



# Burwill Holdings Limited

## 寶威控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 24)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2004

#### INTERIM RESULTS

The Directors of Burwill Holdings Limited (the "Company") are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2004, together with the comparative figures for the corresponding period last year, as follows:-

	Notes	Unaudited	
		Six months ended 30 June	
		2004	2003
		HK\$'000	HK\$'000
<b>Turnover</b>	2	<b>2,127,329</b>	2,347,080
Cost of sales		(2,031,795)	(2,268,706)
Gross profit		<b>95,534</b>	78,374
Other revenue		<b>5,705</b>	3,730
Selling and distribution expenses		(24,347)	(21,244)
General and administrative expenses		(27,521)	(25,478)
Gain on disposal of investment properties		<b>17,630</b>	228
(Loss)/gain on investments, net		(1,137)	725
Operating profit	2 & 3	<b>65,864</b>	36,335
Finance costs	4	(18,616)	(15,575)
Share of profits less losses of associates		<b>3,817</b>	(2,012)
<b>Profit before taxation</b>		<b>51,065</b>	18,748
Taxation	5	<b>430</b>	(153)
<b>Profit after taxation</b>		<b>51,495</b>	18,595
Minority interests		(6,743)	2,086
<b>Profit attributable to shareholders</b>		<b>44,752</b>	20,681
Earnings per share	6		
- basic		<b>4.24 HK Cents</b>	1.96 HK Cents
- diluted		<b>4.24 HK Cents</b>	1.94 HK Cents

Notes:-

#### 1. Accounting policies

The unaudited condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 December 2003.

#### 2. Segment information

##### (a) Primary segment

The Group is organised into four major operating units: (i) steel trading, warehousing and distribution; (ii) steel manufacturing and processing; (iii) property development; and (iv) property investment. An analysis by business segment is as follows:

	Unaudited			
	Six months ended 30 June			
	2004		2003	
	External sales	Internal segment sales	External sales	Internal segment sales
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>				
- Steel trading, warehousing and distribution	<b>1,850,838</b>	<b>9,531</b>	2,207,614	22,875
- Steel manufacturing and processing	<b>247,017</b>	-	126,067	-
- Property development	<b>1,480</b>	-	7,127	-
- Property investment	<b>7,655</b>	<b>94</b>	6,210	-
- Others	<b>20,339</b>	<b>963</b>	62	-
	<b>2,127,329</b>	<b>10,588</b>	2,347,080	22,875
Inter-segment elimination	-	(10,588)	-	(22,875)
	<b>2,127,329</b>	-	2,347,080	-
<b>Operating profit</b>				
- Steel trading, warehousing and distribution		<b>39,429</b>	40,666	
- Steel manufacturing and processing		<b>24,070</b>	6,255	
- Property development		(3,465)	(993)	
- Property investment		<b>1,536</b>	3,330	
- Others		(771)	(568)	
		<b>60,799</b>	48,690	
- Gain on disposal of investment properties		<b>17,630</b>	228	
-(Loss)/gain on investments, net		(1,137)	725	
- Unallocated expenses		(11,428)	(13,308)	
		<b>65,864</b>	36,335	

#### (b) Secondary segment

The Group has business operations in Mainland China, Hong Kong, Asia (other than Mainland China and Hong Kong) and other regions. An analysis by geographical location is as follows:

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
<b>Turnover</b>		
- Mainland China	<b>1,665,915</b>	2,074,362
- Hong Kong	<b>164,465</b>	37,305
- Asia (other than Mainland China and Hong Kong)	<b>178,368</b>	214,931
- Others	<b>118,581</b>	20,482
	<b>2,127,329</b>	2,347,080
<b>Operating profit</b>		
- Mainland China	<b>48,059</b>	38,311
- Hong Kong	<b>7,325</b>	5,204
- Asia (other than Mainland China and Hong Kong)	<b>3,252</b>	4,725
- Others	<b>2,163</b>	450
	<b>60,799</b>	48,690
- Gain on disposal of investment properties	<b>17,630</b>	228
-(Loss)/gain on investments, net	(1,137)	725
- Unallocated expenses	(11,428)	(13,308)
	<b>65,864</b>	36,335

#### 3. Operating profit

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Operating profit is stated after charging and crediting the following:		
After charging:		
Depreciation of property, plant and equipment	<b>6,813</b>	6,225
Loss on disposal of property, plant and equipment	-	228
Net unrealised loss on investments	<b>1,549</b>	-
After crediting:		
Gain on disposal of property, plant and equipment	<b>140</b>	-
Gain on disposal of investment properties	<b>17,630</b>	228
Gain on disposal of investments	<b>36</b>	307
Net unrealised gain on investments	-	417

#### 4. Finance costs

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Interest on borrowings	<b>17,954</b>	14,899
Amortisation of deferred borrowing costs	<b>662</b>	676
	<b>18,616</b>	15,575

#### 5. Taxation

	Unaudited	
	Six months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
<b>Current taxation</b>		
- Hong Kong profits tax	-	21
- Overseas taxation	<b>1,786</b>	326
	<b>1,786</b>	347
<b>Under/(over) provision in prior years</b>		
- Hong Kong profits tax	<b>116</b>	(500)
- Overseas taxation	(681)	(810)
	(565)	(1,310)
<b>Deferred taxation relating to the origination and reversal of temporary differences</b>	(2,600)	37
<b>Deferred taxation resulting from increase in tax rate</b>	-	(79)
	(1,379)	(1,005)
<b>Share of taxation attributable to associates</b>	<b>949</b>	1,158
	(430)	153

The Company is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profit for the six months period. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax ranging from 12% to 33% (2003: 12% to 33%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the six months period at the rates prevailing in the respective jurisdictions.

## 6. Earnings per share

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$44,752,000 (2003: HK\$20,681,000) and the weighted average number of 1,054,914,283 (2003: 1,054,031,166) shares in issue during the period. The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$44,752,000 (2003: HK\$20,681,000) and the weighted average number of 1,054,914,283 (2003: 1,054,031,166) shares in issue during the period plus the weighted average number of 1,160,859 (2003: 9,826,952) shares deemed to be issued at no consideration if all outstanding options had been exercised.

A reconciliation of the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

	Unaudited	
	Six months ended 30 June	
	2004	2003
	Number of shares	Number of shares
Weighted average number of shares used in calculating basic earnings per share	1,054,914,283	1,054,031,166
Adjustment for potential dilutive effect in respect of outstanding employee share options	1,160,859	9,826,952
Weighted average number of shares used in calculating diluted earnings per share	1,056,075,142	1,063,858,118

## 7. Comparative figures

Certain comparative figures have been reclassified to conform with current period's presentation.

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2004 (2003: Nil).

## BUSINESS REVIEW AND OUTLOOK

In the first half of the year, the Group's ongoing businesses developed at a steady pace and achieved good performance in operation and profit. The turnover was HK\$2.13 billion, a decrease of 9.4% as compared with the same period last year, and the profit was HK\$44.75 million, an increase of 116% as compared with the same period last year.

### Steel Business

During the period under review, an imbalance in supply and demand of basic steel raw and auxiliary materials was seen worldwide. Meanwhile, the oil price remained high. The rising Euro and US Dollar prompted the import of big quantities of steel raw materials and semi-products into the European and American markets, which had higher commodity prices compared with the Asian region, attracting sales to the European and American markets by major steel producers. China has imposed administrative control measures to stamp out the low-level, repetitive investment behaviour of certain sectors, including the steel industry, resulting in weakened sentiments, thin trading, price volatility and slowing growth in steel production and import. In these circumstances, the Group's trading department operated circumspectly and made every effort to avoid market risks. It changed its procurement and sales strategies in a timely manner, and adjusted the share of Chinese exports to its products. It focused on exporting China-produced steel and fluxes to Europe, Middle East and other Asian countries, and continued to supply raw materials such as iron ore lumps and pig iron to several major steel mills in China. It is envisaged that the China market would have better purchasing power and steady rising prices in the second half of the year. The demand for raw materials and high technology and high value-added steel sheets, which China is unable to satisfy, would remain to be keen, and import would rise gradually. By adopting a strategy for steady business operation, the Group will maintain good market competitiveness and satisfactory profit return.

As for our steel manufacturing and processing business, the Group's two plants in Dongguan, China recorded a significant growth in turnover and gross profit following stringent cost control measures and an enhancement of production capacity and quality. The Group will actively develop this business segment in the future. Regarding the new plant in the Yangtze River Delta, the procedures for site selection, land requisition and the submission of project proposal for approval are in smooth progress. A plan for building the basic facilities of the project will be implemented in the second half of the year. It is anticipated that the new factory will commence operation early next year and will constitute another revenue generating sector for the Group in future.

### Property Development and Investment

The Group's development, Times Square in Yangzhou, Jiangsu, having a gross floor area of 68,800 square metres, has been fully leased out. Following the gradual strengthening of comprehensive operation and management capacity, the overall planning of the mall has become more stable and reasonable, resulting in an enhancement of brand class and shopping function. The mall's rental income maintains an upward spiral.

The Group's investment property in Mongkok, Hong Kong, has benefited from an upturn of Hong Kong's economy and the introduction of the "individual travel scheme." Given the enhanced operating performance of tenants, the investment property would continue to bring in stable and satisfactory rental income for the Group.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and bank balances of approximately HK\$176,526,000 (31 December 2003: HK\$196,036,000) and had net current assets of approximately HK\$412,449,000 (31 December 2003: HK\$347,774,000) as at 30 June 2004.

The Group's current ratio, as a ratio of current assets to current liabilities, and gearing ratio, as a ratio of total liabilities to total assets, as at 30 June 2004 were 1.47 and 0.57 respectively (31 December 2003: 1.30 and 0.64 respectively).

As at 30 June 2004, the bank borrowings of the Group was approximately HK\$530,692,000 (31 December 2003: HK\$779,126,000). The maturity profile of the Group's bank borrowings, excluding the short-term loans on trade finance amounted to HK\$228,688,000 (31 December 2003: HK\$446,578,000), as at 30 June 2004 was as follows:

	30 June 2004	31 December 2003
	HK\$ million	HK\$ million
Within one year	137	141
In the second year	94	114
In the third to fifth year	39	38
After the fifth year	32	39
	<u>302</u>	<u>332</u>

All the Group's bank borrowings were denominated in Hong Kong Dollars, US Dollar and Renminbi, bearing interest at prevailing market rates. No material exchange risk is expected on the bank borrowings and no financial instruments have been used for hedging purposes during the period.

## CONTINGENT LIABILITIES

As at 30 June 2004, the Group had the following contingent liabilities: (i) guarantee for general banking facilities granted to an associate amounted to approximately HK\$21,730,000 (31 December 2003: HK\$21,730,000); (ii) Mainland China land appreciation tax after netting off potential income tax saving amounted to approximately HK\$14,725,000 (31 December 2003: HK\$11,939,000); and (iii) guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties amounted to approximately HK\$36,971,000 (31 December 2003: HK\$29,689,000).

## CHARGE ON ASSETS

As at 30 June 2004, the following assets were pledged: (i) certain leasehold land and buildings with a net book value of approximately HK\$103,386,000 (31 December 2003: HK\$105,300,000); (ii) certain motor vehicles and machinery of approximately HK\$10,363,000 (31 December 2003: HK\$10,737,000); (iii) certain investment properties with a net book value of approximately HK\$328,412,000 (31 December 2003: HK\$362,980,000); (iv) certain properties held for sale of approximately HK\$2,389,000 (31 December 2003: HK\$27,220,000); (v) certain inventories of approximately HK\$65,784,000 (31 December 2003: HK\$21,822,000) released under trust receipts bank loans; (vi) certain investment securities of approximately HK\$11,808,000 (31 December 2003: Nil); and (vii) certain bank deposits amounted to approximately HK\$3,982,000 (31 December 2003: HK\$3,961,000).

## CHANGE OF NAME OF THE COMPANY

The Company has changed its name from "WellNet Holdings Limited" to "Burwill Holdings Limited" with effect from 3 June 2004 and has adopted "寶威控股有限公司" as its Chinese name with effect from 23 June 2004.

## STAFF

As at 30 June 2004, the Group employed 704 staff. Staff remuneration packages are structured and reviewed by reference to market terms and individual merits. The Group also provides other staff benefits which include year end double pay, contributory provident fund and medical insurance. Share options and discretionary bonus may also be granted to eligible staff based on individual and Group performance. Training programmes for staff are provided as and when required.

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

During the six months ended 30 June 2004, the Company repurchased a total of 1,004,000 shares in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the general mandate granted by the shareholders at the annual general meeting held on 18 June 2003, details of which were as follows:-

Month/Year	Number of shares repurchased	Price per share		Total consideration (before expense) HK\$
		Lowest HK\$	Highest HK\$	
05/2004	1,004,000	0.325	0.350	338,800

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

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2004.

## AUDIT COMMITTEE

The Company has established an Audit Committee, the principal duties of which include the review the Company's annual report and accounts and half-year report, and review and supervision of the Company's financial reporting and internal control procedures. The unaudited interim accounts for the six months ended 30 June 2004 have been reviewed by the Audit Committee.

## CODE OF BEST PRACTICE

None of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months period ended 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), except that the non-executive directors are not appointed for a specific term, as they have to retire by rotation at the annual general meeting of the Company when they are due for re-election pursuant to the Bye-laws of the Company.

## DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed interim results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules in force prior to 31 March 2004 will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 10 August 2004

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chan Shing, Mr. Yang Da Wei, Ms. Lau Ting, Mr. Yu Wing Keung, Dicky, Ms. Tung Pui Shan, Virginia, Mr. Kwok Wai Lam, Mr. Yin Mark, Mr. Sit Hoi Tung and Mr. Sun Ho as executive directors, Mr. Cui Shu Ming and Mr. Song Yufang as independent non-executive directors and Mr. Sze Tsai Ping, Michael as non-executive director.

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## AUDIT COMMITTEE

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## CODE OF BEST PRACTICE

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## DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed interim results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules in force prior to 31 March 2004 will be published on the website of the Stock Exchange in due course.

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

Hong Kong, 10 August 2004

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Chan Shing, Mr. Yang Da Wei, Ms. Lau Ting, Mr. Yu Wing Keung, Dicky, Ms. Tung Pui Shan, Virginia, Mr. Kwok Wai Lam, Mr. Yin Mark, Mr. Sit Hoi Tung and Mr. Sun Ho as executive directors, Mr. Cui Shu Ming and Mr. Song Yufang as independent non-executive directors and Mr. Sze Tsai Ping, Michael as non-executive director.