



Burwill Holdings Limited

寶威控股有限公司

(incorporated in Bermuda with limited liability)

Stock code : 24

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Interim Report **2014**

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 2014 as follows:

Condensed Consolidated Income Statement

		Unaudited	
		Six months ended 30 June	
		2014	2013
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	3,015,583	2,487,815
Cost of sales		(2,934,392)	(2,396,894)
Gross profit		81,191	90,921
Other (losses)/income and net (losses)/gains	3	(20,828)	6,255
Selling and distribution expenses		(29,718)	(25,179)
General and administrative expenses		(39,796)	(41,362)
Operating (loss)/profit	2 & 4	(9,151)	30,635
Finance costs	5	(22,181)	(22,743)
Share of profits of associates		5,740	121
(Loss)/Profit before income tax		(25,592)	8,013
Income tax expense	6	(4,866)	(1,254)
(Loss)/Profit for the period		(30,458)	6,759
(Loss)/Profit attributable to:			
Owners of the Company		(34,424)	3,694
Non-controlling interests		3,966	3,065
		(30,458)	6,759
(Loss)/Earnings per share attributable to owners of the Company during the period – basic and diluted (HK cents)	7	(0.75)	0.09

Condensed Consolidated Statement of Comprehensive Income

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
(Loss)/Profit for the period	(30,458)	6,759
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss</i>		
Currency translation differences	(29,724)	17,790
Other comprehensive (expense)/income for the period, net of tax	(29,724)	17,790
Total comprehensive (expense)/income for the period	(60,182)	24,549
Attributable to:		
Owners of the Company	(55,408)	15,780
Non-controlling interests	(4,774)	8,769
Total comprehensive (expense)/income for the period	(60,182)	24,549

Condensed Consolidated Balance Sheet

	Unaudited	Audited
	30 June	31 December
	2014	2013
<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
ASSETS		
Non-current assets		
Leasehold land and land use rights	10,197	10,525
Property, plant and equipment	421,712	434,414
Investment properties	983,116	1,007,781
Intangible assets	182,806	190,798
Investments in associates	77,792	75,194
Club debentures	1,473	1,509
Prepayments and other receivables	39,241	39,755
Deferred income tax assets	45,319	44,979
Total non-current assets	1,761,656	1,804,955
Current assets		
Inventories	65,721	77,256
Financial assets at fair value through profit or loss	1,794	1,416
Derivative financial instruments	868	556
Bills and accounts receivable	1,258,029	1,130,252
Deposits, prepayments and other receivables	154,018	159,109
Due from associates	36,832	33,328
Due from a related company	1,751	1,751
Income tax refundable	155	155
Cash and bank balances	149,899	164,992
Total current assets	1,669,067	1,568,815
Total assets	3,430,723	3,373,770

Condensed Consolidated Balance Sheet (continued)

		Unaudited 30 June 2014 <i>HK\$'000</i>	Audited 31 December 2013 <i>HK\$'000</i>
	<i>Notes</i>		
EQUITY			
Equity attributable to owners of the Company			
Share capital	10	458,671	458,671
Other reserves		964,367	985,351
Retained profits		41,945	76,369
		1,464,983	1,520,391
Non-controlling interests		316,978	321,816
Total equity		1,781,961	1,842,207
LIABILITIES			
Non-current liabilities			
Borrowings		209,962	224,485
Provision for land restoration and environmental costs		4,279	4,389
Deferred income tax liabilities		223,093	227,965
Total non-current liabilities		437,334	456,839
Current liabilities			
Borrowings		614,266	694,508
Derivative financial instruments	8	25,126	2,496
Due to an associate		88	—
Due to a related company		23,315	23,315
Bills and accounts payable	11	371,678	177,073
Other payables and accruals		174,153	174,287
Income tax payable		2,802	3,045
Total current liabilities		1,211,428	1,074,724
Total liabilities		1,648,762	1,531,563
Total equity and liabilities		3,430,723	3,373,770
Net current assets		457,639	494,091
Total assets less current liabilities		2,219,295	2,299,046

Condensed Consolidated Statement of Changes in Equity

	Unaudited six months ended 30 June 2014				
	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits		
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Balance at 1 January 2014	458,671	985,351	76,369	321,816	1,842,207
Total comprehensive expense for the period	—	(20,984)	(34,424)	(4,774)	(60,182)
Dividends	—	—	—	(64)	(64)
Balance at 30 June 2014	458,671	964,367	41,945	316,978	1,781,961

	Unaudited six months ended 30 June 2013				
	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital	Other reserves	Retained profits		
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Balance 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
Balance at 30 June 2013	458,671	987,123	70,177	298,454	1,814,425

Condensed Consolidated Statement of Cash Flows

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	<i>HK\$'000</i>
Net cash generated from/(used in) operating activities	81,750	(75,464)
Net cash (used in)/generated from investing activities	(6,380)	2,614
Net cash used in financing activities	(87,426)	(18,247)
Net decrease in cash and cash equivalents	(12,056)	(91,097)
Cash and cash equivalents at 1 January	142,331	199,074
Effect of exchange rate changes	(697)	150
Cash and cash equivalents at 30 June	129,578	108,127
Analysis of the balances of cash and cash equivalents		
Cash at banks and on hand	129,578	85,885
Short-term bank deposits	20,321	47,248
	149,899	133,133
Less: Pledged bank deposits	(20,321)	(25,006)
	129,578	108,127

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 2013.

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 2013, except that the Group has adopted the new standards and interpretations which are mandatory for financial year ending 31 December 2014. 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	
	2014	2013
	HK\$'000	HK\$'000
Sale of goods	2,976,205	2,450,445
Rental income	28,083	27,197
Service income	11,295	10,173
	3,015,583	2,487,815

(2) Segment information (continued)

The segment results are as follows:

	Unaudited						Group HK\$'000
	Six months ended 30 June 2014						
	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	2,874,776	101,429	–	28,083	11,337	–	3,015,625
Inter-segment sales	–	–	–	–	(42)	–	(42)
Sales to external customers	2,874,776	101,429	–	28,083	11,295	–	3,015,583
Operating profit/(loss) before below items	10,870	(1,736)	(6,784)	22,910	4,636	(12,536)	17,360
Fair value losses on derivative financial instruments	–	–	–	–	–	(28,991)	(28,991)
Fair value gains on financial assets at fair value through profit or loss	2,057	106	–	–	–	317	2,480
Operating profit/(loss)	12,927	(1,630)	(6,784)	22,910	4,636	(41,210)	(9,151)
Finance costs	(13,119)	(521)	(3,146)	(5,167)	–	(228)	(22,181)
Share of profits of associates	–	–	–	–	–	5,740	5,740
Segment results	(192)	(2,151)	(9,930)	17,743	4,636	(35,698)	(25,592)
Income tax expense							(4,866)
Loss for the period							(30,458)

(2) Segment information (continued)

	Unaudited						
	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	Group 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)

The turnover by location of customers are as follows:

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Asia (other than Mainland China and Hong Kong)	1,166,925	1,147,056
Hong Kong	703,979	214,830
Mainland China	467,387	564,721
Europe	410,019	500,199
Others	267,273	61,009
	3,015,583	2,487,815

(3) Other (losses)/income and net (losses)/gains

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Fair value gains/(losses) on:		
– financial assets at fair value through profit or loss	2,480	3,487
– derivative financial instruments	(28,991)	–
Interest income on:		
– bank deposits	454	253
– other receivables	228	572
– due from an associate	123	131
Dividend income	108	4
Gain/(Loss) on disposal of property, plant and equipment	5	(94)
Gain on disposal of club debenture	650	–
Others	4,115	1,902
	(20,828)	6,255

(4) Operating (loss)/profit

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Depreciation of property, plant and equipment	4,170	4,602
Amortisation of prepaid operating lease payments	186	185
Amortisation of intangible assets	3,543	3,347
Operating lease rentals	947	947
Net exchange loss	1,435	885

(5) Finance costs

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interest on:		
– bank borrowings not wholly repayable within five years	5,167	5,424
– bank borrowings wholly repayable within five years	16,912	17,251
– other loans	82	27
– finance lease liabilities	20	41
	22,181	22,743

(6) Income tax expense

The Company is exempted from taxation in Bermuda until 2035. 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% (2013: 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% (2013: 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.

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Current tax:		
– Mainland China taxation	4,134	1,628
Adjustments in respect of prior years:		
– Mainland China taxation	185	227
Deferred tax:		
Origination and reversal of temporary differences	547	(601)
Income tax expense	4,866	1,254

(7) (Loss)/earnings per share

Basic and diluted

Basic and diluted (loss)/earnings per share are calculated by dividing the (loss)/profit 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	
	2014	2013
(Loss)/Profit attributable to owners of the Company (HK\$'000)	(34,424)	3,694
Weighted average number of ordinary shares in issue (thousands)	4,586,712	4,332,247
Basic and diluted (loss)/earnings per share (HK cents)	(0.75)	0.09

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

(8) Derivative financial instruments

	Unaudited 30 June 2014		Audited 31 December 2013	
	Assets HK\$'000	Liabilities HK\$'000	Assets HK\$'000	Liabilities HK\$'000
Commodity swap contracts	868	25,126	556	2,496

The notional principal amounts of outstanding iron ore commodity swap contracts at 30 June 2014 were approximately HK\$136,305,000.

(9) Bills and accounts receivable

The Group normally grants to its customers credit periods for sale of goods ranging from 30 days to 180 days. Rentals in respect of leased properties are payable by the tenants on a monthly basis.

Ageing analysis of bills and accounts receivable is as follows:

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Within three months	1,148,018	961,348
Over three months but within six months	109,824	168,857
Over six months but within twelve months	141	47
Over twelve months	46	—
	1,258,029	1,130,252

(10) Share capital

	Unaudited	
	Number of	Nominal value
	shares	HK\$'000
	<i>(thousands)</i>	<i>HK\$'000</i>
<i>Authorised</i>		
Ordinary shares of HK\$0.1 each		
As at 1 January 2014 and 30 June 2014	6,800,000	680,000
<i>Issued and fully paid</i>		
Ordinary shares of HK\$0.1 each		
As at 1 January 2014 and 30 June 2014	4,586,712	458,671

(11) Bills and accounts payable

Ageing analysis of bills and accounts payable is as follows:

	Unaudited	Audited
	30 June	31 December
	2014	2013
	HK\$'000	HK\$'000
Within three months	352,955	159,819
Over three months but within six months	350	44
Over six months but within twelve months	1,590	655
Over twelve months	16,783	16,555
	371,678	177,073

(12) Related party transactions

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

	Unaudited	
	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Rental income received from an associate	2,390	2,574
Service income received from an associate	349	346
Interest income received from an associate	123	131
Key management compensation	12,148	10,900

(13) Events after the end of reporting period

On 18 August 2014, the Company entered into an agreement with China Land Assets Limited ("CLA"), an associated company of the Company, that the Company conditionally agreed to dispose of a wholly owned subsidiary, Burwill China Portfolio Limited ("BCP"), to CLA ("the Disposal"). The principal asset of BCP is a shopping mall in China, Yangzhou Times Square. Following the completion of the Disposal, BCP will cease to be a subsidiary of the Company and will become an associated company of the Company. The consideration for the Disposal is RMB199,780,000. Special General Meeting will be held for the approval of the Disposal.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2014 (2013: Nil).

REVIEW AND OUTLOOK

In the first half of the year, the Group's turnover increased by 21.21% to approximately HK\$3,016 million while gross profit decreased by 10.7% to approximately HK\$81.19 million, compared to the same period last year. Including the fair value losses on iron ore commodity swap contracts of approximately HK\$28.99 million, the Group recorded loss attributable to shareholders for the period of approximately HK\$34.42 million.

Steel Trading

During the first half of 2014, the steel industry still faced difficulty of over-capacity and the situation of over-supply has not been resolved. During the period, the growth of the PRC economy began to slow down, and in particular the real estate market came to an adjustment stage, which seriously affected the domestic demand for steel. Decrease in demand for steel products, domestic steel production remained at a high level and the capital strain, resulting steel price drops since the beginning of 2014. Even though there was slightly rebounded from late March to early April, varieties of steel prices had continuously fell since May 2014. The Myspic steel price index from MySteel recorded a figure of RMB3,443.7 per ton in June 2014, the lowest price since March 2006.

Domestic steel price dropped below the international market level and continued depreciation of RMB made competitive edge in export pricing. In addition, as gradual recovery of economy in Europe and North America, exports of the PRC steel products has substantially increased, with an accumulated export volume of about 41.01 million tons for the first half of 2014, representing a 33.6% increase as compared to the same period last year.

REVIEW AND OUTLOOK (continued)

Steel Trading (continued)

During the period under review, in response to the global and domestic markets' changes, the Group has adopted timely strategic adjustment. In relation to market expansion, with the assignment of specific responsible personnel to strengthen credit insurance arrangements for export sales, the Group has extended sales in the comparatively higher margin North American market. For maintaining and strengthening existing market shares, the Group actively strived for new users in all aspects. With regard to Indian market, Indian currency and economy fairly stable after the election are beneficial to investment in infrastructure and lead to increase in demand for steel products. Besides sales on ordinary steel products, the Group has explored various high value-added products in the Indian market to widen its market coverage. On the other hand, for supply chain management, by providing variety kinds of trade financing arrangements for a number of friendly supply mills and through these mills' production management platform and the Group's overseas sales network, risks and profits were shared and integrated among ourselves and a simple "steel trading" relationship was extended cooperation towards technology, resources and financing in various areas. As stable and price competitive resources were obtained, sales volume on certain steel types have increased significantly over the same period last year. In which, with sales efforts enhanced last year, sales volume and profits of constructional steel strived better results in the first half of the year, reached 80% over last whole year.

The iron ore import business was relatively worse than steel trading. PRC accumulated import volume of iron ore for the first six months of 2014 amounted to about 457.16 million tons, representing an increase of 19.1% as compared to same period last year. As of June 2014, the total storage of the 41 major ports in the PRC reached a historical high of over 110 million tons. Coupled with the beginning of release of new productivity from overseas iron mines, but sluggish market demand, the iron ore market reached an over-supply situation with average import price decreased by 18.78%, as compared to the same period last year, to a level similar to the financial crisis in 2008. In such situation, to reduce risk on sales of physical cargo, the Group entered into swap contracts but the outcome not originally expected and loss was recorded.

REVIEW AND OUTLOOK (continued)

Steel Trading (continued)

To conclude the first half of the year, the Group's steel trading achieved significant increase in number of contracts, sales volume and number of steel types as compared with the same period last year. But due to the fierce market competition and the trend of transparency of prices, gross profit was squeezed. The Group can only compensate from the number of concluded contracts.

Looking forward to the second half of the year, the Group will actively coordinate with banks and PRC large steel groups to conduct advance payment financing arrangements for export trading and to provide trade finance value-added function for the trade chain. Closely cooperating with supply mills and locking up stable quality supplies will enhance increase in operating profit. With respect to iron ore, with price index stabilized and rise, the fair value losses on the Group's future contracts are expected to be decreased in the second half of the year. With improvement in overall operating conditions, the Group will not only solidify the traditional sales market but also continuously strengthen exports in different geographical markets with different product mix in order to improve its annual results.

Steel Processing

During the period under review, the Group's steel processing plant in Dongguan, Guangdong Province underwent further improvement. Affected by the lack of buoyancy of the global market demand and under the circumstances in decrease volume of processing, gross profit per ton deeply rose and thus domestic RMB sales increased. Inventory under reasonable control, energy saved and consumption reduced, and production and marketing optimized, all these reflected the effectiveness of the severe cost control and strengthened management.

Operation is expected to remain relatively difficult in the second half of the year. But with increase in orders and sales in July, the advent of the traditional processing peak season and the implementation of new policies such as overdue tax payment, it may expect to have increase for this business segment in the second half of the year.

REVIEW AND OUTLOOK (continued)

Commercial Property Investment and Master Leasing Operation

On 19 August 2014, the Group announced a very substantial disposal in relation to the disposal of Yangzhou Times Square to China Land Assets Limited (“China Land Assets”), an associated company of the Group. This transaction is for the Group and its joint venture partner to jointly inject their respective properties “Yangzhou Times Square” and “Wuxi Sunshine Plaza” into China Land Assets. Having integrated two assets under same shareholding structure and accompanied with its original long-term master leasing operation for joint development, a sizable commercial property operation platform will be founded.

Total operating area of the commercial properties after integration is approximately 422,000 sq.m., areas of which from asset types of Yangzhou Times Square at 68,800 sq.m. and Wuxi Sunshine Plaza at 68,000 sq.m., and from the long-term master leasing operation at approximately 285,000 sq.m., covering locations such as Shenzhen, Shanghai, Beijing, Dalian, Nanjing and Wuxi etc.

The Group is optimistic about the development of this commercial property operation business, its diversified business nature such as community shopping centers, historical tourist hot spots and cultural bookstores etc., is matching and creating domestic trends of life experience, tourism and leisure, and fashionable spending pattern. Long-term master leasing operation has covered a number of first to third tiered coastal cities and will expand continuously to cover other potential cities and areas.

By means of long term expertise in operating and managing Yangzhou Times Square and also its management team, the Group will strive to develop this business jointly with the management team of China Land Holdings International Limited (“China Land”). Benefited from the synergy resulted from joint scale of operation with China Land, enabling consolidation of the single asset of Yangzhou Times Square with other assets and master leasing operation, the Group’s profit sharing from this business segment will be highly enhanced. Meanwhile, both the Group and China Land are interested in seeking for separate listing opportunities for this business in future years.

LIQUIDITY AND FINANCIAL RESOURCES

There has been no significant change in the financial position of the Group since 31 December 2013. The Group's gearing ratio and current ratio were kept at 0.39 (31 December 2013: 0.42) and 1.38 (31 December 2013: 1.46) respectively at 30 June 2014.

The total borrowings of the Group decreased to approximately HK\$824 million (31 December 2013: HK\$919 million) as at 30 June 2014 and their maturity profile was as follows:

	HK\$ million
Within one year	614
Between one and two years	28
Between two and five years	125
Over five years	57
	<hr/> 824 <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 2013.

CAPITAL COMMITMENTS

There has been no material change in the Group's capital commitments since 31 December 2013.

CHARGE ON ASSETS

There has been no material change in the Group's charge on assets since 31 December 2013.

STAFF

As at 30 June 2014, the Group employed 442 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 2014.

SUBSCRIPTION OF NEW SHARES – SUBSCRIPTION AGREEMENT EXPIRED

Pursuant to the subscription agreement dated 16 October 2013 (the "Subscription Agreement") entered into among the Company, Lucky Creation Limited (the "Subscriber") and Mr. CHAN Wing Kwai, the Subscriber's guarantor, the Subscriber agreed to subscribe for within the subscription period and the Company agreed to issue and allot an aggregate of 825,600,000 new ordinary shares of the Company (the "Subscription Share(s)") at a price of HK\$0.26 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 11 June 2013 (the "Subscription"). The closing price per share of the Company on 16 October 2013, being the date of the Subscription Agreement, as quoted on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was HK\$0.26. Net proceeds of approximately HK\$215 million were expected to be used for general working capital purposes.

On 22 April 2014 (the day on which the Subscription Agreement expired), the Company had not received a subscription notice from the Subscriber to subscribe for the Subscription Shares and then all the parties subsequently negotiated on the postponement opportunity of the Subscription as requested by the Subscriber. However parties to the Subscription Agreement could not reach any agreement on the renewal of subscription in new shares of the Company after negotiation. As such, the Company decided and announced on 27 June 2014 to terminate the negotiation with the Subscriber.

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

As at 30 June 2014, 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 Issuers, were as follows:

Interests in Shares and Underlying Shares of the Company

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		
CHAN Shing	202,074,521 (L)	104,042,601 (L) (Note 1)	1,250,666,037 (L) (Notes 2 & 3)	1,556,783,159 (L) (Note 3)	33.94% (L)
SIT Hoi Tung	4,413,869 (L)	—	—	4,413,869 (L)	0.10% (L)
LAU Ting	104,042,601 (L)	202,074,521 (L) (Note 4)	1,250,666,037 (L) (Notes 2 & 3)	1,556,783,159 (L) (Note 3)	33.94% (L)
TUNG Pui Shan, Virginia	21,725,226 (L)	110,000 (L)	7,104,000 (L) (Note 5)	28,939,226 (L)	0.63% (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)

Notes:

1. These interests were held by Ms. LAU Ting, the spouse of Mr. CHAN Shing.
2. 812,361,336 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 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.
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 2014, 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 2014, 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	<i>Note</i>
Favor King Limited	Corporate	812,361,336 (L)	17.71% (L)	1

Notes:

1. 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.
2. The letter "L" denotes long position and the letter "S" denotes short position.

Save as disclosed above, as at 30 June 2014, 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

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.

AUDIT COMMITTEE

The Company has established an Audit Committee which comprises 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 2014 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.

RESIGNATION OF DIRECTORS

Mr. YIN Mark resigned as an Executive Director of the Company with effect from 12 March 2014 and Mr. ZHU Ming (appointed on 16 April 2014) resigned as an Executive Director of the Company with effect from 24 July 2014.

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

Mr. CHIANG Bun resigned as an independent non-executive director of Sunlink International Holdings Limited with effect from 3 June 2014 4:00 p.m..

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 2014, 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 2013, 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 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. Given the nature of the Group’s businesses which require considerable market expertise, the Board believed that the vesting of the two roles provides the Group with stable and consistent leadership and allows for more effective planning and implementation of long term business strategies. The Board will continuously review the effectiveness of the structure to balance the power and authority of the Board and the management.

CORPORATE GOVERNANCE (continued)

- Code provision A.4.2 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.

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 chairman of the board should attend the annual general meeting as stipulated in Code provision E.1.2. Mr. CHAN Shing, the Chairman of the Board, was unable to attend the Company’s annual general meeting held on 10 June 2014. Nevertheless, he had arranged for Mr. SIT Hoi Tung, the Executive Director and Deputy General Manager of the Company, to take the chair of the meeting and answer shareholders’ questions.

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 2014.

On behalf of the Board
CHAN Shing
Chairman

Hong Kong, 29 August 2014

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 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.