



**Burwill** Holdings Limited  
寶威控股有限公司

(incorporated in Bermuda with limited liability)

Stock code : 24



Interim Report

2010





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 2010 as follows:

### Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June	
		2010 HK\$'000	2009 HK\$'000
<b>Sales</b>	2	<b>3,431,584</b>	1,210,319
Cost of sales		<b>(3,322,918)</b>	(1,182,267)
Gross profit		<b>108,666</b>	28,052
Other gains, net	3	<b>495,702</b>	23,480
Selling and distribution expenses		<b>(26,181)</b>	(21,769)
General and administrative expenses		<b>(39,551)</b>	(35,472)
Operating profit/(loss)	2 & 4	<b>538,636</b>	(5,709)
Finance costs	5	<b>(16,957)</b>	(12,227)
Share of profit/(loss) of associates		<b>2,669</b>	(10,790)
<b>Profit/(Loss) before income tax</b>		<b>524,348</b>	(28,726)
Income tax expense	6	<b>(7,279)</b>	1,622
<b>Profit/(Loss) for the period</b>		<b>517,069</b>	(27,104)
Profit/(Loss) attributable to:			
Owners of the Company		<b>517,254</b>	(26,752)
Non-controlling interests		<b>(185)</b>	(352)
		<b>517,069</b>	(27,104)
Earnings/(Loss) per share attributable to owners of the Company during the period – basic and diluted	7	<b>13.10 HK Cents</b>	(0.86) HK Cent

## Condensed Consolidated Statement of Comprehensive Income

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Profit/(Loss) for the period	<b>517,069</b>	(27,104)
Other comprehensive income:		
Share of other comprehensive income of associates	<b>2</b>	–
Currency translation differences	<b>(2,173)</b>	(659)
Transfer to income statement for distribution of shares in an associate	<b>(9,509)</b>	–
	<u>                    </u>	<u>                    </u>
Other comprehensive loss for the period, net of tax	<b>(11,680)</b>	(659)
	<u>                    </u>	<u>                    </u>
Total comprehensive income/(loss) for the period	<b><u>505,389</u></b>	<b><u>(27,763)</u></b>
Attributable to:		
Owners of the Company	<b>504,455</b>	(27,411)
Non-controlling interests	<b>934</b>	(352)
	<u>                    </u>	<u>                    </u>
Total comprehensive income/(loss) for the period	<b><u>505,389</u></b>	<b><u>(27,763)</u></b>



## Condensed Consolidated Balance Sheet

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2010</b>	2009
<i>Notes</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>			
<b>Non-current assets</b>			
		<b>76,946</b>	77,768
		<b>251,887</b>	89,481
	8	<b>573,531</b>	601,018
		<b>192,691</b>	–
	9	<b>666,106</b>	–
	10	<b>90,239</b>	257,606
	11	<b>1,509</b>	1,509
		<b>117,248</b>	156,342
		<b>35,493</b>	23,136
		<b>2,005,650</b>	1,206,860
		<b>243,701</b>	119,895
		<b>19,725</b>	12,610
	12	<b>1,147,525</b>	1,075,523
		<b>378,513</b>	387,301
		–	2,262
		<b>190</b>	190
	13	<b>319,927</b>	293,639
		<b>2,109,581</b>	1,891,420
		<b>4,115,231</b>	3,098,280
		<b>4,115,231</b>	3,098,280

**Condensed Consolidated Balance Sheet (Continued)**

		<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
	Notes		
<b>EQUITY</b>			
Equity attributable to owners of the Company			
Share capital	14	<b>441,536</b>	342,228
Other reserves		<b>728,257</b>	841,997
Retained profits		<b>803,977</b>	286,723
		<b>1,973,770</b>	1,470,948
Non-controlling interests		<b>189,846</b>	117,103
Total equity		<b>2,163,616</b>	1,588,051
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		<b>570,287</b>	392,032
Deferred income tax liabilities		<b>146,819</b>	101,632
Total non-current liabilities		<b>717,106</b>	493,664
<b>Current liabilities</b>			
Borrowings		<b>657,943</b>	567,124
Due to associates		–	24,079
Bills and accounts payable	15	<b>391,542</b>	359,049
Other payables and accruals		<b>177,579</b>	65,598
Income tax payable		<b>7,445</b>	715
Total current liabilities		<b>1,234,509</b>	1,016,565
Total liabilities		<b>1,951,615</b>	1,510,229
<b>Total equity and liabilities</b>		<b>4,115,231</b>	3,098,280
<b>Net current assets</b>		<b>875,072</b>	874,855
<b>Total assets less current liabilities</b>		<b>2,880,722</b>	2,081,715



## Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2010				
	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2010	342,228	841,997	286,723	117,103	1,588,051
Total comprehensive income for the period	–	(12,799)	517,254	934	505,389
Issue of shares	99,308	566,647	–	–	665,955
Share issue expenses	–	(3,112)	–	–	(3,112)
Share of other reserves of associates	–	(25,366)	–	–	(25,366)
Distribution of shares in an associate	–	(639,110)	–	–	(639,110)
Acquisition of additional interest in a subsidiary	–	–	–	(215)	(215)
Acquisition of subsidiaries	–	–	–	72,024	72,024
	<u>441,536</u>	<u>728,257</u>	<u>803,977</u>	<u>189,846</u>	<u>2,163,616</u>
At 30 June 2010					
	Unaudited six months ended 30 June 2009				
	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2009	311,228	761,931	291,369	104,793	1,469,321
Total comprehensive loss for the period	–	(659)	(26,752)	(352)	(27,763)
Share of other reserves of associates	–	3,370	–	–	3,370
	<u>311,228</u>	<u>764,642</u>	<u>264,617</u>	<u>104,441</u>	<u>1,444,928</u>
At 30 June 2009					



## Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Net cash used in operating activities	<b>(63,322)</b>	(72,158)
Net cash (used in)/generated from investing activities	<b>(281,888)</b>	13,275
Net cash generated from financing activities	<b>392,579</b>	27,120
	<hr/>	<hr/>
Increase/(Decrease) in cash and cash equivalents	<b>47,369</b>	(31,763)
Cash and cash equivalents at 1 January	<b>265,936</b>	311,553
Effect of exchange rate changes	<b>(117)</b>	–
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	<b>313,188</b>	279,790
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hands	<b>279,037</b>	219,467
Non-pledged short-term bank deposits with original maturity of less than three months	<b>34,151</b>	60,323
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	<b>313,188</b>	279,790
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Notes:

## (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 (“HKICPA”).

The unaudited condensed consolidated financial statements should be read in conjunction with the financial statements for the year ended 31 December 2009.

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 2009, except that the Group has adopted the following new and revised standards or amendments which are mandatory for financial year ending 31 December 2010.

HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
IMPROVEMENTS TO HKFRSs 2009	Improvements to HKFRSs 2009

The adoption of such new and revised standards or amendments has no significant effect on these financial statements.

The Group has not early adopted any new or revised standards, amendments or interpretations that have been issued by the HKICPA but are not yet effective.

## (2) Segment information

Turnover recognised during the six months period is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Sale of goods	<b>3,410,119</b>	1,193,040
Rental income	<b>11,453</b>	9,094
Service income	<b>10,012</b>	8,185
	<b><u>3,431,584</u></b>	<u>1,210,319</u>



**(2) Segment information (Continued)**

The Group had a new segment – mining during this period upon the completion of the acquisition of Tai Xin Minerals Limited on 31 March 2010. The segment results are as follows:

	Unaudited						Group HK\$'000
	Six months ended 30 June 2010						
	Steel trading HK\$'000	Steel processing HK\$'000	Mining HK\$'000	Commercial property HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Total segment sales	3,207,184	189,122	13,603	11,565	10,452	-	3,431,926
Inter-segment sales	-	-	-	(112)	(230)	-	(342)
Sales	<u>3,207,184</u>	<u>189,122</u>	<u>13,603</u>	<u>11,453</u>	<u>10,222</u>	<u>-</u>	<u>3,431,584</u>
Operating profit/(loss) before below items	55,033	6,244	(4,388)	4,266	1,188	(15,584)	46,759
Expenses on acquisition of subsidiaries	-	-	(5,284)	-	-	-	(5,284)
Loss on disposal of investment properties	-	-	-	(1,294)	-	-	(1,294)
Change in fair value of financial assets at fair value through profit or loss	-	-	-	-	-	(3,442)	(3,442)
Gain on distribution of shares in an associate	-	-	-	-	-	501,897	501,897
Operating profit/(loss)	55,033	6,244	(9,672)	2,972	1,188	482,871	538,636
Finance costs	(8,711)	(2,551)	(836)	(4,431)	-	(428)	(16,957)
Share of profit of associates	-	-	-	-	-	2,669	2,669
Segment results	46,322	3,693	(10,508)	(1,459)	1,188	485,112	524,348
Income tax expense	-	-	-	-	-	-	(7,279)
Profit for the period							<u>517,069</u>



(2) Segment information (Continued)

	Unaudited Six months ended 30 June 2009					
	Steel trading HK\$'000	Steel processing HK\$'000	Commercial property HK\$'000	Others HK\$'000	Unallocated HK\$'000	Group HK\$'000
Total segment sales	1,053,852	147,676	9,206	8,974	–	1,219,708
Inter-segment sales	(9,053)	–	(112)	(224)	–	(9,389)
Sales	<u>1,044,799</u>	<u>147,676</u>	<u>9,094</u>	<u>8,750</u>	<u>–</u>	<u>1,210,319</u>
Operating profit/(loss) before below item	9,615	(18,349)	2,946	(620)	(12,780)	(19,188)
Change in fair value of financial assets at fair value through profit or loss	–	–	–	–	13,479	13,479
Operating profit/(loss)	9,615	(18,349)	2,946	(620)	699	(5,709)
Finance costs	(4,312)	(4,278)	(2,588)	–	(1,049)	(12,227)
Share of loss of associates	–	–	–	–	(10,790)	(10,790)
Segment results	5,303	(22,627)	358	(620)	(11,140)	(28,726)
Income tax expense						<u>1,622</u>
Loss for the period						<u>(27,104)</u>



**(2) Segment information (Continued)**

The sales by location of customers are as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Asia (other than Mainland China and Hong Kong)	<b>1,414,882</b>	155,932
Mainland China	<b>1,366,530</b>	797,513
Europe	<b>365,986</b>	236,632
Others	<b>284,186</b>	20,242
	<b><u>3,431,584</u></b>	<u>1,210,319</u>

The segment assets as at 30 June 2010 are as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000
Steel trading	<b>1,755,767</b>	1,657,938
Steel processing	<b>297,945</b>	329,820
Mining	<b>1,116,938</b>	–
Commercial property	<b>668,722</b>	704,196
Others	<b>4,450</b>	8,138
Unallocated	<b>271,409</b>	398,188
	<b><u>4,115,231</u></b>	<u>3,098,280</u>



**(3) Other gains, net**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Fair value (loss)/gain on financial assets at fair value through profit or loss	<b>(3,442)</b>	13,479
Interest income:		
– on bank deposits	<b>900</b>	1,664
– on other receivables	<b>120</b>	110
Dividend income	<b>4</b>	98
	<hr/>	<hr/>
Investment (loss)/income	<b>(2,418)</b>	15,351
Loss on disposal of investment properties	<b>(1,294)</b>	–
Gain on disposal of property, plant and equipment	<b>535</b>	685
Expenses on acquisition of subsidiaries	<b>(5,284)</b>	–
Gain on distribution of shares in an associate (Note)	<b>501,897</b>	–
Others	<b>2,266</b>	7,444
	<hr/>	<hr/>
	<b>495,702</b>	23,480
	<hr/> <hr/>	<hr/> <hr/>

Note: On 27 January 2010, the Group distributed 1,540,023,984 shares in China LotSynergy Holdings Limited to its shareholders. In this connection, the Group recorded a gain.

**(4) Operating profit/(loss)**

Operating profit/(loss) is stated after charging and crediting the following:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Depreciation of property, plant and equipment	<b>5,485</b>	5,649
Amortisation of prepaid operating lease payments	<b>823</b>	824
Amortisation of intangible assets	<b>2,484</b>	–
Operating lease rentals	<b>1,462</b>	4,045
Net exchange loss/(gain)	<b>1,173</b>	(2,112)
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(5) Finance costs

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Interest on:		
– Bank borrowings repayable within five years	16,565	11,163
– Bank borrowings not wholly repayable within five years	349	612
– Other loans	9	392
– Finance lease liabilities	34	60
	<u>16,957</u>	<u>12,227</u>

(6) Income tax expense

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% (2009: 16.5%) 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 12.5% to 25% (2009: 12.5% to 25%) on their taxable income determined according to Mainland China tax laws. Taxation on other overseas profits has been calculated on the estimated assessable profit for the six months period at the rates of taxation prevailing in the countries in which the Group operates.

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

	Unaudited Six months ended 30 June	
	2010 HK\$'000	2009 HK\$'000
Current tax		
– Hong Kong profits tax	4,000	–
– Mainland China taxation	821	127
– Overseas taxation	3,468	–
	<u>8,289</u>	<u>127</u>
Adjustments in respect of prior years		
– Hong Kong profits tax	(141)	2,500
– Mainland China taxation	–	61
	<u>(141)</u>	<u>2,561</u>
Deferred income tax relating to the origination and reversal of temporary differences	(869)	(4,310)
	<u>7,279</u>	<u>(1,622)</u>



## (7) Earnings/(Loss) per share

### Basic and diluted

Basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period.

	<b>Unaudited Six months ended 30 June</b>	
	<b>2010</b>	<b>2009</b>
Profit/(Loss) attributable to owners of the Company (HK\$'000)	<u>517,254</u>	<u>(26,752)</u>
Weighted average number of ordinary shares in issue (thousands)	<u>3,947,036</u>	<u>3,112,280</u>
Basic and diluted earnings/(loss) per share (HK cents per share)	<u><b>13.10</b></u>	<u><b>(0.86)</b></u>

The Company has no dilutive potential ordinary shares for the six months periods ended 30 June 2009 and 2010.

## (8) Property, plant and equipment

The movements in property, plant and equipment for the period are as follows:

	<b>Unaudited Six months ended 30 June 2010</b>						
	<b>Buildings</b>	<b>Leasehold improve- ments</b>	<b>Machinery</b>	<b>Furniture and equipment</b>	<b>Motor Vehicles</b>	<b>Construction in progress</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening net book amount	69,212	2,564	12,987	2,799	1,919	-	89,481
Exchange differences	-	-	-	(17)	-	-	(17)
Acquisition of subsidiaries	679	-	18,134	284	1,239	584	20,920
Additions	-	-	30	193	175	147,126	147,524
Disposals	-	(158)	(301)	(77)	-	-	(536)
Depreciation	(1,763)	(591)	(2,057)	(497)	(577)	-	(5,485)
Closing net book amount	<u>68,128</u>	<u>1,815</u>	<u>28,793</u>	<u>2,685</u>	<u>2,756</u>	<u>147,710</u>	<u>251,887</u>



## (9) Intangible assets

The intangible assets mainly represent the fair value of the mining rights as at the completion date of the acquisition of Tai Xin Minerals Limited less accumulated amortisation.

## (10) Goodwill

The goodwill is arised on the acquisition of subsidiaries (see note 16).

## (11) Investments in associates

	<b>Unaudited HK\$'000</b>
Opening net book amount	<b>257,606</b>
Share of results of associates	<b>2,669</b>
Share of other comprehensive income of associates	<b>2</b>
Distribution of shares in an associate	<b>(170,038)</b>
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Closing net book amount	<b>90,239</b>
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## (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. Rentals in respect of leased properties is payable by the tenants on a monthly basis.

Ageing analysis of bills and accounts receivable as at 30 June 2010 is as follows:

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
Within three months	<b>934,321</b>	1,070,963
Over three months but within six months	<b>212,533</b>	3,950
Over six months but within twelve months	<b>50</b>	7
Over twelve months	<b>3,116</b>	3,098
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	<b>1,150,020</b>	1,078,018
Less: Provision for impairment of receivables	<b>(2,495)</b>	(2,495)
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	<b>1,147,525</b>	1,075,523
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**(13) Cash and bank balances**

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
Cash at banks and in hand	<b>279,037</b>	254,812
Short-term bank deposits	<b>40,890</b>	38,827
	<b><u>319,927</u></b>	<u>293,639</u>

**(14) Share capital**

	<b>Unaudited Number of shares '000</b>	<b>Nominal value HK\$'000</b>
<i>Authorised</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2010	<b>3,800,000</b>	<b>380,000</b>
Increase by ordinary resolution passed on 12 February 2010	<b>3,000,000</b>	<b>300,000</b>
	<b><u>6,800,000</u></b>	<u>680,000</u>
As at 30 June 2010		
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2010	<b>3,422,280</b>	<b>342,228</b>
Issue of shares (Note (a))	<b>307,380</b>	<b>30,738</b>
Issue of shares (Note (b))	<b>685,700</b>	<b>68,570</b>
	<b><u>4,415,360</u></b>	<u>441,536</u>
As at 30 June 2010		

Notes:

- (a) On 16 March 2010, 307,380,000 ordinary shares were issued at HK\$0.605 per share for cash.
- (b) On 31 March 2010, 685,700,000 ordinary shares were issued as partial consideration at the fair value of HK\$0.7 per share for the acquisition of Tai Xin Minerals Limited.





**(15) Bills and accounts payable**

Ageing analysis of bills and accounts payable is as follows:

	<b>Unaudited 30 June 2010 HK\$'000</b>	Audited 31 December 2009 HK\$'000
Within three months	<u><b>391,542</b></u>	<u>359,049</u>

**(16) Business combinations**

- (a) On 31 March 2010, the Group acquired 51% interest in Tai Xin Minerals Limited which is incorporated in the British Virgin Islands. The subsidiaries of Tai Xin Minerals Limited own iron ore mines in the Shandong Province, China.

Details of net assets acquired and goodwill were as follows:

	<b>Unaudited HK\$'000</b>
Purchase consideration:	
Cash paid	<b>260,000</b>
Shares issued at fair value	<u><b>479,990</b></u>
	<b>739,990</b>
Fair value of net assets acquired – shown as below	<u><b>(74,963)</b></u>
Goodwill	<u><u><b>665,027</b></u></u>



**(16) Business combinations (Continued)**

(a) (Continued)

The assets and liabilities as of 31 March 2010 arising from the acquisition were as follows:

	Unaudited Fair value HK\$'000	Unaudited Acquiree's carrying amount HK\$'000
Property, plant and equipment	14,111	14,111
Intangible assets	195,175	13,727
Deferred income tax assets	11,662	-
Inventories	1,711	1,711
Accounts receivable	391	391
Deposits, prepayments and other receivables	19,648	19,648
Cash and bank balances	1,112	1,112
Borrowings	(11,199)	(11,199)
Accounts payable	(1,517)	(1,517)
Other payables and accruals	(38,745)	(38,745)
Deferred income tax liabilities	(45,362)	-
	<u>146,987</u>	<u>(761)</u>
Net assets/(liabilities)		
	<u>72,024</u>	
Non-controlling interests		
Net assets acquired	<u>74,963</u>	
		260,000
Purchase consideration settled in cash		
Cash and cash equivalents in subsidiaries acquired		<u>(1,112)</u>
		<u>258,888</u>
Cash outflow on acquisition		

Goodwill arising from acquisition of Tai Xin Minerals Limited was attributable to the anticipated profitability and future development of Tai Xin Minerals Limited in the mining business and the anticipated future operating synergy from the business combination.

Tai Xin Minerals Limited contributed revenue of approximately HK\$13,603,000 and net loss of approximately HK\$3,883,000 to the Group for the period from the date of acquisition to 30 June 2010. Tai Xin Minerals Limited had no sales for the period from 1 January 2010 to the date of acquisition.



**(16) Business combinations (Continued)**

- (b) On 26 May 2010, the Group acquired Allied Gold Corporation Limited, a company incorporated in Hong Kong, through Tai Xin Minerals Limited. The subsidiary of Allied Gold Corporation Limited is engaged in the mining business in China.

Details of net liabilities acquired and goodwill were as follows:

	<b>Unaudited HK\$'000</b>
Purchase consideration:	
Cash paid	–
Fair value of net liabilities acquired – shown as below	<u>1,079</u>
Goodwill	<u><u>1,079</u></u>

The assets and liabilities as of 26 May 2010 arising from the acquisition were as follows:

	<b>Unaudited Fair value HK\$'000</b>	<b>Unaudited Acquiree's carrying amount HK\$'000</b>
Property, plant and equipment	6,810	6,810
Inventories	1,891	1,891
Deposits, prepayments and other receivables	36,867	36,867
Cash and bank balances	50	50
Borrowings	(45,252)	(45,252)
Accounts payable	<u>(1,445)</u>	<u>(1,445)</u>
Net liabilities	<u><u>(1,079)</u></u>	<u><u>(1,079)</u></u>
Purchase consideration settled in cash		–
Cash and cash equivalents in subsidiaries acquired		<u>50</u>
Cash inflow on acquisition		<u><u>50</u></u>



## (16) Business combinations (Continued)

(b) (Continued)

Goodwill arising from acquisition of Allied Gold Corporation Limited was attributable to the anticipated profitability and future development of Allied Gold Corporation Limited in the mining business and the anticipated future operating synergy from the business combination.

Allied Gold Corporation Limited contributed no revenue and net loss of approximately HK\$20,000 to the Group for the period from the date of acquisition to 30 June 2010. Allied Gold Corporation Limited had no sales for the period from 1 January 2010 to the date of acquisition.

## (17) Related party transactions

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

	Unaudited	
	Six months ended 30 June	
	2010	2009
	HK\$'000	HK\$'000
Rental income received from associates	1,171	883
Service income received from an associate	188	213
Sales to associates	1,239	754
Purchases from an associate	28,999	6,220
Rental expense paid to an associate	40	384
Rental expense paid to a related company	216	–
Key management compensation	11,385	9,479

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2010 (2009: Nil).



## BUSINESS REVIEW AND OUTLOOK

In the first half of the year, the Group's business operation improved and managed to swing into profit. The Group recorded approximately HK\$3,430 million and HK\$109 million in sales and gross profit respectively, an increase of 184% and 287% compared with the corresponding period last year. Net other gains was approximately HK\$496 million and profit attributable to equity holders for the period was approximately HK\$517 million.

### Steel Business

In the first quarter, the global economy recovered gradually and liquidity improved. International demand for steel remained solid, driving up prices. With burgeoning domestic demand in China, the composite steel price index was climbing steadily in the first 4 months of 2010 and, at the end of April, increased significantly by 18.4% compared with the beginning of this year. Meanwhile, commodity prices, especially iron ore prices, more than doubled from the previous year, driving up the production cost of steel enterprises and therefore providing strong support for steel prices. The Group's international trading business recorded satisfactory results in the first quarter.

In April, countries including India, Vietnam and Australia started to raise their interest rates. In an attempt to keep inflation under control, China raised the deposit reserve ratio several times, implemented a series of macroeconomic austerity measures to cool the real estate market and credit growth, and cancelled the export tax rebate for some of the steel products. These measures led to a sharp fall in domestic steel trading volume and steel exports, driving up the inventory level of steel enterprises. Subsequently, the debt crisis in Europe caused a plunge in the euro, which substantially reduced the purchasing power in the Eurozone and the ability to exercise contractual obligations. That led to plummeting steel prices in major markets. The performance of the Group's steel business was adversely affected and part of the steel export contracts suffered losses.

For the steel processing business, the Group's two factories have merged into one. The move as well as equipment installation were completed in March this year. By revamping the production line and redeveloping the factory in Changan, Dongguan in China, the Group successfully eliminated some of the obsolete machineries and fine-tuned the frontline workforce. That helped to achieve energy savings, control cost, and optimize production and management. The Group's steel processing business swing into profit in the first half of the year as both turnover and profit recorded growth.



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

### **Steel Business (Continued)**

In the mineral resources business, having shareholders' approval obtained at the special general meeting, the Group completed the acquisition of a 51% stake in Tai Xin Minerals Limited at the end of March. Tai Xin group, which owns an extraordinarily large magnetite iron mine in Laiyang City in Shandong Province, is engaged in exploring, refining, processing and selling iron ores. In the first half of the year, the Group's new No.1 Processing Plant was built and began production with an annual processing capacity reached 1.8 million tons of raw ore. The Group is currently undertaking the construction of a 35kV transformer substation and the No.2 Processing Plant with an annual processing capacity of 5 million raw ore. Trial production is expected to begin in October. And early preparation work for the No.3 Processing Plant, with an expected annual processing capacity of 5 million raw ore, is expected to begin in October this year. It includes ore dressing, project establishment and approval submitting.

Looking forward, the Group expects the fundamentals of the Chinese economy to remain strong in the second half of the year, with macroeconomic austerity measures helping to maintain sustainable economic growth. As steel prices slumped to the level of production cost in the second quarter, steel enterprises were cutting back production. Meanwhile, "Standard Conditions of Production and Operation of the Steel Industry" has been launched in China. That's aimed at driving out some of the obsolete capacities and speeding up the consolidation of the steel industry which helps reorganization of the steel market. Globally, with no evidence that the European debt crisis will spill over to other markets, financial markets have started to stabilize. A rebounding euro will benefit the clients in Europe and other countries, restoring their confidence and purchasing ability. In view of this, the Group expects the trading and steel processing business to maintain a relatively good operating performance in the second half of the year. Meanwhile, the Group's large magnetite iron mine project located in Shandong Province is at the investment and construction phase in the coming one or two years. Further development of the magnetite iron mine, as well as the completion and production of Processing Plants, will boost commercial production and have a positive impact on the Group's profit.

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

### **Commercial Property Investment**

Yangzhou Times Square, an integrated shopping mall in Jiangsu Province developed by the Group, continues to offer stable rental yields. In the first half of the year, the Group undertook a series of floor area redevelopment projects to raise the operational edge and cater for future business needs. As the leases of over 10,000 square meters of shops will expire soon, the Group believes the new leases will bring a higher rental yield as local purchasing power continues to grow.

In addition, the Group's non-substantial property investment, Elegant Garden and Hong Kong Plaza in Shanghai, were sold during the period.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2010, the Group's equity was a record high of approximately HK\$2,163,616,000. The growth of equity was mainly attributable to the allotment of 307,380,000 shares at a subscription price of HK\$0.605 per share and the issue of 685,700,000 shares at the fair value of HK\$0.7 per share as partial consideration for the acquisition of Tai Xin Minerals Limited during the period.

As at 30 June 2010, the Group had cash and bank balances of approximately HK\$319,927,000 and the current ratio, as a ratio of current assets to current liabilities, was 1.71.

As at 30 June 2010, the total borrowings of the Group was approximately HK\$1,228,230,000 and their maturity profile was as follows:

	<i>HK\$ million</i>
Within one year	658
Between one and two years	199
Between two and five years	311
Between five and ten years	60
	<hr/>
	1,228
	<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.

As at 30 June 2010, the Group's gearing ratio, as a ratio of total borrowings net of total cash and cash equivalents to the total equity, was 0.42.



## **FOREIGN EXCHANGE RISK EXPOSURE**

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

## **CONTINGENT LIABILITIES**

There has been no material change in the Group's contingent liabilities since 31 December 2009.

## **CAPITAL COMMITMENTS**

As at 30 June 2010, the Group had capital commitments of approximately HK\$120,867,000 in respect of the construction of processing plants.

## **CHARGE ON ASSETS**

There has been no material change in the Group's charge on assets since 31 December 2009.

## **STAFF**

As at 30 June 2010, the Group employed 825 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 2010.





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

As at 30 June 2010, 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 and Underlying Shares of 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		
CHAN Shing	106,398,521 (L)	104,042,601 (L) (Note 1)	2,414,966,037 (L)	2,625,407,159 (L)	59.46% (L)
			1,406,427,301 (S) (Notes 2 & 3)	1,406,427,301 (S) (Note 3)	31.85% (S)
SIT Hoi Tung	4,413,869 (L)	–	–	4,413,869 (L)	0.10% (L)
LAU Ting	104,042,601 (L)	106,398,521 (L) (Note 4)	2,414,966,037 (L)	2,625,407,159 (L)	59.46% (L)
			1,406,427,301 (S) (Notes 2 & 3)	1,406,427,301 (S) (Note 3)	31.85% (S)
TUNG Pui Shan, Virginia	21,725,226 (L)	110,000 (L)	7,104,000 (L) (Note 5)	28,939,226 (L)	0.66% (L)
YIN Mark	1,500,000 (L)	–	–	1,500,000 (L)	0.03% (L)



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

### **Interests in Shares and Underlying Shares of the Company (Continued)**

Notes:

1. These interests were held by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
2. 1,290,961,336 shares 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). 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, a company which is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting. 685,700,000 shares were charged by Tai Xin Holdings Limited ("Tai Xin Holdings") in favour of Burwill Minerals Limited, an indirect wholly-owned subsidiary of 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 interests were held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
5. 7,104,000 shares were owned by Focus Cheer Consultants Limited, 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.

Save as otherwise disclosed above, as at 30 June 2010, 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 2010, 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 ordinary shares & underlying shares	Approximate percentage interest in the Company's issued share capital	Note
Favor King Limited	Corporate	1,290,961,336 (L) 1,290,961,336 (S)	29.24% (L) 29.24% (S)	1
The Company	Corporate	685,700,000 (L)	15.53% (L)	2
Burwill Minerals Limited	Chargee	685,700,000 (L)	15.53% (L)	2
Li Xuan	Corporate	685,700,000 (L) 685,700,000 (S)	15.53% (L) 15.53% (S)	2
Tai Xin Investment Limited	Corporate	685,700,000 (L) 685,700,000 (S)	15.53% (L) 15.53% (S)	2
Hang Sing	Beneficiary	226,403,853 (L) 115,465,965 (S)	5.13% (L) 2.62% (S)	3
Orient Strength	Corporate	226,403,853 (L) 115,465,965 (S)	5.13% (L) 2.62% (S)	3
Zhong Shan Company Limited	Corporate	226,403,853 (L) 115,465,965 (S)	5.13% (L) 2.62% (S)	3
Superior Quality Assets Limited	Corporate	226,403,853 (L) 115,465,965 (S)	5.13% (L) 2.62% (S)	3



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

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

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. These interests were held by Tai Xin Holdings (a direct wholly-owned subsidiary of Tai Xin Investment Limited) and charged by Tai Xin Holdings in favour of Burwill Minerals Limited (an indirect wholly-owned subsidiary of the Company). Tai Xin Investment Limited is wholly-owned by Mr. LI Xuan.
3. 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 is 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.
4. The letter "L" denotes long position and the letter "S" denotes short position.

Save as disclosed above, as at 30 June 2010, 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**

For the share option scheme adopted by the shareholders of the Company at the 2002 Annual General Meeting held on 6 June 2002, no options had been granted, exercised, cancelled nor lapsed up to 30 June 2010.

On 6 July 2010, the Company granted 94,000,000 share options to certain eligible participants.



## **DISTRIBUTION OF SHARES HELD IN A LISTED ASSOCIATED COMPANY**

On 15 December 2009, the Board of Directors of the Company resolved to put forward to the shareholders of the Company a proposal to make a distribution out of contributed surplus of the Company to its shareholders (the "Distribution") wholly by the distribution of up to 1,540,025,856 ordinary shares of HK\$0.0025 each in China LotSynergy Holdings Limited (the "CLS Shares") on the basis of 9 CLS Shares for every 20 ordinary shares of the Company held on the record date (i.e. 21 January 2010). The Distribution was approved by the shareholders of the Company at the special general meeting of the Company held on 21 January 2010 and certificates for the 1,540,023,984 CLS Shares, which represented 99.9% of the CLS Shares held by the Company before the Distribution, were duly dispatched to those entitled shareholders of the Company on 3 February 2010.

Details of the Distribution were set out in the Company's circular dated 29 December 2009.

## **REDUCTION OF SHARE PREMIUM**

At the special general meeting of the Company held on 21 January 2010, a special resolution was passed by the shareholders of the Company to reduce the share premium account of the Company (as at the date of the passing of such resolution) to nil (the "Share Premium Reduction"). The credit arising from the Share Premium Reduction of approximately HK\$738.2 million was transferred to the contributed surplus of the Company for the purpose of making a distribution of 1,540,023,984 ordinary shares of China LotSynergy Holdings Limited to shareholders of the Company on 27 January 2010.

## **INCREASE IN AUTHORISED SHARE CAPITAL**

The authorised share capital of the Company was increased from HK\$380,000,000 divided into 3,800,000,000 shares to HK\$680,000,000 divided into 6,800,000,000 shares, which was passed as an ordinary resolution by the shareholders of the Company at the special general meeting held on 12 February 2010.

## **MAJOR TRANSACTION – ACQUISITION OF MAGNETITE IRON ORE MINING BUSINESSES IN THE PRC**

Burwill Minerals Limited (“Burwill Minerals”), a wholly-owned subsidiary of the Company, respectively entered into the Share Purchase Agreement with Tai Xin Investment Limited on 5 November 2009 and the Supplemental Share Purchase Agreement with Tai Xin Investment Limited and Tai Xin Holdings Limited (the “Vendor”) on 24 December 2009 for acquisition of 51% of the issued share capital of Tai Xin Minerals Limited (“Tai Xin Minerals”), which indirectly owns an extraordinarily large magnetite iron mine in Laiyang City, Shandong Province, PRC and holds a mining license tenement and four exploration licenses tenements covering in aggregate an area of approximately 21 sq. km., at a total consideration of HK\$500,000,000, which was satisfied by the payment of HK\$260,000,000 in cash and the issue of 685,700,000 new ordinary shares of HK\$0.10 each in the Company (the “Share(s)”) to the Vendor (the “Acquisition”). Burwill Minerals further entered into the Call Option Agreement with the Vendor and Tai Xin Minerals on 22 January 2010 whereby Tai Xin Minerals granted a call option in favour of Burwill Minerals to acquire new shares of Tai Xin Minerals at an additional consideration of HK\$259,000,000, to be paid on a one-off basis, to the effect that Burwill Minerals shall own not less than 70% of the enlarged issued share capital of Tai Xin Minerals (the “Call Option”). Both the Acquisition and the Call Option were approved by the shareholders of the Company at the special general meeting of the Company held on 12 February 2010. The Acquisition constituted a major transaction for the Company under the rules governing the listing of securities on the Stock Exchange (the “Listing Rules”), details of the transaction were set out in the Company’s circular dated 27 January 2010.

Completion of the Acquisition took place on 31 March 2010 and 685,700,000 Shares were allotted and issued to the Vendor accordingly. Tai Xin Minerals has become a non-wholly owned subsidiary of the Company.

### **The First Processing Plant Put into Operation**

In May 2010, the Group’s first new processing plant in Laiyang City, Shandong Province, PRC, which was invested by Tai Xin Minerals and had completed with trial run in April, started operation at full capacity. This processing plant was designed with advanced international and domestic technology and processing equipment with annual processing throughput of 1.8 million tonnes of iron ore, achieving annual production target of approximately 200,000 tonnes of iron concentrate fines of a high iron content of 65%.

The second processing plant, with anticipated annual production of 5 million tonnes of iron ore, is scheduled to be completed and put into operation in October this year. Following completion of the Acquisition, it is expected that the mining business will undoubtedly make great contribution to the Group’s profitability.



## **PRIVATE PLACEMENT**

Pursuant to the placing agreement entered into between the Company and UBS AG, Hong Kong Branch on 11 March 2010 (the "Placing Agreement"), the Company allotted and issued a total of 307,380,000 new shares of the Company on 16 March 2010 to at least six independent investors at a placing price of HK\$0.605 per share under the general mandate granted to the Directors of the Company by its shareholders at the annual general meeting of the Company held on 9 June 2009. The closing price per share on 10 March 2010, being the last trading day before the entering into the Placing Agreement, as quoted on the Stock Exchange was HK\$0.72. A net proceeds of approximately HK\$184 million raised was used to replenish the general working capital requirements of the Company.

## **VOLUNTARY DELISTING OF SHARES FROM SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

In light of the comparably low trading volume of the Shares on Singapore Exchange Securities Trading Limited ("SGX"), on 30 April 2010, the Company announced a proposal regarding a voluntary delisting of its Shares from SGX ("Delisting"). Following confirmation from SGX on 21 May 2010, it had no objection to Delisting subject to fulfillment of certain conditions including but not limited to publication of and despatching a notice of the Delisting to the shareholders of the Company at least three months prior to the date of Delisting. The last trading day of Shares on SGX was confirmed to be 2 September 2010 and Delisting was expected to take effect on 9 September 2010. Delisting will result in Shares being removed from the Official List of SGX. However, shareholders can continue to trade their Shares on the Stock Exchange in Hong Kong and their voting rights and entitlement to dividends will not be affected by Delisting.

The Board considers that the Company's listed status on SGX is not cost-effective and is not commensurate with the benefit to be derived by its shareholders or the relatively significant compliance costs and administrative burden in maintaining such listed status. As the Company will continue to maintain its primary listing on the Stock Exchange in Hong Kong, the Board is of the view that the dispensation of such additional costs and burden will enable it to focus its resources on the business operations of the Company.

## **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. MIAO Gengshu 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 2010 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 Listing Rules throughout the six months ended 30 June 2010, 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 2009, 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 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 provision A.4.2. 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 considers 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 2010.

On behalf of the Board

**CHAN Shing**

*Chairman*

Hong Kong, 26 August 2010

*As at the date of this report, the Board of Directors of the Company comprises Mr. Chan Shing, Mr. Sit Hoi Tung, Mr. Yang Dawei, Ms. Lau Ting, Ms. Tung Pui Shan, Virginia, Mr. Kwok Wai Lam, Mr. Yin Mark and Mr. Sham Kai Man as executive directors, Mr. Cui Shu Ming, Mr. Miao Gengshu and Mr. Huang Shenglan as independent non-executive directors and Mr. Sze Tsai Ping, Michael as non-executive director.*