



Burwill Holdings Limited

寶威控股有限公司

(incorporated in Bermuda with limited liability)

Stock code : 24



Interim Report

2011



The Directors of Burwill Holdings Limited (the “Company”) hereby present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 as follows:

Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June	
		2011 HK\$'000	2010 HK\$'000
Sales	2	3,548,318	3,431,584
Cost of sales		(3,433,362)	(3,322,918)
Gross profit		114,956	108,666
Other gains/(losses), net	3	2,744	(911)
Selling and distribution expenses		(30,047)	(26,181)
General and administrative expenses		(46,361)	(44,835)
Share option expenses		(2,959)	–
Operating profit	2 & 4	38,333	36,739
Finance costs	5	(27,628)	(16,957)
Fair value losses on other financial assets		(140,569)	–
Gain on distribution of shares in an associate		–	501,897
Share of profits of associates		3,217	2,669
(Loss)/Profit before income tax		(126,647)	524,348
Income tax expense	6	(803)	(7,279)
(Loss)/Profit for the period		(127,450)	517,069
(Loss)/Profit attributable to:			
Equity holders of the Company		(132,360)	517,254
Non-controlling interests		4,910	(185)
		(127,450)	517,069
(Loss)/Earnings per share attributable to equity holders of the Company during the period – basic and diluted	7	(2.81) HK Cents	13.10 HK Cents

Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
(Loss)/Profit for the period	(127,450)	517,069
Other comprehensive income:		
Share of other comprehensive income of associates	1,297	2
Currency translation differences	17,930	(2,173)
Release of reserves to income statement for distribution of shares in an associate	<u>–</u>	<u>(9,509)</u>
Other comprehensive income/(loss) for the period, net of tax	<u>19,227</u>	<u>(11,680)</u>
Total comprehensive (loss)/income for the period	<u>(108,223)</u>	<u>505,389</u>
Attributable to:		
Equity holders of the Company	(117,961)	504,455
Non-controlling interests	<u>9,738</u>	<u>934</u>
Total comprehensive (loss)/income for the period	<u>(108,223)</u>	<u>505,389</u>

Condensed Consolidated Balance Sheet

	Notes	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
ASSETS			
Non-current assets			
Leasehold land and land use rights		11,084	11,163
Property, plant and equipment		425,141	418,698
Investment properties		740,351	723,988
Intangible assets		551,758	553,975
Investments in associates		97,420	92,906
Available-for-sale financial assets		1,509	1,509
Prepayments and other receivables		52,367	83,890
Bank deposits		12,840	–
Deferred income tax assets		24,652	22,837
		<u>1,917,122</u>	<u>1,908,966</u>
Total non-current assets			
Current assets			
Inventories		199,264	295,470
Financial assets at fair value through profit or loss		12,981	9,137
Other financial assets		209,138	349,707
Bills and accounts receivable	8	1,321,358	1,132,297
Deposits, prepayments and other receivables		341,701	339,800
Due from associates		181	178
Due from a related company		1,751	1,751
Income tax refundable		448	401
Cash and bank balances	9	211,605	374,103
		<u>2,298,427</u>	<u>2,502,844</u>
Total current assets			
		<u>4,215,549</u>	<u>4,411,810</u>
Total assets			

Condensed Consolidated Balance Sheet (Continued)

	Notes	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
EQUITY			
Equity attributable to owners of the parent			
Share capital	10	487,536	441,536
Other reserves		910,446	775,667
Retained profits		703,865	836,225
		<u>2,101,847</u>	2,053,428
Non-controlling interests		268,366	207,838
		<u>2,370,213</u>	2,261,266
LIABILITIES			
Non-current liabilities			
Borrowings		301,658	379,396
Provision for land restoration and environmental costs		4,064	2,943
Deferred income tax liabilities		173,048	168,380
		<u>478,770</u>	550,719
Current liabilities			
Borrowings		812,139	999,048
Due to related companies		24,079	24,079
Bills and accounts payable	11	349,966	354,726
Other payables and accruals		179,411	220,104
Income tax payable		971	1,868
		<u>1,366,566</u>	1,599,825
Total current liabilities		<u>1,366,566</u>	1,599,825
Total liabilities		<u>1,845,336</u>	2,150,544
Total equity and liabilities		<u>4,215,549</u>	<u>4,411,810</u>
Net current assets		<u>931,861</u>	<u>903,019</u>
Total assets less current liabilities		<u>2,848,983</u>	<u>2,811,985</u>

Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2011				
	Attributable to owners of the parent			Non-	Total
	Share capital	Other reserves	Retained profits	controlling interests	equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2011	<u>441,536</u>	<u>775,667</u>	<u>836,225</u>	<u>207,838</u>	<u>2,261,266</u>
Total comprehensive loss for the period	<u>-</u>	<u>14,399</u>	<u>(132,360)</u>	<u>9,738</u>	<u>(108,223)</u>
Transactions with owners					
Issue of shares	46,000	174,800	-	-	220,800
Share issue expenses	-	(6,770)	-	-	(6,770)
Employees share option scheme: – value of employee services	-	2,959	-	-	2,959
Capital injection	-	-	-	181	181
	<u>46,000</u>	<u>170,989</u>	<u>-</u>	<u>181</u>	<u>217,170</u>
Change in ownership interests in subsidiaries that do not result in a loss of control	<u>-</u>	<u>(50,609)</u>	<u>-</u>	<u>50,609</u>	<u>-</u>
	<u>46,000</u>	<u>120,380</u>	<u>-</u>	<u>50,790</u>	<u>217,170</u>
At 30 June 2011	<u><u>487,536</u></u>	<u><u>910,446</u></u>	<u><u>703,865</u></u>	<u><u>268,366</u></u>	<u><u>2,370,213</u></u>

Condensed Consolidated Statement of Changes in Equity (Continued)

	Unaudited six months ended 30 June 2010				
	Attributable to owners of the parent			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	<u>342,228</u>	<u>841,997</u>	<u>286,723</u>	<u>117,103</u>	<u>1,588,051</u>
Total comprehensive income for the period	<u>–</u>	<u>(12,799)</u>	<u>517,254</u>	<u>934</u>	<u>505,389</u>
Transactions with owners					
Issue of shares	99,308	566,647	–	–	665,955
Share issue expenses	–	(3,112)	–	–	(3,112)
Distribution of shares in an associate	–	(639,110)	–	–	(639,110)
Effect on distribution in specie	–	(25,366)	–	–	(25,366)
	<u>99,308</u>	<u>(100,941)</u>	<u>–</u>	<u>–</u>	<u>(1,633)</u>
Change in ownership interests in subsidiaries that do not result in a loss of control	–	–	–	(215)	(215)
Non-controlling interests arising on business combination	–	–	–	72,024	72,024
	<u>99,308</u>	<u>(100,941)</u>	<u>–</u>	<u>71,809</u>	<u>70,176</u>
At 30 June 2010	<u><u>441,536</u></u>	<u><u>728,257</u></u>	<u><u>803,977</u></u>	<u><u>189,846</u></u>	<u><u>2,163,616</u></u>



Condensed Consolidated Statement of Cash Flows

	Unaudited Six months ended 30 June	
	2011 HK\$'000	2010 HK\$'000
Net cash used in operating activities	(50,804)	(63,322)
Net cash used in investing activities	(80,304)	(281,888)
Net cash (used in)/generated from financing activities	(80,273)	392,579
Increase in pledged bank deposits	(13,914)	–
	<hr/>	<hr/>
(Decrease)/Increase in cash and cash equivalents	(225,295)	47,369
Cash and cash equivalents at 1 January	370,813	265,936
Effect of exchange rate changes	2,237	(117)
	<hr/>	<hr/>
Cash and cash equivalents at 30 June	147,755	313,188
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash at bank and in hands	155,676	279,037
Short-term bank deposits with original maturity of less than three months	20,590	34,151
	<hr/>	<hr/>
	176,266	313,188
	<hr/>	<hr/>
Less: Bank overdrafts	(28,511)	–
	<hr/>	<hr/>
	147,755	313,188
	<hr/>	<hr/>

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 2010.

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 2010, except that the Group has adopted the new and amended standards and interpretations which are mandatory for financial year ending 31 December 2011. The adoption of the new and amended standards and interpretations has no significant effect on these financial statements.

The Group has not early adopted any new and amended standards and 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:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Sale of goods	3,525,149	3,410,119
Rental income	15,838	11,453
Service income	7,331	10,012
	<u>3,548,318</u>	<u>3,431,584</u>



(2) Segment information (Continued)

The segment results are as follows:

	Unaudited Six months ended 30 June 2011						Group HK\$'000
	Steel trading HK\$'000	Steel processing HK\$'000	Mineral resources HK\$'000	Commercial property HK\$'000	Others HK\$'000	Unallocated HK\$'000	
Total segment sales	3,320,700	155,402	49,047	15,838	7,358	-	3,548,345
Inter-segment sales	-	-	-	-	(27)	-	(27)
Sales	<u>3,320,700</u>	<u>155,402</u>	<u>49,047</u>	<u>15,838</u>	<u>7,331</u>	<u>-</u>	<u>3,548,318</u>
Operating profit/(loss) before below items	47,030	(3,818)	4,082	12,960	1,365	(19,139)	42,480
Fair value losses on financial assets at fair value through profit or loss	-	-	-	-	-	(1,188)	(1,188)
Share option expenses	-	-	-	-	-	(2,959)	(2,959)
Operating profit/(loss)	47,030	(3,818)	4,082	12,960	1,365	(23,286)	38,333
Finance costs	(15,971)	(1,303)	(5,422)	(4,467)	-	(465)	(27,628)
Fair value losses on other financial assets	-	-	-	-	-	(140,569)	(140,569)
Share of profits of associates	-	-	-	-	-	3,217	3,217
Segment results	31,059	(5,121)	(1,340)	8,493	1,365	(161,103)	(126,647)
Income tax expense							(803)
Loss for the period							<u>(127,450)</u>



(2) Segment information (Continued)

	Unaudited						Group HK\$'000
	Six months ended 30 June 2010						
	Steel trading HK\$'000	Steel processing HK\$'000	Mineral resources 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	3,207,184	189,122	13,603	11,453	10,222	-	3,431,584
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)
Fair value losses on investment properties	-	-	-	(1,294)	-	-	(1,294)
Fair value losses on financial assets at fair value through profit or loss	-	-	-	-	-	(3,442)	(3,442)
Operating profit/(loss)	55,033	6,244	(9,672)	2,972	1,188	(19,026)	36,739
Finance costs	(8,711)	(2,551)	(836)	(4,431)	-	(428)	(16,957)
Gain on distribution of shares in an associate	-	-	-	-	-	501,897	501,897
Share of profits 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							517,069

(2) Segment information (Continued)

The sales by location of customers are as follows:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Mainland China	1,511,393	1,366,530
Europe	1,217,168	365,986
Asia (other than Mainland China and Hong Kong)	606,375	1,414,882
Others	213,382	284,186
	<u>3,548,318</u>	<u>3,431,584</u>

(3) Other gains/(losses), net

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Fair value loss on financial assets at fair value through profit or loss	(1,188)	(3,442)
Interest income:		
– on bank deposits	498	900
– on other receivables	86	120
Dividend income	4	4
Fair value loss on investment properties	–	(1,294)
(Loss)/Gain on disposal of property, plant and equipment	(514)	535
Others	3,858	2,266
	<u>2,744</u>	<u>(911)</u>

(4) Operating profit

Operating profit is stated after charging the following:

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	5,095	6,106
Amortisation of prepaid operating lease payments	184	202
Amortisation of intangible assets	3,484	2,484
Operating lease rentals	1,152	1,462
Net exchange loss	897	1,173
	<u>10,808</u>	<u>11,427</u>

(5) Finance costs

	Unaudited	
	Six months ended 30 June	
	2011	2010
	HK\$'000	HK\$'000
Interest on:		
– Bank borrowings wholly repayable within five years	27,494	16,914
– Other loans	46	9
– Finance lease liabilities	88	34
	27,628	16,957

(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% (2010: 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 20% to 25% (2010: 20% 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	
	2011	2010
	HK\$'000	HK\$'000
Current tax		
– Hong Kong profits tax	–	4,000
– Mainland China taxation	92	821
– Overseas taxation	–	3,468
	92	8,289
Adjustments in respect of prior years		
– Hong Kong profits tax	–	(141)
– Mainland China taxation	547	–
	547	(141)
Deferred income tax relating to the origination and reversal of temporary differences	164	(869)
Income tax expense	803	7,279



(7) (Loss)/Earnings per share

Basic and diluted

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

	Unaudited	
	Six months ended 30 June	
	2011	2010
(Loss)/Profit attributable to equity holders of the Company (HK\$'000)	<u>(132,360)</u>	<u>517,254</u>
Weighted average number of ordinary shares in issue (thousands)	<u>4,715,249</u>	<u>3,947,036</u>
Basic and diluted (loss)/earnings per share (HK cents per share)	<u>(2.81)</u>	<u>13.10</u>

The Company has no dilutive potential ordinary shares for the six months period ended 30 June 2010. The outstanding share options have an anti-dilutive effect on the basic loss per share for the six months period ended 30 June 2011.

(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.

Ageing analysis of bills and accounts receivable as at 30 June 2011 is as follows:

	Unaudited	Audited
	30 June	31 December
	2011	2010
	HK\$'000	HK\$'000
Within three months	1,227,330	1,118,883
Over three months but within six months	92,820	12,830
Over six months but within twelve months	753	–
Over twelve months	<u>582</u>	<u>3,173</u>
	1,321,485	1,134,886
Less: Provision for impairment of receivables	<u>(127)</u>	<u>(2,589)</u>
	<u>1,321,358</u>	<u>1,132,297</u>

(9) Cash and bank balances

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Cash at banks and in hand	155,676	189,123
Short-term bank deposits	55,929	184,980
	<u>211,605</u>	<u>374,103</u>

(10) Share capital

	Unaudited Number of shares '000	Nominal value HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2011 and 30 June 2011	<u>6,800,000</u>	<u>680,000</u>
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2011	4,415,360	441,536
Issue of shares (<i>Note</i>)	<u>460,000</u>	<u>46,000</u>
As at 30 June 2011	<u>4,875,360</u>	<u>487,536</u>

Note: Pursuant to the top-up placing and subscription agreement dated 21 February 2011 and the supplemental agreement dated 24 February 2011, the Company allotted and issued 460,000,000 new ordinary shares of the Company at a subscription price of HK\$0.48 each on 4 March 2011.

(11) Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	Unaudited 30 June 2011 HK\$'000	Audited 31 December 2010 HK\$'000
Within three months	349,308	349,974
Over three months but within six months	298	4,694
Over six months but within twelve months	301	–
Over twelve months	59	58
	<u>349,966</u>	<u>354,726</u>

(12) Related party transactions

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

	Unaudited Six months ended 30 June 2011 HK\$'000	2010 HK\$'000
Rental income received from associates	1,236	1,171
Service income received from an associate	197	188
Sales to associates	–	1,239
Purchases from an associate	–	28,999
Rental expense paid to an associate	–	40
Rental expense paid to a related company	–	216
Key management compensation	<u>13,115</u>	<u>11,385</u>

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (2010: Nil).



BUSINESS REVIEW AND OUTLOOK

For the first half of 2011, the Group's sales revenue slightly increased by 3.4% to approximately HK\$3,548 million, gross profit rose 5.79% to approximately HK\$115 million and operating profit rose 4.34% to approximately HK\$38 million, compared to the same period last year. Owing to change in fair value of the contingent consideration for the acquisition of magnetite iron ore mining project in Shandong, the Group recorded a non-cash loss of approximately HK\$141 million and a loss attributable to shareholders of approximately HK\$132 million.

Iron Ore Trading

For the first half of the year, the production of crude steel in the world's major steel-production countries and regions was 757.8 million tons, or up 8% year-on-year. The production of crude steel and steel in China were 350.54 million tons and 324.58 million tons, increased by 9.6% and 8.4% year-on-year respectively. Attributed to the increasing production and demand in China, the import of iron ore maintained growth in the first half of the year, driving the surge of iron ore price. Even though India has always been one of the largest iron ore supplier to China, gradual annual increase in India's domestic consumption and restrictions for its export and iron ore mining led to the import of iron ore from India of the overall China's iron ore imports dropping from 22.6% in 2006 to 14.9% in the first half of the year and consequently, China's iron ore import has been more dependent on the supply from the three largest mining enterprises in Brazil and Australia, as well as, monopolized by them. According to figures from General Administration of Customs of the People's Republic of China, iron ore import grew by 8.1% to 330 million tons for the first half of the year, and its import price rose up historical high.

In 2009, the Group signed a 5-year long term contract with FMG, the third largest iron ore producer in Australia, securing a stable iron ore supply for the Group. However, iron ore price is recently likely fixed by index price instead of contract price. As the purchase price derived from long-term contract is similar to the spot trading price and dampens profit margins, fixing price by introducing index price benefits the execution of hedging. During the period, apart from spot trading, the Group involved in iron ore hedging business, achieving effective outcome in risk management.

BUSINESS REVIEW AND OUTLOOK (Continued)

Steel Trading

During the first quarter of 2011, aided by overseas growing demand, China's iron and steel export rose up. However, slowdown of the US economic recovery in the second quarter, growing risk from the Eurozone sovereign debt crisis and the trend of sovereign debt crisis spreading to core Eurozone countries, political turmoil in certain North African countries, and the inflation in Asia worsened, all of them led to dampened demand for steel and great drop in steel export for the second quarter.

Although trading sentiment was weak in Europe, United States and North Africa, the Company had ensured its stringent risk management during such recession period, maintained sales volume and captured a larger market share in certain product areas. During the second quarter low season period, apart from staying in the traditional Asian market, the Group also turned to developing end-user business and high-end products segment and hence a promising level of sales volume and net profit were retained.

Steel Processing

During the period under review, influenced by the economic depression of those export markets in Europe and America, although the management resolved and fine-tuned a series measures such as staff rationalization, cost control and inventories reduction, etc., sales volume, unit selling price and gross profit margin for the Dongguan steel processing plant had fallen compared to the same period last year.

Investment in Mineral Resources

Following the acquisition of 51% equity interest in Tai Xin Minerals Limited, holding mining companies in the PRC, in March 2010, the Group had exercised the call option in June 2011 to further acquire new shares of Tai Xin Minerals Limited at a consideration of HK\$259 million. Accordingly, the equity interest in Tai Xin Minerals Limited held by the Group was then increased to approximately 70%.

Tai Xin Minerals Limited owns an extraordinarily large magnetite iron ore mine in Laiyang City, Shandong Province, in which transportation is convenient and supply of water and electricity are adequate. The topography in the area is beneficial for mining and tailings discharge. In addition to the current iron ore resources, the Group will continue to explore the remaining mine tenements, aiming to raise the resources level further.

BUSINESS REVIEW AND OUTLOOK (Continued)

Investment in Mineral Resources (Continued)

The project is currently under exploration, mine construction and processing plant testing. The two processing plants invested by the Group, which will process ore to 65% iron concentrate, have been completed. The no. 1 processing plant with 1.5 million tons annual processing capacity has formally put into production in November 2010. The no. 2 processing plant with 5 million tons annual processing capacity was completed its construction in the first half of the year and has undergone system test. Such plant is currently applying for Production Safety Permit, under Tailings Discharge Warehouse Checking and Environment Impact Assessment and will put into production in the near future.

Tai Xin Minerals Limited completed the integration of exploration licenses of four independent mining tenements and has started exploration for higher grade ore aiming to raise the production scale of the processing plants.

Commercial Property Investment

Yangzhou Times Square, an integrated shopping mall in Jiangsu Province developed by the Group, continues to offer stable rental yields and capital gains. The large scale shopping mall renovation project phase I was completed in July this year. The variety of cuisine and entertainment options and the stylish shopping environment have boosted customer flow for the shopping mall and the rental income, and provided favorable term for lease for the upcoming refurbishment of the department store floors and the entire building.

In addition, the Group has commenced new business in commercial real estate and retailing of European luxury brand products. Alliance with an experienced and high profile business partner, the Group is actively expanding its business to national commercial real estate leasing, and is gradually developing retail chain of international fashion brands with professional entities.

BUSINESS REVIEW AND OUTLOOK (Continued)

Prospects

Looking forward to the second half of the year, for iron ore trading business, apart from the existing long term iron ore contract, the Group will continue to look for long term cooperation opportunities with mining companies in the emerging market to secure a steady supply of iron ore resources. Besides, the Group will actively step into other ore resources trading business such as chrome and manganese ore.

For steel trading business, the Group not only retains the existing markets, but also extends its sales network and strives for new emerging markets. The Group will turn to developing end-user business, high-end products and ad-hoc steel projects, comparatively more stable business segments, to minimize market volatility impacts.

For steel processing business, the Group is striving for profitable operations within the year by adopting measures in cost rationalization and enhanced marketing.

For commercial property investment, the Group believes that Yangzhou Times Square becomes a stable business segment leveraging on its solid foundation. The newly developed retail chain of fashion brands will meet the great and fast growing demand in the domestic market, aiming to contribute cash inflow and revenue to the Group in future.

For investment in mineral resources, following the mining construction, exploration and the un-locking of processing plant capacity, the economy of scale of Tai Xin Minerals Limited for its annual ore processing capacity will be achieved.

In conclusion, despite the volatile global economy and market uncertainties, the Group has been actively adopted firm and steady measures to strengthen the core business and avoid market risks, achieving a sustainable development of each business segment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to be in a stable financial position with cash and bank balances of approximately HK\$212 million as at 30 June 2011.

An allotment of 460,000,000 shares was made in the first quarter by the Company for cash amounting to HK\$214 million. It enhanced the Group's liquidity and improved the Group's current ratio, as a ratio of current assets to current liabilities, to 1.68 as at 30 June 2011.

The Group's gearing ratio, as a ratio of total borrowings net of total cash and cash equivalents to total equity, was reduced to 0.41 as at 30 June 2011. The total borrowings of the Group were approximately HK\$1,114 million as at 30 June 2011 and their maturity profile as agreed with the lenders was as follows:

	<i>HK\$ million</i>
Within one year	715
Between one and two years	159
Between two and five years	185
Over five years	55
	<hr/>
	1,114
	<hr/> <hr/>

FOREIGN EXCHANGE RISK EXPOSURE

The Group's receipts, payments, assets and liabilities are principally denominated in US Dollar, Euro, Renminbi and Hong Kong Dollar. The Group considers that its exposure to exchange rate risk is modest except for Euro. To minimise the exchange rate risk, forward exchange contracts are used when required, in particular for Euro.

CONTINGENT LIABILITIES

There has been no material change in the Group's contingent liabilities since 31 December 2010.

CAPITAL COMMITMENTS

The Group had no material capital commitments as at 30 June 2011.

CHARGE ON ASSETS

There has been no material change in the Group's charge on assets since 31 December 2010.

STAFF

As at 30 June 2011, the Group employed 884 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 2011.

TOP-UP PLACING AND SUBSCRIPTION

Pursuant to the top-up placing and subscription agreement dated 21 February 2011 (the "Top-up Agreement") and the supplemental agreement dated 24 February 2011, the Company allotted and issued 460,000,000 new ordinary shares of the Company at a subscription price of HK\$0.48 each to Glory Add Limited, a substantial shareholder of the Company, on 4 March 2011 following completion of the top-up placing of an aggregate of 460,000,000 existing shares to not less than six independent investors at a placing price of HK\$0.48 each. The closing price per share of the Company on 21 February 2011, being the date of the Top-up Agreement, as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$0.56. A net proceeds of approximately HK\$214 million raised was used for the expansion of mineral resources business and as general working capital of the Group.

The 460,000,000 subscription shares were allotted and issued under the general mandate granted to the Directors of the Company by its shareholders at the annual general meeting of the Company held on 26 May 2010.



SHARE OPTION SCHEME

As at 30 June 2011, there were options for 92,440,000 shares granted by the Company pursuant to the option scheme as adopted by the shareholders of the Company on 6 June 2002 (the "2002 Option Scheme") which were valid and outstanding.

Movements of share options granted under the 2002 Option Scheme during the six months ended 30 June 2011 were as follows:

	Date of grant	Exercise price per share HK\$	Exercise period from until		outstanding as at 01/01/2011	Number of share options				outstanding as at 30/06/2011
						granted during the period (Note)	exercised during the period	cancelled during the period	lapsed during the period	
(i) Directors										
CHAN Shing	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2011	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2012	05/10/2013	1,320,000	-	-	-	-	1,320,000
SIT Hoi Tung	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2011	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2012	05/10/2013	1,320,000	-	-	-	-	1,320,000
YANG Dawei	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2011	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2012	05/10/2013	540,000	-	-	-	-	540,000
LAU Ting	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2011	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2012	05/10/2013	1,320,000	-	-	-	-	1,320,000
TUNG Pui Shan, Virginia	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2011	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2012	05/10/2013	1,320,000	-	-	-	-	1,320,000
KWOK Wai Lam	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2011	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2012	05/10/2013	1,320,000	-	-	-	-	1,320,000

**SHARE OPTION SCHEME (Continued)**

	Date of grant	Exercise price per share HK\$	Exercise period		outstanding as at 01/01/2011	Number of share options				outstanding as at 30/06/2011
			from	until		granted during the period (Note)	exercised during the period	cancelled during the period	lapsed during the period	
(i) Directors (Continued)										
YIN Mark	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2011	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2012	05/10/2013	1,320,000	-	-	-	-	1,320,000
SHAM Kai Man	06/07/2010	0.5	06/10/2010	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2011	05/10/2013	1,540,000	-	-	-	-	1,540,000
			06/10/2012	05/10/2013	1,320,000	-	-	-	-	1,320,000
CUI Shu Ming	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2011	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2012	05/10/2013	540,000	-	-	-	-	540,000
MIAO Gengshu	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2011	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2012	05/10/2013	540,000	-	-	-	-	540,000
HUANG Shenglan	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2011	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2012	05/10/2013	540,000	-	-	-	-	540,000
SZE Tsai Ping, Michael	06/07/2010	0.5	06/10/2010	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2011	05/10/2013	630,000	-	-	-	-	630,000
			06/10/2012	05/10/2013	540,000	-	-	-	-	540,000
(ii) Continuous contract employees	06/07/2010	0.5	06/10/2010	05/10/2013	18,130,000	-	-	-	-	18,130,000
			06/10/2011	05/10/2013	18,130,000	-	-	-	(840,000)	17,290,000
			06/10/2012	05/10/2013	15,540,000	-	-	-	(720,000)	14,820,000
	28/03/2011	0.5	28/04/2011	27/04/2014	-	840,000	-	-	-	840,000
			28/04/2012	27/04/2014	-	840,000	-	-	-	840,000
			28/04/2013	27/04/2014	-	720,000	-	-	-	720,000
Total:					<u>91,600,000</u>	<u>2,400,000</u>	<u>-</u>	<u>-</u>	<u>(1,560,000)</u>	<u>92,440,000</u>

Note: The closing price per share of the Company on 28 March 2011, being the date of grant of the above share options, is HK\$0.44.

In addition, a new share option scheme has been passed and adopted by the shareholders of the Company at the 2011 Annual General Meeting held on 8 June 2011 (the "2011 Option Scheme"). No option has been granted, exercised, cancelled nor lapsed under the 2011 Option Scheme since its adoption.

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

As at 30 June 2011, 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 of the Company

Name of Director	Number of ordinary shares & underlying shares				Approximate percentage in the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Total	
CHAN Shing	110,798,521 (L) (Note 1)	108,442,601 (L) (Notes 1 & 2)	2,414,966,037 (L) 1,406,427,301 (S) (Notes 3 & 4)	2,634,207,159 (L) 1,406,427,301 (S) (Note 4)	54.03% (L) 28.85% (S)
SIT Hoi Tung	8,813,869 (L) (Note 1)	–	–	8,813,869 (L)	0.18% (L)
YANG Dawei	1,800,000 (L) (Note 5)	–	–	1,800,000 (L)	0.04% (L)
LAU Ting	108,442,601 (L) (Note 1)	110,798,521 (L) (Notes 1 & 6)	2,414,966,037 (L) 1,406,427,301 (S) (Notes 3 & 4)	2,634,207,159 (L) 1,406,427,301 (S) (Note 4)	54.03% (L) 28.85% (S)
TUNG Pui Shan, Virginia	26,125,226 (L) (Note 1)	110,000 (L)	7,104,000 (L) (Note 7)	33,339,226 (L)	0.68% (L)
KWOK Wai Lam	4,400,000 (L) (Note 1)	–	–	4,400,000 (L)	0.09% (L)

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

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

Name of Director	Number of ordinary shares & underlying shares				Approximate percentage in the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests	Total	
YIN Mark	5,400,000 (L) (Note 1)	-	-	5,400,000 (L)	0.11% (L)
SHAM Kai Man	4,400,000 (L) (Note 1)	-	-	4,400,000 (L)	0.09% (L)
CUI Shu Ming	1,800,000 (L) (Note 5)	-	-	1,800,000 (L)	0.04% (L)
MIAO Gengshu	1,800,000 (L) (Note 5)	-	-	1,800,000 (L)	0.04% (L)
HUANG Shenglan	1,800,000 (L) (Note 5)	-	-	1,800,000 (L)	0.04% (L)
SZE Tsai Ping, Michael	1,800,000 (L) (Note 5)	-	-	1,800,000 (L)	0.04% (L)

Notes:

- Among these interests, 4,400,000 underlying shares were share options.
- These interests were held by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
- 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.

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

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

Notes: (Continued)

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. Among these interests, 1,800,000 underlying shares were share options.
6. These interests were held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
7. 7,104,000 shares were owned by Focus Cheer Consultants Limited, a company which is wholly-owned by Ms. TUNG Pui Shan, Virginia.
8. The letter "L" denotes long position and the letter "S" denotes short position.

Save as otherwise disclosed above, as at 30 June 2011, 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 SHARES AND UNDERLYING SHARES

As at 30 June 2011, 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 in the Company's issued share capital	Note
Favor King Limited	Corporate	1,290,961,336 (L) 1,290,961,336 (S)	26.48% (L) 26.48% (S)	1
The Company	Corporate	685,700,000 (L)	14.06% (L)	2
Burwill Minerals Limited	Chargee	685,700,000 (L)	14.06% (L)	2
LI Xuan	Corporate	685,700,000 (L) 685,700,000 (S)	14.06% (L) 14.06% (S)	2
Tai Xin Investment Limited	Corporate	685,700,000 (L) 685,700,000 (S)	14.06% (L) 14.06% (S)	2

Notes:

- These interests were held by Glory Add, a company which is wholly-owned by Favor King Limited. Favor King Limited is wholly-owned by Mr. CHAN Shing and Ms. LAU Ting.
- 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.
- The letter "L" denotes long position and the letter "S" denotes short position.

Save as disclosed above, as at 30 June 2011, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.



AUDIT COMMITTEE

The Company has established an Audit Committee 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 2011 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee which comprises the Executive Director and 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.

OTHER INFORMATION DISCLOSED PURSUANT TO RULE 13.51B(1) OF LISTING RULES

Mr. SZE Tsai Ping, Michael, the Non-Executive Director of the Company, ceased to be a Member of the Securities and Futures Appeals Tribunal.

The annual emolument of Mr. CHAN Shing, the Chairman and Managing Director of the Company, was adjusted to include housing allowance of HK\$600,000.

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 2011, 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 2010, which the relevant Code provision had not been fully complied with. Board meetings will be held on other occasions when board decisions are required.



CORPORATE GOVERNANCE (Continued)

- 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.

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 2011.

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 26 August 2011

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.