



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

(incorporated in Bermuda with limited liability)

Stock code : 24

寶威

Interim Report **2013**

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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 2013 as follows:

## Condensed Consolidated Income Statement

	Notes	Unaudited Six months ended 30 June	
		2013 HK\$'000	2012 HK\$'000
Turnover	2	2,487,815	3,055,409
Cost of sales		(2,396,894)	(2,988,987)
Gross profit		90,921	66,422
Other gains, net	3	6,255	7,578
Selling and distribution expenses		(25,179)	(30,783)
General and administrative expenses		(41,362)	(47,973)
Share option expenses		–	(164)
Operating profit/(loss)	2 & 4	30,635	(4,920)
Finance costs	5	(22,743)	(27,817)
Fair value gains on other financial assets		–	11,657
Share of profits of associates		121	138
Profit/(Loss) before income tax		8,013	(20,942)
Income tax expense	6	(1,254)	990
Profit/(Loss) for the period		6,759	(19,952)
Profit/(Loss) attributable to:			
Owners of the Company		3,694	(18,620)
Non-controlling interests		3,065	(1,332)
		6,759	(19,952)
Earnings/(Loss) per share attributable to owners of the Company during the period – basic and diluted (HK cents)	7	0.09	(0.38)



## Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Profit/(Loss) for the period	<b>6,759</b>	(19,952)
Other comprehensive income:		
Share of other comprehensive income of associates	-	353
Currency translation differences	<b>17,790</b>	(5,598)
Other comprehensive income/(expense) for the period, net of tax	<b>17,790</b>	(5,245)
Total comprehensive income/(expense) for the period	<b>24,549</b>	(25,197)
Attributable to:		
Owners of the Company	<b>15,780</b>	(23,208)
Non-controlling interests	<b>8,769</b>	(1,989)
Total comprehensive income/(expense) for the period	<b>24,549</b>	(25,197)

## Condensed Consolidated Balance Sheet

	Unaudited 30 June 2013 <i>Notes</i> <b>HK\$'000</b>	Audited 31 December 2012 <i>HK\$'000</i>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Leasehold land and land use rights	10,639	10,722
Property, plant and equipment	433,785	431,390
Investment properties	899,546	883,520
Intangible assets	191,095	191,033
Investments in associates	73,461	72,148
Club debentures	1,509	1,509
Prepayments and other receivables	39,455	38,540
Deferred income tax assets	43,961	42,620
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Total non-current assets	1,693,451	1,671,482
<b>Current assets</b>		
Inventories	112,946	107,583
Financial assets at fair value through profit or loss	662	700
Bills and accounts receivable	1,168,887	1,189,374
Deposits, prepayments and other receivables	136,733	149,339
Due from associates	29,858	29,808
Due from a related company	1,751	1,751
Income tax refundable	155	155
Cash and bank balances	133,133	229,497
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	1,584,125	1,708,207
Assets held for sale	25,000	25,000
	<hr/>	<hr/>
Total current assets	1,609,125	1,733,207
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<b>Total assets</b>	<b>3,302,576</b>	<b>3,404,689</b>

## Condensed Consolidated Balance Sheet (Continued)

		Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
	Notes		
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	9	458,671	418,966
Other reserves		987,123	966,582
Retained profits		70,177	66,483
		<b>1,515,971</b>	<b>1,452,031</b>
Non-controlling interests		298,454	290,946
Total equity		<b>1,814,425</b>	<b>1,742,977</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		225,725	252,239
Provision for land restoration and environmental costs		4,333	4,258
Deferred income tax liabilities		203,393	199,198
Total non-current liabilities		<b>433,451</b>	<b>455,695</b>
<b>Current liabilities</b>			
Borrowings		708,539	748,852
Due to related companies		23,315	23,315
Bills and accounts payable	10	143,903	239,617
Other payables and accruals		177,546	190,685
Income tax payable		1,397	3,548
Total current liabilities		<b>1,054,700</b>	<b>1,206,017</b>
Total liabilities		<b>1,488,151</b>	<b>1,661,712</b>
<b>Total equity and liabilities</b>		<b>3,302,576</b>	<b>3,404,689</b>
<b>Net current assets</b>		<b>554,425</b>	<b>527,190</b>
<b>Total assets less current liabilities</b>		<b>2,247,876</b>	<b>2,198,672</b>

## Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2013				
	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 2013	418,966	966,582	66,483	290,946	1,742,977
Total comprehensive income for the period	-	12,086	3,694	8,769	24,549
Issue of shares	39,705	8,735	-	-	48,440
Share issue expenses	-	(280)	-	-	(280)
Dividends	-	-	-	(1,261)	(1,261)
	39,705	8,455	-	(1,261)	46,899
At 30 June 2013	458,671	987,123	70,177	298,454	1,814,425
	Unaudited six months ended 30 June 2012				
	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 2012	487,536	966,297	531,538	281,222	2,266,593
Total comprehensive expense for the period	-	(4,588)	(18,620)	(1,989)	(25,197)
Employees share option scheme:					
- value of employee services	-	164	-	-	164
Capital injection	-	-	-	370	370
	-	164	-	370	534
At 30 June 2012	487,536	961,873	512,918	279,603	2,241,930

## Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Net cash (used in)/generated from operating activities	(75,464)	46,951
Net cash generated from investing activities	2,614	11,630
Net cash used in financing activities	(18,247)	(149,776)
Net decrease in cash and cash equivalents	(91,097)	(91,195)
Cash and cash equivalents at 1 January	199,074	190,934
Effect of exchange rate changes	150	(211)
Cash and cash equivalents at 30 June	108,127	99,528
Analysis of the balances of cash and cash equivalents		
Cash at banks and on hand	85,885	100,005
Short-term bank deposits	47,248	70,223
	133,133	170,228
Less: Pledged bank deposits	(25,006)	(46,282)
Short-term bank deposits with original maturity of more than three months	-	(23,941)
Bank overdrafts	-	(477)
	108,127	99,528



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 2012.

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 2012, except that the Group has adopted the new standards and interpretations which are mandatory for financial year ending 31 December 2013. The adoption of the new standards and interpretations has no significant effect on these financial statements.

The Group has not early applied any new 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	
	2013	2012
	HK\$'000	HK\$'000
Sale of goods	2,450,445	3,024,962
Rental income	27,197	20,407
Service income	10,173	10,040
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	2,487,815	3,055,409



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

The segment results are as follows:

	Unaudited						Group HK\$'000
	Six months ended 30 June 2013						
	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	2,326,987	123,458	-	27,197	10,186	-	2,487,828
Inter-segment sales	-	-	-	-	(13)	-	(13)
Sales to external customers	2,326,987	123,458	-	27,197	10,173	-	2,487,815
Operating profit/(loss) before below items	27,961	(2,305)	(7,292)	21,516	3,314	(14,217)	28,977
Expenses on proposed disposal of subsidiaries	-	-	(1,829)	-	-	-	(1,829)
Fair value gains/(losses) on financial assets at fair value through profit or loss	3,497	28	-	-	-	(38)	3,487
Operating profit/(loss)	31,458	(2,277)	(9,121)	21,516	3,314	(14,255)	30,635
Finance costs	(11,496)	(739)	(4,977)	(5,424)	-	(107)	(22,743)
Share of profits of associates	-	-	-	-	-	121	121
Segment results	19,962	(3,016)	(14,098)	16,092	3,314	(14,241)	8,013
Income tax expense							(1,254)
Profit for the period							6,759

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

	Unaudited Six months ended 30 June 2012						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	2,863,674	165,450	-	20,407	10,068	-	3,059,599
Inter-segment sales	(4,162)	-	-	-	(28)	-	(4,190)
Sales to external customers	2,859,512	165,450	-	20,407	10,040	-	3,055,409
Operating profit/(loss) before below items	5,306	(3,629)	(11,048)	15,284	1,715	(15,435)	(7,807)
Fair value gains on financial assets at fair value through profit or loss	-	-	-	-	-	3,051	3,051
Share option expenses	-	-	-	-	-	(164)	(164)
Operating profit/(loss)	5,306	(3,629)	(11,048)	15,284	1,715	(12,548)	(4,920)
Finance costs	(14,002)	(1,396)	(6,164)	(4,768)	-	(1,487)	(27,817)
Fair value gains on other financial assets	-	-	-	-	-	11,657	11,657
Share of profits of associates	-	-	-	-	-	138	138
Segment results	(8,696)	(5,025)	(17,212)	10,516	1,715	(2,240)	(20,942)
Income tax expense							990
Loss for the period							(19,952)

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

The turnover by location of customers are as follows:

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Asia (other than Mainland China and Hong Kong)	1,147,056	988,157
Mainland China	564,721	750,507
Europe	500,199	501,246
Hong Kong	214,830	544,066
Others	61,009	271,433
	<b>2,487,815</b>	<b>3,055,409</b>

## (3) Other gains, net

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Fair value gains on financial assets at fair value through profit or loss	3,487	3,051
Interest income:		
– on bank deposits	253	1,001
– on other receivables	572	709
– on due from an associate	131	–
Dividend income	4	71
Fair value loss on investment properties	–	(29)
(Loss)/Gain on disposal of property, plant and equipment	(94)	3
Others	1,902	2,772
	<b>6,255</b>	<b>7,578</b>

#### (4) Operating profit/(loss)

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

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	4,602	6,154
Amortisation of prepaid operating lease payments	185	183
Amortisation of intangible assets	3,347	3,762
Operating lease rentals	947	1,072
Net exchange loss	885	1,708

#### (5) Finance costs

	Unaudited	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Interest on:		
– Bank borrowings not wholly repayable within five years	5,424	–
– Bank borrowings wholly repayable within five years	17,251	27,094
– Other loans	27	668
– Finance lease liabilities	41	55
	22,743	27,817



## (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% (2012: 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 of 25% (2012: 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.

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Current tax		
– Mainland China taxation	<b>1,628</b>	418
Adjustments in respect of prior years		
– Mainland China taxation	<b>227</b>	113
Deferred income tax relating to the origination and reversal of temporary differences	<b>(601)</b>	(1,521)
Income tax expense	<b>1,254</b>	(990)

## (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.

	Unaudited Six months ended 30 June	
	2013	2012
Profit/(Loss) attributable to owners of the Company (HK\$'000)	3,694	(18,620)
Weighted average number of ordinary shares in issue (thousands)	4,332,247	4,875,360
Basic and diluted earnings/(loss) per share (HK cents per share)	0.09	(0.38)

The outstanding share options have an anti-dilutive effect on the basic earnings/(loss) per share for the six months period ended 30 June 2012 and 2013.

## (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 is as follows:

	Unaudited 30 June 2013 HK\$'000	Audited 31 December 2012 HK\$'000
Within three months	1,008,541	931,826
Over three months but within six months	155,995	257,548
Over six months but within twelve months	4,351	–
	1,168,887	1,189,374



## (9) Share capital

	Unaudited	
	Number of	Nominal value
	shares	
	'000	HK\$'000
<i>Authorised</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2013 and 30 June 2013	6,800,000	680,000
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.10 each		
As at 1 January 2013	4,189,660	418,966
Issue of shares ( <i>Note</i> )	397,052	39,705
As at 30 June 2013	4,586,712	458,671

*Note:* Pursuant to the placing agreement dated 17 April 2013, the Company allotted and issued 397,052,000 new ordinary shares of the Company at a price of HK\$0.122 each on 26 April 2013.

## (10) Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2013</b>	2012
	<b>HK\$'000</b>	<b>HK\$'000</b>
Within three months	<b>127,322</b>	224,436
Over three months but within six months	<b>233</b>	125
Over six months but within twelve months	<b>1,003</b>	124
Over twelve months	<b>15,345</b>	14,932
	<b>143,903</b>	239,617

## (11) Related party transactions

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

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>HK\$'000</b>	<b>HK\$'000</b>
Rental income received from an associate	<b>2,574</b>	2,123
Service income received from an associate	<b>346</b>	376
Interest income received from an associate	<b>131</b>	–
Key management compensation	<b>10,900</b>	12,639

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2013 (2012: Nil).





## BUSINESS REVIEW AND OUTLOOK

In the first half of the year, the Group turned loss into profit, recorded profit attributable to equity holders of approximately HK\$3.69 million. The Group's turnover decreased by 18.58% to approximately HK\$2,488 million, while gross profit rose 36.88% to approximately HK\$90.92 million, compared with the same period last year.

### Steel Trading

The excess of supply over demand in global steel production has not changed. Compared with the same period last year, crude steel production in US and Euro zones declined; however in Asia, particularly in China and India, increase in crude steel production led to the aggregate crude steel production among the world's 64 major steel-producing countries rising over 2% year-on-year.

Meanwhile, global steel demand remained sluggish. Even though the economy of the United States and Japan improved, both social steel inventory level and stock of steel in corporations remained high. Affected by the European debt crisis and credit crunch, automotive and steel construction industries, which cover more than 50% of the Eurozone aggregate demand, had no signs of recovery. Although slightly profit-making found in the whole industry, considerable drops in both iron ore and steel prices in Chinese market and high production cost, all made the operating conditions not much improved over the year. In India, the world's third largest steel consumption country, even with domestic growth in steel production by 3.9%, but influenced by the depreciation in Indian Rupees, imported steel price fell and trading volume reduced.

Affected by imbalance in supply and demand and price fluctuation, steel trading business faced greater challenges. After market price rebounding in January and February 2013, variety steel price continuously dropped in the following four consecutive months and fell by more than 20% in June. Stepping into July, driven by destocking, prices of various steel types all rapidly rise. Under such volatile market condition, the Group had timely shifted its market focus from American-European Market to market in South East Asia where its economy is slightly better. Through adjustment of product structure and signing of longer-term sale and purchase agreements, sales in building steel for infrastructure projects were strengthened and achieved great success. In respect to iron ore trading business, a prudent and conservative strategy was adopted to avoid risks under such price fluctuating condition. Meanwhile, continuity in exploration of other offshore mineral resources procurement steadily met the fixed demand from customers in China. In the first half of the year, the Group's steel and mineral products trading overall achieved better performance as compared with the same period last year.



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

### **Steel Processing**

In the first half of the year, the steel processing plant in Dongguan had no fundamental improvement in production volume and sales. With inventory reducing and effective control in various production costs and expenses, gross profit per steel unit per ton increased and loss reduced.

### **Investment in Mineral Resources**

In August 2012, an offer was accepted and an agreement was entered into to sell the entire interest in the Group's Tai Xin minerals project in Shandong, PRC (details of which was set out in the Company's relevant circular dated 12 October 2012). Since the purchaser ultimately could not complete the financing, the proposed disposal was terminated in end of May 2013. This project is now at the preparatory stage of production.

### **Commercial Property Investment**

The Group's integrated shopping mall in Jiangsu Province continues to provide stable rental income.

The retail property master leasing operation, in which the Group participates as a major shareholder, has made good progress in the first half of this year. Recently the operation had signed contracts to commit two retail property projects, respectively located in Nanjing Fuzimiao District and Beijing Chaoyang District. Total area under operation and commitment increases approximately by 43,000 square metres to a total area of over 300,000 square metres and covers various cities like Beijing, Shanghai, Shenzhen, Nanjing, Wuxi and Zhenjiang, etc. Specifically, the project of Shenzhen Futian C Plaza, scheduled to open in mid-2014 and having an area of almost 54,000 square metres, has pre-leased over half of the area to quality tenants.



## BUSINESS REVIEW AND OUTLOOK *(Continued)*

### Prospects

In the second half of the year, the global macro economy is expected to be towards a brilliant path. However, the actual business environment is still full of uncertainties.

In respect of macroeconomy, the Manufacturing Purchasing Managers Index (PMI) of the Institute for Supply Management (ISM) in the United States rose from 50.9% to 55.4% in July, indicating that the manufacturing industry gradually improved and the labour force market moderately recovered. In July, Eurozone manufacturing activity grew for the first time in nearly two years, with Germany and Italy resuming growth and contracting in Greece at the slowest rate since early 2010. The Eurozone Manufacturing Purchasing Managers Index rose to 50.3% in July, up from 48.8% in June, indicating that the Eurozone is gradually out of the shadows. The economy in Japan and South East Asia also continuously improved. The China's Manufacturing Purchasing Managers Index rose to 50.3% in July. New orders, new export orders and production indices all rebounded at various levels.

In respect of policy, the executive meetings of the State Council of the PRC ruled six major targets to strengthen infrastructure in towns and set 7% as Growth Bottom-Line for economic growth. Steady growth measures matched market expectations and that would gradually reflect its effectiveness in the second half of the year.

In respect of industry, eliminating low productivity measures in China would quickly be implemented. Energy saving and environmental protection will be more strictly regulated. Under new standard for reduction in emission and consumption, some steel corporations will face forcing out.

Starting from July, under the overall steady running of the economy, the commodity market got a boost. Driven by implementation of destocking, iron ore and steel prices in China all rebounded after four consecutive months unilateral drop and therefore, trading volume also became active. However, the slowdown on speedy growth in China's economy is, in fact, emerged. If steel productivity in China cannot be effectively controlled, the current market oversupply situation will no longer relieve.

In the second half of the year, the Group would operate cautiously in all aspects, controlling risks, boosting operating revenue, striving hard for its core recurring business to reach the goal to turn annual loss into profit.

## LIQUIDITY AND FINANCIAL RESOURCES

There has been no significant change in the financial position of the Group since 31 December 2012. The Group's gearing ratio and current ratio were kept at 0.46 (31 December 2012: 0.46) and 1.53 (31 December 2012: 1.44) respectively at 30 June 2013.

In April 2013, the Company allotted and issued 397,052,000 new ordinary shares at a price of HK\$0.122 each for cash amounted to approximately HK\$48 million as general working capital.

The total borrowings of the Group decreased to approximately HK\$934 million (31 December 2012: HK\$1,001 million) as at 30 June 2013 and their maturity profile as agreed with the lenders was as follows:

	<i>HK\$ million</i>
Within one year	<b>709</b>
Between one and two years	<b>36</b>
Between two and five years	<b>109</b>
Over five years	<b>80</b>
	<hr/>
	<b>934</b>
	<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 2012.

## CAPITAL COMMITMENTS

There has been no material change in the Group's capital commitments since 31 December 2012.

## CHARGE ON ASSETS

There has been no material change in the Group's charge on assets since 31 December 2012.

## STAFF

As at 30 June 2013, the Group employed 499 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.

## SHARE OPTION SCHEMES

The option scheme adopted by the shareholders of the Company on 6 June 2002 (the "2002 Option Scheme") was expired. As at 30 June 2013, there were options for 80,200,000 shares granted by the Company pursuant to the 2002 Option Scheme which were outstanding and continue to be valid and exercisable.

Movements of share options granted under the 2002 Option Scheme during the six months ended 30 June 2013 were as follows:

	Date of grant	Exercise price per share HK\$	Exercise period		outstanding as at 01/01/2013	Number of share options				outstanding as at 30/06/2013
			from	until		granted during the period	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

## SHARE OPTION SCHEMES (Continued)

	Date of grant	Exercise price per share HK\$	Exercise period from until		outstanding as at 01/01/2013	Number of share options				
						granted during the period	exercised during the period	cancelled during the period	lapsed during the period	outstanding as at 30/06/2013
<b>(i) Directors (Continued)</b>										
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
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
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
<b>(ii) Continuous contract employees</b>	06/07/2010	0.5	06/10/2010	05/10/2013	15,400,000	-	-	-	-	15,400,000
			06/10/2011	05/10/2013	15,400,000	-	-	-	-	15,400,000
			06/10/2012	05/10/2013	13,200,000	-	-	-	-	13,200,000
<b>Total:</b>					80,200,000	-	-	-	-	80,200,000

Pursuant to the option scheme adopted by the shareholders of the Company on 8 June 2011, no share options had been granted, exercised, cancelled nor lapsed since its adoption.

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

As at 30 June 2013, 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 Issuers, 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	115,474,521 (L) (Note 1)	108,442,601 (L) (Notes 1 & 2)	1,729,266,037 (L) 1,406,427,301 (S) (Notes 3 & 4)	1,953,183,159 (L) 1,406,427,301 (S) (Note 4)	42.58% (L) 30.66% (S)
SIT Hoi Tung	8,813,869 (L) (Note 1)	-	-	8,813,869 (L)	0.19% (L)
YANG Dawei	1,800,000 (L) (Note 5)	-	-	1,800,000 (L)	0.04% (L)
LAU Ting	108,442,601 (L) (Note 1)	115,474,521 (L) (Notes 1 & 6)	1,729,266,037 (L) 1,406,427,301 (S) (Notes 3 & 4)	1,953,183,159 (L) 1,406,427,301 (S) (Note 4)	42.58% (L) 30.66% (S)
TUNG Pui Shan, Virginia	26,125,226 (L) (Note 1)	110,000 (L)	7,104,000 (L) (Note 7)	33,339,226 (L)	0.73% (L)
KWOK Wai Lam	4,400,000 (L) (Note 1)	-	-	4,400,000 (L)	0.10% (L)
YIN Mark	4,400,000 (L) (Note 1)	-	-	4,400,000 (L)	0.10% (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			Total	Approximate percentage in the Company's issued share capital
	Personal Interests	Family Interests	Corporate Interests		
SHAM Kai Man	4,400,000 (L) <i>(Note 1)</i>	-	-	4,400,000 (L)	0.10% (L)
CUI Shu Ming	1,800,000 (L) <i>(Note 5)</i>	-	-	1,800,000 (L)	0.04% (L)
HUANG Shenglan	1,800,000 (L) <i>(Note 5)</i>	-	-	1,800,000 (L)	0.04% (L)

### Notes:

1. Among these interests, 4,400,000 underlying shares were share options.
2. These interests were held by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
3. 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 which is owned as to 51% by Orient Strength Limited, 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.
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.





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

Save as otherwise disclosed above, as at 30 June 2013, 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 Issuers.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2013, 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)	28.15% (L)	1
		1,290,961,336 (S)	28.15% (S)	

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.
- The letter "L" denotes long position and the letter "S" denotes short position.



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

Save as disclosed above, as at 30 June 2013, 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.

## **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 2013.

## **MAJOR TRANSACTION – LAPSE OF THE PROPOSED DISPOSAL OF MAGNETITE IRON ORE MINING AND PROCESSING BUSINESSES IN THE PRC**

On 31 August 2012, Burwill Minerals Limited (“BML”), a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement (the “Sale and Purchase Agreement”) with Revenue Generator Limited (the “Purchaser”) pursuant to which BML had conditionally agreed to sell and the Purchaser had conditionally agreed to acquire 70.12% of the issued share capital of Tai Xin Minerals Limited, a non-wholly owned subsidiary of the Company.

On 31 May 2013, the Purchaser confirmed that it could not complete the financing for the consideration on or before 31 May 2013, a condition precedent under the Sale and Purchase Agreement. Accordingly, the Sale and Purchase Agreement had lapsed.



## PLACING

Pursuant to the placing agreement dated 17 April 2013 (the “Placing Agreement”), the Company allotted and issued an aggregate of 397,052,000 new ordinary shares of the Company on 26 April 2013 to at least six independent investors at a price of HK\$0.122 each under the general mandate granted to the Directors of the Company by its shareholders at the annual general meeting of the Company held on 6 June 2012. The closing price per share of the Company on 17 April 2013, being the date of the Placing Agreement, as quoted on the Stock Exchange was HK\$0.122. A net proceeds of approximately HK\$48.14 million raised was used as general working capital.

## 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. HUANG Shenglan and Mr. CHAN Ming Fai. 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 2013 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 remuneration packages of the Directors and the senior management of the Company.

## NOMINATION COMMITTEE

The Company has established a Nomination Committee which comprises the Chairman and Managing Director, Mr. CHAN Shing, the Executive Director and Deputy General Manager, Mr. SIT Hoi Tung, and three Independent Non-Executive Directors of the Company, Mr. CUI Shu Ming, Mr. HUANG Shenglan and Mr. CHAN Ming Fai. The Nomination Committee will review the structure, size and composition of the Board and make recommendations on any proposed changes to the Board.



## CORPORATE GOVERNANCE

The Company has complied with all the applicable code provisions of the Corporate Governance Code (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 2013, 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 2012, 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.4.2 stipulates, inter alia, 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 Directors have not been required by the Bye-laws of the Company (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 2013.

On behalf of the Board

**CHAN Shing**

*Chairman*

Hong Kong, 30 August 2013

*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; and Mr. Cui Shu Ming, Mr. Huang Shenglan, Mr. Chan Ming Fai and Mr. Chiang Bun as independent non-executive directors.*