b><u>          </u></b>
	<b><u>28,215</u></b>	<b><u>28,583</u></b>

#### 6. Taxation

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 16.5% (2007: 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 at 25% (2007: ranging from 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	
	2008	2007
	HK\$'000	HK\$'000
Current taxation		
– Mainland China taxation	211	59
Under provision in prior years		
– Mainland China taxation	1,120	158
Deferred taxation	1,483	1,141
	<u>2,814</u>	<u>1,358</u>

## 7. Earnings per share

### Basic and diluted

Basic and diluted earnings per share are calculated by dividing the profit attributable to equity holders of the Company of approximately HK\$76,396,000 (2007: HK\$51,229,000) by the weighted average number of 1,111,600,986 (2007: 1,038,758,293) ordinary shares in issue during the period.

The Company has no dilutive potential ordinary shares for the periods ended 30 June 2007 and 2008.

## 8. Bills and accounts receivable

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

**8. Bills and accounts receivable (continued)**

Ageing analysis of bills and accounts receivable is as follows:

	<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
Within three months	799,226	886,363
Over three months but within six months	157,156	8,492
Over six months but within twelve months	3,134	1,466
Over twelve months	<u>1,605</u>	<u>2,459</u>
	<b>961,121</b>	898,780
Less: Provision for impairment of receivables	<b>(3,441)</b>	<u>(4,073)</u>
	<b><u>957,680</u></b>	<b><u>894,707</u></b>

**9. Other cash and bank balances**

	<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
Term deposits of fixed period over three months	199,831	110,567
Others	<u>224,962</u>	<u>283,461</u>
	<b><u>424,793</u></b>	<b><u>394,028</u></b>

**10. Share capital**

	<b>Unaudited Number of shares '000</b>	<b>HK\$'000</b>
<i>Authorised</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2008 and 30 June 2008	<u>1,800,000</u>	<u>180,000</u>
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2008	1,112,129	111,213
Repurchase of shares	<u>(600)</u>	<u>(60)</u>
As at 30 June 2008	<b><u>1,111,529</u></b>	<b><u>111,153</u></b>



## 11. Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	<b>Unaudited 30 June 2008 HK\$'000</b>	Audited 31 December 2007 HK\$'000
Within three months	<b>336,817</b>	529,078
Over three months but within six months	<b>10,015</b>	–
	<b><u>346,832</u></b>	<u>529,078</u>

## 12. Related party transactions

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

	<b>Unaudited Six months ended 30 June 2008 HK\$'000</b>	2007 HK\$'000
Rental income received from associates	<b>343</b>	208
Service income received from an associate	<b>196</b>	168
Sale of financial assets to an associate	–	800
Sales to an associate	<b>880</b>	627
Purchases from an associate	<b>37,876</b>	–
Rental expense paid to an associate	<b>480</b>	–
Key management compensation	<b>14,381</b>	10,333
	<b><u>14,381</u></b>	<u>10,333</u>

## 13. Post balance sheet events

By an ordinary resolution passed at the special general meeting on 14 August 2008, the authorised share capital of the Company was increased to HK\$380,000,000 divided into 3,800,000,000 ordinary shares.

On 9 September 2008, the Company completed an open offer of 2,000,751,226 shares at a subscription price of HK\$0.15 per share, receiving gross proceeds of approximately HK\$300.1 million.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2008 (2007: Nil).



## **BUSINESS REVIEW AND OUTLOOK**

The core business of the Group achieved satisfactory results for the first half of 2008 and recorded a sales revenue of approximately HK\$4.02 billion, representing a growth of 54% when compared with the corresponding period last year. The gross profit of the Group increased by 161% to approximately HK\$223 million. The operating profit of core steel business increased by 304% to approximately HK\$174 million when compared with the corresponding period last year. If excluding the investment loss and the book loss from the repurchase of shares by an associated company of HK\$53.34 million, the operating profit increased by 109% to approximately HK\$161 million when compared with the corresponding period last year. Profit attributable to equity holders was approximately HK\$76.4 million, representing an increase of 49% when compared with the corresponding period last year.

### **International Steel Trading**

Steel production has been restricted and the inventories remained low in major markets of Europe and North America in the first half of this year due to the increased prices and shipping charges of steel production materials, in particular the steel scraps and iron ore, which was caused by the depreciation of US Dollars and the surge of oil price. On the other hand, China has implemented a series of measures to control the export of steel products, such as lifting tax rebate and increasing custom duty. With the supply and demand imbalance, global steel price surged to new high in the first half of 2008.

During the period under review, the Group entered into long-term supply agreements with certain medium-to-large steel mills in China to secure steady steel supplies. Meanwhile, the Group enhanced its overseas sales by expanding into new markets in Europe, Middle East and South Asia and continued to beef up its sales activities in the existing markets in the PRC and the adjacent Asian countries. The Group was benefited from the favourable market circumstances with surging steel price and therefore, achieved a remarkable profit growth in the first half of the year.



## **BUSINESS REVIEW AND OUTLOOK (continued)**

### **International Steel Trading (continued)**

In the second half of the year, it is anticipated that the impact from the US sub-mortgage crisis on the world economy will gradually emerge and the inflation will remain high. Commodity price will be pressured by the appreciation of the US dollar. It is expected that the international steel price will go down from its record high level. All these are uncertainties of the steel trading business. However, China has already become the largest import and export country of steel for a long term. Steel production of China is in excess of domestic demands and the steel products from China are more competitive in international markets in terms of quality and price. The export of steel products from China will see strong growth. In order to secure stable operating income, the Group will keep abreast with the market changes and strengthen its risk management and continue to develop its supply network and overseas sales network. Furthermore, the Group had launched its marketing campaign for bidding supply contract of steel products for major construction projects. The contract value of the steel used in these projects is not only substantial, but also has higher added values than ordinary steel products. Steel products for construction projects have stable market demands even under volatile market conditions.

### **Exploration of Mineral Resources**

The investments in natural mineral resources and engagement in its related exploration, and exploitation remain as long-term development strategy of the Group. The Group started the pre-exploration drilling in mining areas in Philippines and Turkey respectively for nickel oxide and manganese mine last year, and will actively explore and research for other resource investment opportunities. However, due to the slowdown of the world economy as well as the decrease of various commodity prices, the Group will conduct these investment activities prudently.

### **Steel Processing Business**

In the first half of the year, the Group's two steel processing plants in Dongguan saw a turnaround and achieved enhanced operating results. Under the circumstance of industry consolidation in the Pearl River Delta region, the plants strengthened its cost control and management, expanded domestic sales business denominated in Renminbi and recorded significant turnover and gross profit growth. During the first half of the year, the production of our plant in Jiangsu, a joint venture between the Group and Maanshan Iron & Steel Company Limited, increased one fold and the operation income also exceeded the production and operation targets determined at the beginning of the year.





## **BUSINESS REVIEW AND OUTLOOK (continued)**

### **Steel Processing Business (continued)**

The steel processing business will continue to adopt proactive marketing strategies in the second half of the year and will further enhance their domestic sales and processing business denominated in Renminbi to further expand its market shares.

### **Commercial Property Investment – Yangzhou Times Square**

The Yangzhou Times Square, an investment property developed by the Group in China has been fully leased out. Through brand building as well as shopping environment enhancement, the competitiveness of Yangzhou Times Square was strengthened. Yangzhou Times Square maintained its leading position in the region. The Group intends to hold the high quality local assets to generate stable cash flow annually and believes that it could achieve satisfactory capital appreciation.

### **Listed Securities Investment – Lottery Business of Associated Company**

China LotSynergy Holdings Limited (Stock code: 8161) (“China LotSynergy”), an associated company held by the Group since its establishment. China LotSynergy was listed on the Growth Enterprise Market of the Hong Kong Stock Exchange in 2001. It 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 in China. As at the balance sheet date, the Group directly held 20.83% of interest in China LotSynergy.

China LotSynergy aims at serving the welfare lottery business in China and endeavors to promote the healthy and stable development of China’s lottery industry. Hence, it introduced internationally well-known strategic partners and advanced lottery technology and management expertise of the lottery industry to provide innovative products, high quality services for China’s lottery industry. It had made magnificent achievements in various aspects including lottery terminals, system solutions, operating maintenance services and sales management consultation. The Group believed that with continuous and healthy development of China’s welfare lottery industry and successful development of related projects, China LotSynergy will bring satisfactory long-term returns for the Group. For details of the results and prospects of China LotSynergy, please refer to its 2008 interim report or visit its website [www.chinalotsynergy.com](http://www.chinalotsynergy.com).

With support from its shareholders, the Group successfully completed a new share issue at the beginning of September and raised a total of HK\$300 million. Such proceeds will be used to satisfy the capital requirement of its growing core steel business and laid solid foundation for the development of its natural mineral resource business.



## LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2008, the Group's total equity was HK\$1,358,694,000 and the gearing ratio, as a ratio of total borrowings net of total cash and cash equivalents to total equity, was 0.46.

As at 30 June 2008, the Group had cash and bank balances of approximately HK\$425,421,000 and the current ratio, as a ratio of current assets to current liabilities, was 1.45.

As at 30 June 2008, the total borrowings of the Group was approximately HK\$844,624,000 and their maturity profile was as follows:

	<i>HK\$ million</i>
Within one year	695
In the second year	24
In the third to fifth year	76
After the fifth year	50
	<hr/>
	845
	<hr/> <hr/>

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

On 9 September 2008, the Company completed an open offer of 2,000,751,226 shares at a subscription price of HK\$0.15 per share, receiving gross proceeds of approximately HK\$300.1 million and further enhancing the capital structure and financial position of the Company.

## FOREIGN EXCHANGE RISK EXPOSURE

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

As at 30 June 2008, the Group had outstanding forward foreign currency exchange contracts to buy a maximum amount of US\$68,250,000 and to sell a maximum amount of US\$26,000,000.



## CONTINGENT LIABILITIES

There has been no material change in the Group's contingent liabilities since 31 December 2007.

## CAPITAL COMMITMENTS

As at 30 June 2008, the Group had no capital commitments.

## CHARGE ON ASSETS

At 30 June 2008, the following assets were pledged: (i) certain leasehold land, land use rights, buildings, investment properties and properties held for sale with a net book value of approximately HK\$387,462,000; (ii) certain motor vehicles and machinery with a net book value of approximately HK\$7,698,000; (iii) certain financial assets at fair value through profit or loss with market value of approximately HK\$30,035,000; and (iv) certain bank deposits of approximately HK\$628,000.

## STAFF

As at 30 June 2008, the Group employed 698 staff. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits. The Group also provides other staff benefits which include year end double pay, contributory provident fund and medical insurance. Share options and discretionary bonus may also be granted to eligible staff based on individual and Group performance. Training programmes for staff are provided as and when required.

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

During the six months ended 30 June 2008, the Company repurchased a total of 600,000 shares of HK\$0.1 each in the share capital of the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the general mandates granted by the shareholders at the annual general meeting held on 28 May 2007, details of which were as follows:—

Month/Year	Number of Shares Repurchased	Price per Share		Total Consideration (before expenses) HK\$
		Lowest HK\$	Highest HK\$	
1/2008	600,000	0.61	0.61	366,000



## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES** *(continued)*

All shares repurchased were cancelled subsequently and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchase was effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2008.

## **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.

The Facility was fully repaid in April 2008 and the above specific performance obligation cease to exist thereafter.

## **INCREASE IN AUTHORISED SHARE CAPITAL**

The authorised share capital of the Company was increased from HK\$180,000,000 divided into 1,800,000,000 shares to HK\$380,000,000 divided into 3,800,000,000 shares, which was passed as an ordinary resolution by the shareholders of the Company at the special general meeting held on 14 August 2008.



## OPEN OFFER

On 20 June 2008, the board of Directors of the Company announced to propose to raise approximately HK\$300 million before expenses, by issuing up to 2,000,751,226 offer shares of HK\$0.10 each in the share capital of the Company (the "Offer Shares") at a subscription price of HK\$0.15 per Offer Share by way of an open offer, in the proportion of eighteen offer shares to ten shares held on the record date and payable in full on acceptance (the "Open Offer").

Pursuant to an underwriting agreement dated 19 June 2008 (the "Agreement") and a supplemental agreement to the Agreement dated 9 July 2008 (together, the "Underwriting Agreement") entered into between by the Company and Glory Add Limited ("Glory Add" or the "Underwriter"), a company indirectly owned in equal share by Mr. Chan Shing and Ms. Lau Ting (both are Executive Directors of the Company), the Underwriter had conditionally agreed to underwrite, on a fully underwritten basis, the Offer Shares (excluding those to be taken up by Mr. Chan and Ms. Lau pursuant to the Irrevocable Undertaking dated 19 June 2008 and the supplemental deed to the Irrevocable Undertaking dated 9 July 2008) not subscribed by the qualifying shareholders subject to the terms and conditions of the Underwriting Agreement. The maximum number of Offer Shares to be underwritten by Glory Add under the Underwriting Agreement amounted to 1,865,467,648 Offer Shares.

The net proceeds from the Open Offer were estimated to be approximately HK\$290 million. The Directors intended to use approximately HK\$250 million of the net proceeds for general working capital for, and expansion and development of, the existing steel trading business of the Group and to use the balance of the net proceeds for the purposes of future investments in natural mineral resources and related business.

At the special general meeting of the Company held on 14 August 2008, the ordinary resolutions approving the Open Offer and the absence of arrangements for excess application for the Offer Shares and the Underwriting Agreement as the alternative arrangement in respect of the untaken Offer Shares and the whitewash waiver were duly passed by the independent shareholders of the Company by way of poll.

Completion of the Open Offer took place on 9 September 2008 and accordingly, 2,000,751,226 Offer Shares were allotted and issued and certificates for the Offer Shares were duly dispatched to those qualifying shareholders who had validly applied and paid for the Offer Shares on 11 September 2008. Dealings in the Offer Shares commenced on 16 September 2008.

Details of the Open Offer are set out in the prospectus of the Company dated 18 August 2008 and the announcement of the Company dated 10 September 2008.



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

As at 30 June 2008, 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:

### Interests in Shares and Underlying Shares

#### (A) The Company

Name of Director	Number of ordinary shares/underlying shares				Total	Approximate percentage interest in the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Other Interests		
CHAN Shing	106,398,521(L)	104,042,601(L) (Note 1)	2,303,772,349(L) (Notes 2&3)	2,060,971,044(S) (Note 3)	2,514,213,471(L) 2,060,971,044(S) (Note 3)	226.19%(L) 185.42%(S)
SIT Hoi Tung	1,576,382 L	-	-	-	1,576,382(L)	0.14%(L)
LAU Ting	104,042,601(L)	106,398,521(L) (Note 4)	2,303,772,349(L) (Notes 2&3)	2,060,971,044(S) (Note 3)	2,514,213,471(L) 2,060,971,044(S) (Note 3)	226.19%(L) 185.42%(S)
TUNG Pui Shan, Virginia	7,861,996(L)	110,000(L)	5,104,000(L) (Note 5)	-	13,075,996(L)	1.18%(L)



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

### **Interests in Shares and Underlying Shares (continued)**

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

Notes:

1. These interests were held 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. 593,322,374 interests were held by Strong Purpose Corporation ("Strong Purpose"), a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 1,484,046,122 interests were held by Glory Add Limited ("Glory Add"), a wholly-owned subsidiary of Favor King Limited (a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting) by virtue of the underwriting agreement dated 19 June 2008. As at the date of this report, Glory Add has fully taken up the untaken offer shares of 1,290,961,336 upon completion of the Open Offer.
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 interests were held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
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. The letter "L" denotes long position and the letter "S" denotes short position.



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

### Interests in Shares and Underlying Shares (continued)

#### (B) Associated Corporation – China LotSynergy Holdings Limited (“China LotSynergy”)

Name of Director	Number of ordinary shares/underlying shares				Approximate percentage interest in the issued share capital of China LotSynergy
	Personal Interests	Family Interests	Corporate Interests	Total	
CHAN Shing	343,807,092(L) (Note 1)	215,555,212(L) (Note 2)	1,629,617,232(L) (Notes 3&4)	2,188,979,536(L) (Note 4)	29.57%(L)
SIT Hoi Tung	11,115,276(L)	–	–	11,115,276(L)	0.15%(L)
LAU Ting	215,555,212(L) (Note 1)	343,807,092(L) (Note 5)	1,629,617,232(L) (Notes 3&4)	2,188,979,536(L) (Note 4)	29.57%(L)
TUNG Pui Shan, Virginia	8,454,440(L)	22,000(L)	1,020,800(L) (Note 6)	9,497,240(L)	0.13%(L)
KWOK Wai Lam	8,800,000(L)	–	–	8,800,000(L)	0.12%(L)
YIN Mark	4,067,600(L)	–	–	4,067,600(L)	0.05%(L)
HUANG Shenglan	6,400,000(L) (Note 1)	–	–	6,400,000(L)	0.09%(L)





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

### **Interests in Shares and Underlying Shares (continued)**

#### **(B) Associated Corporation – China LotSynergy (continued)**

Notes:

1. Among these interests, 2,400,000 underlying shares were share options.
2. These interests were held by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
3. 45,280,768 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. 42,380,168 shares were held by Strong Purpose, a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 1,535,324,296 shares were held directly by the Company and 6,632,000 shares were held by Hillot Limited, a company wholly-owned by Burwill HK Portfolio Limited which is in turn wholly-owned by the Company.
4. 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.
5. These interests were held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
6. These shares were owned by Focus Cheer, a company which is wholly-owned by Ms. TUNG Pui Shan, Virginia.
7. The letter "L" denotes long position.

Save as otherwise disclosed above, as at 30 June 2008, 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 2008, 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 and Underlying Shares

Name of shareholder	Nature of interest	Number of shares/ underlying shares retained	Approximate percentage interest in the Company's issued share capital	Note
Favor King Limited	Corporate	1,484,046,122(L)	133.51%	1
Hang Sing	Beneficiary	226,403,853(L)	20.37%	2
Orient Strength	Corporate	226,403,853(L)	20.37%	2
Zhong Shan Company Limited	Corporate	226,403,853(L)	20.37%	2
Superior Quality Assets Limited	Corporate	226,403,853(L)	20.37%	2
Strong Purpose	Beneficiary	593,322,374(L)	53.38%	3

Notes:

1. These interests were held by Glory Add, a company which is wholly-owned by Favor King Limited. Favor King Limited is owned as to 50% by Mr. CHAN Shing and as to 50% by Ms. LAU Ting.
2. 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 as disclosed herein.
3. These interests were 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 as disclosed herein.
4. The letter "L" denotes long position.



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

Save as disclosed above, as at 30 June 2008, 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 2008 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 2008, 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 2007, 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.
- 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.



## **CORPORATE GOVERNANCE (continued)**

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 2008.

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

Hong Kong, 17 September 2008

*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.*