# 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 2006

The Directors of Burwill Holdings Limited (the "Company") hereby announce the unaudited condensed consolidated income statement of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2006 and the unaudited consolidated balance sheet of the Group as at 30 June 2006, together with the comparative figures for the corresponding period last year, as follows:–

**Condensed Consolidated Income Statement**

| | Notes | Unaudited Six months ended 30 June 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|---|
| **Sales** | 2 | **1,988,158** | 1,869,661 |
| Cost of sales | | **(1,949,253)** | (1,816,514) |
| Gross profit | | **38,905** | 53,147 |
| Other gains, net | 3 | **224,209** | 76,296 |
| Selling and distribution expenses | | **(16,875)** | (14,606) |
| General and administrative expenses | | **(37,932)** | (46,396) |
| Operating profit | 2 & 4 | **208,307** | 68,441 |
| Finance costs | 5 | **(28,142)** | (21,327) |
| Share of losses of associates | | **(1,522)** | (4,752) |
| **Profit before taxation** | | **178,643** | 42,362 |
| Taxation | 6 | **(591)** | (1,901) |
| **Profit for the period** | | **178,052** | 40,461 |
| Attributable to: | | | |
| Equity holders of the Company | | **178,501** | 41,210 |
| Minority interests | | **(449)** | (749) |
| | | **178,052** | 40,461 |
| Earnings per share for profit attributable to the equity holders of the Company during the period | | | |
| – basic | 7 | **17.29 HK Cents** | 3.91 HK Cents |

**Condensed Consolidated Balance Sheet**

| | Notes | Unaudited 30 June 2006 HK$'000 | Audited 31 December 2005 HK$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Leasehold land and land use rights | | **91,621** | 92,526 |
| Property, plant and equipment | | **150,255** | 155,268 |
| Investment properties | | **209,480** | 209,480 |
| Intangible assets | | **100** | – |
| Investment in associates | | **334,484** | 118,929 |
| Available-for-sale financial assets | | **9,309** | 9,310 |
| Other receivables | | **302** | 407 |
| Deferred tax assets | | **9,832** | 9,805 |
| | | **805,383** | 595,725 |
| **Current assets** | | | |
| Inventories | | **163,511** | 194,089 |
| Properties held for sale | | **28,267** | 28,779 |
| Held-to-maturity financial assets | | **16,054** | 23,423 |
| Financial assets at fair value through profit or loss | | **16,457** | 31,027 |
| Bills and accounts receivable | 8 | **1,059,595** | 879,634 |
| Deposits, prepayments and other receivables | | **140,926** | 175,031 |
| Due from an associate | | **1,158** | 1,010 |
| Taxation recoverable | | **23** | 21 |
| Pledged bank deposits | | **1,437** | 1,431 |
| Other cash and bank balances | | **186,342** | 203,878 |
| | | **1,613,770** | 1,538,323 |
| **Total assets** | | **2,419,153** | 2,134,048 |
| **EQUITY** | | | |
| Capital and reserves attributable to the Company's equity holders | | | |
| Share capital | | **103,213** | 103,213 |
| Other reserves | | **488,865** | 487,006 |
| Retained profits | | | |
| – Proposed dividends | | **–** | 30,964 |
| – Others | | **383,051** | 204,550 |
| | | **975,129** | 825,733 |
| Minority interests | | **39,761** | 49,505 |
| **Total equity** | | **1,014,890** | 875,238 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Borrowings | | **227,034** | 289,338 |
| Deferred tax liabilities | | **35,358** | 34,860 |
| | | **262,392** | 324,198 |
| **Current liabilities** | | | |
| Borrowings | | **532,453** | 501,922 |
| Due to an associate | | **21,987** | 16,058 |
| Bills and accounts payable | 9 | **487,099** | 341,112 |
| Other payables and accruals | | **69,359** | 75,110 |
| Dividend payable | | **30,964** | – |
| Taxation payable | | **9** | 410 |
| **Total current liabilities** | | **1,141,871** | 934,612 |
| **Total liabilities** | | **1,404,263** | 1,258,810 |
| **Total equity and liabilities** | | **2,419,153** | 2,134,048 |
| **Net current assets** | | **471,899** | 603,711 |
| **Total assets less current liabilities** | | **1,277,282** | 1,199,436 |

**NOTES TO CONDENSED FINANCIAL STATEMENTS**

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.

The unaudited condensed consolidated financial statements should be read in conjunction with the 2005 annual financial statements.

The accounting policies used in the preparation of these unaudited condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2005, except that the Group has adopted the following new amendments to standards and interpretation which are mandatory for financial year ending 31 December 2006 and are relevant to its operations.

| | |
|---|---|
| HKAS 21 (Amendment) | Net Investment in a Foreign Operation |
| HKAS 39 and HKFRS 4 (Amendments) | Financial Guarantee Contracts |
| HKFRS-Int 4 | Determining whether an Arrangement contains a Lease |

The adoption of such standards or interpretation has no significant effect on these financial statements.

2. **Segment information**

(a) *Primary reporting format – business segments*

The Group is organised into three major operating units: (i) steel trading, warehousing and distribution; (ii) steel manufacturing and processing; and (iii) property development and investment.

Turnover recognised during the six months period is as follows:

| | Unaudited Six months ended 30 June 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Sale of goods | **1,971,058** | 1,856,165 |
| Sale of properties held for sale | **3,534** | 1,720 |
| Rental income | **5,877** | 6,269 |
| Service income | **7,689** | 5,507 |
| | **1,988,158** | 1,869,661 |

Unaudited Six months ended 30 June 2005

| | Steel trading, warehousing and distribution HK$'000 | Steel manufacturing and processing HK$'000 | Property development and investment HK$'000 | Others HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Total gross segment sales | 1,643,788 | 233,674 | 8,082 | 13,793 | – | 1,899,337 |
| Inter-segment sales | (29,050) | – | (93) | (533) | – | (29,676) |
| Sales | 1,614,738 | 233,674 | 7,989 | 13,260 | – | 1,869,661 |
| Operating profit/(loss) | 17,238 | 3,263 | (1,635) | (212) | 49,787 | 68,441 |
| Finance costs | | | | | | (21,327) |
| Share of losses of associates | | | | | | (4,752) |
| Profit before taxation | | | | | | 42,362 |
| Taxation | | | | | | (1,901) |
| Profit for the period | | | | | | 40,461 |

**Unaudited Six months ended 30 June 2006**

| | Steel trading, warehousing and distribution HK$'000 | Steel manufacturing and processing HK$'000 | Property development and investment HK$'000 | Others HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Total gross segment sales | **1,751,171** | **232,122** | **9,506** | **9,800** | **–** | **2,002,599** |
| Inter-segment sales | **(14,180)** | **–** | **(261)** | **–** | **–** | **(14,441)** |
| Sales | **1,736,991** | **232,122** | **9,245** | **9,800** | **–** | **1,988,158** |
| Operating profit/(loss) | **(2,557)** | **2,071** | **1,001** | **(566)** | **208,358** | **208,307** |
| Finance costs | | | | | | **(28,142)** |
| Share of losses of associates | | | | | | **(1,522)** |
| Profit before taxation | | | | | | **178,643** |
| Taxation | | | | | | **(591)** |
| Profit for the period | | | | | | **178,052** |

(b) *Secondary reporting format – geographical segments*

| | Unaudited Six months ended 30 June 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Sales (by location of customers) | | |
| – Mainland China | **993,339** | 1,160,862 |
| – Hong Kong | **–** | 192,540 |
| – Asia (other than Mainland China and Hong Kong) | **770,632** | 440,995 |
| – Europe | **224,187** | 75,264 |
| | **1,988,158** | 1,869,661 |

3. **Other gains, net**

| | Unaudited Six months ended 30 June 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Net fair value gain on financial assets at fair value through profit or loss | **4,278** | 69,456 |
| Interest income: | | |
| – on bank deposits | **1,223** | 718 |
| – on financial assets | **592** | 355 |
| – on other receivables | **877** | 284 |
| Dividend income | **632** | 18 |
| Investment income | **7,602** | 70,831 |
| Net loss on disposals of investment properties | **–** | (22) |
| Net gain on disposals of property, plant and equipment | **85** | – |
| Dilution gain in an associate *(Note)* | **212,842** | – |
| Claims | **–** | 2,887 |
| Others | **3,680** | 2,600 |
| | **224,209** | 76,296 |

*Note:* The Group's equity interest in China LotSynergy Holdings Limited was diluted from 26.84% to 21.75% as a result of the issuance of new shares of China LotSynergy Holdings Limited during the period. In this connection, the Group recognised a dilution gain.

4. **Operating profit**

Operating profit is stated after charging and crediting the following:–

| | Unaudited Six months ended 30 June 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Depreciation of property, plant and equipment | **5,561** | 5,927 |
| Amortisation of prepaid operating lease payment | **905** | 821 |
| Operating lease rentals | **5,142** | 6,553 |
| Provision for impairment of receivable | **–** | 6,000 |
| Net exchange (gain)/loss | **(435)** | 226 |

5. **Finance costs**

| | Unaudited Six months ended 30 June 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Interest on: | | |
| – Bank borrowings repayable within five years | **27,622** | 21,123 |
| – Other loans | **94** | 76 |
| – Finance lease liabilities | **426** | 128 |
| | **28,142** | 21,327 |

6. **Taxation**

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 Acts 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% (2005: 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% (2005: 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.

The amount of taxation recognised in the income statement represents:

| | Unaudited Six months ended 30 June 2006 HK$'000 | 2005 HK$'000 |
|---|---|---|
| Current taxation | | |
| – Mainland China taxation | **32** | 49 |
| Under provision in prior years | | |
| – Hong Kong profits tax | **–** | 188 |
| – Mainland China taxation | **88** | – |
| | **88** | 188 |
| | **120** | 237 |
| Deferred taxation | **471** | 1,664 |
| | **591** | 1,901 |

7. **Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company of approximately HK$178,501,000 (2005: HK$41,210,000) by the weighted average number of 1,032,128,459 (2005: 1,054,114,459) ordinary shares in issue during the period.

The diluted earnings per share for the periods ended 30 June 2005 and 2006 are not presented because the Company has no dilutive potential ordinary shares.

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. Rental in respect of leased properties is payable by the tenants on monthly basis.

Ageing analysis of bills and accounts receivable is as follows:

| | Unaudited 30 June 2006 HK$'000 | Audited 31 December 2005 HK$'000 |
|---|---|---|
| Within three months | **867,251** | 865,987 |
| Over three months but within six months | **181,338** | 10,837 |
| Over six months but within twelve months | **8,556** | 1,499 |
| Over twelve months | **8,450** | 7,311 |
| | **1,065,595** | 885,634 |
| *Less:* Provision for impairment of receivables | **(6,000)** | (6,000) |
| | **1,059,595** | 879,634 |

9. **Bills and accounts payable**

Ageing analysis of bills and accounts payable is as follows:

| | Unaudited 30 June 2006 HK$'000 | Audited 31 December 2005 HK$'000 |
|---|---|---|
| Within three months | **487,099** | 341,112 |

## DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2006 (2005: Nil).

## BUSINESS REVIEW AND OUTLOOK

For the first half of the year, the Group's operations got off to a good start with its turnover increased by 6% to approximately HK$2 billion and profit increased by 340% to HK$178 million, as compared with the corresponding period last year.

### Steel Business

During the period under review, the global steel market, having experienced highly volatile market price fluctuation in 2005, saw increased demand with rising steel consumption from the EU, Latin America, Middle East, Asia and the PRC that drove steel production output to a higher level. At the same time, steel price had been relatively stable as costs of iron ore, coking coal, electricity and transportation remained substantially high.

Currently, steel production of the PRC accounts for a third of the aggregate global output whereas its imbalanced product mix continued. Such imbalance reflected in its reliance on the import of raw materials and high-end products as well as overproduction of commercial quality steel products. The situation is expected to prolong as the export of products such as steel billet, medium-heavy plates, hot-rolled plates and long steel sections increased with rising demand from the overseas markets.

By constantly responding to market development and coordinating the procurement and sales systems of various products, the Group's trading department strived to maintain the strength of its import business and at the same time, successfully expanded the export of steel products from China. For the first half of the year, the number of export contracts exceeded the total number last year, in particular the rise in its exports to Europe and Middle East.

In respect of its warehousing business, the Group recorded a loss in pellets trading owing to the deadlock in the international iron ore negotiation. As such, the Group's trading performance as a whole was affected though decisive steps had been taken to curb losses.

With a stable steel consumption market expected in the second half of the year, the Group will adhere to its prudent yet progressive operation strategies and continue to strengthen the import of primary materials such as iron ore and high-end products for the PRC market. In addition to the above, improvement of distribution network in the overseas markets and diversification of export products and sales channels will also be made to achieve better performance.

As for our steel manufacturing and processing business, the Group's two steel processing plants in Dongguan continued to be affected by intensive peer competition, imbalance of demand and supply and reduction in gross profit margin. Demand for the steel coil centre was stable for its raw materials are of higher added value, such as cold-rolled thin steel sheets and electro-galvanized coils. On the other hand, the traditional steel pipe plant, the raw materials of which are hot-rolled steel coils and ordinary cold-rolled steel coils and subject to greater influence from market price fluctuation, recorded a drop in gross profit. To reinforce our competitiveness and achieve long-term and stable operating performance, the Group has replaced some of its steel pipe production facilities and expanded the steel coil centre with a new steel coil production line to be installed. Further, resources will also be reallocated for strengthening our high value added steel coil processing business. Together with our commitment in enhancing customers' satisfactory level and major account management, the Group will be competent in providing comprehensive services, including value added processing, distribution, supply chain management and etc.

Meanwhile, the Group's steel sheet processing centre in Yangzhou, PRC has completed its initial market development work and commenced mass production. The Group will also study the feasibility of a strategic alliance with major state-owned steel group in the PRC to achieve synergy effect, thereby expanding the client base in this fast growing region and reinforcing the supply chain management to pave way for long-term development and profit growth in this centre.

### Property Development and Investment

Yangzhou Times Square, the Group's property development in the PRC, has continued to enjoy full occupancy. Given a rapidly growing local economy and a maturing mall operation, all reversionary rentals are in the uptrend. The management is making continuous effort to review and adjust the overall tenant mix and marketing strategies, as well as to improve the shopping environment in order to attract tenants of popular brands, and thereby to consolidate its leading position as a trendy shopping mall in Yangzhou. This property is expected to bring stable rental returns and appreciation potential to the Group.

### Associated Corporation

China LotSynergy Holdings Limited (Stock code: 8161), an associated corporation of the Group, is principally engaged in the investment, project development and the provision of technologies and equipment and consultancy services in public welfare lottery business and related sectors. The Company has made material progress in welfare lottery related business in China during the period under review.

The Group believes that with the continuing development of welfare lottery industry in China and the progression of the Company's various projects, the lottery related business will bring satisfactory investment returns to the Group in the long run.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's total equity increased to HK$1,014,890,000 at 30 June 2006 from HK$875,238,000 at 31 December 2005. The cash and bank balances of the Group were approximately HK$187,779,000 (31 December 2005: HK$205,309,000) and the net current assets were approximately HK$471,899,000 (31 December 2005: HK$603,711,000) as at 30 June 2006.

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 2006 were 1.41 and 0.58 respectively (31 December 2005: 1.65 and 0.59 respectively).

As at 30 June 2006, the total bank borrowings of the Group was HK$741,982,000 (31 December 2005: HK$772,352,000) and their maturity profile was as follows:

| | As at 30 June 2006 HK$ million | 31 December 2005 HK$ million |
|---|---|---|
| Within one year | **528** | 498 |
| In the second year | **199** | 121 |
| In the third to fifth year | **15** | 153 |
| | **742** | 772 |

All the Group's bank borrowings were denominated in Hong Kong Dollar, 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

There has been no material change in the Group's contingent liabilities since 31 December 2005.

## CAPITAL COMMITMENTS

As at 30 June 2006, the Group had capital commitments contracted but not provided amounted to approximately HK$5,543,000 (31 December 2005: Nil) in respect of property, plant and equipment and it will be financed by internal fund.

## CHARGE ON ASSETS

There has been no material change in the Group's charge on assets since 31 December 2005.

## STAFF

As at 30 June 2006, the Group employed 691 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, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2006.

## 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. SONG Yufang and Mr. HUANG Shenglan. The Audit Committee has reviewed and discussed with the management the accounting principles and practices adopted by the Group and auditing, internal controls and financial reporting matters. The unaudited interim financial statements of the Group for the six months ended 30 June 2006 have been reviewed by the Audit Committee.

## CORPORATE GOVERNANCE

The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 June 2006, except for the following deviations:

– Code provision A2.1 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 A4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election, and code provision A4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment and every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

  The Non-Executive Directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Bye-laws of the Company (the "Bye-laws"). The Directors have not been required by the Bye-laws to retire by rotation at least once every three years. However, in accordance with Bye-law 85 of the Bye-laws, at each annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not greater than one-third), other than the Director holding office as Chairman or Managing Director, shall retire from office by rotation. The Board will ensure the retirement of each Director, other than the one who holds the office as Chairman or Managing Director, by rotation at least once every three years in order to comply with Code provisions. 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.

– Code provision B1.1 stipulates the establishment of a remuneration committee with specific written terms of reference which deal clearly with its authority and duties and a majority of the remuneration committee should be independent non-executive directors. The Company has not set up a remuneration committee pursuant to the said code provision during the period under review. Nevertheless, a committee comprising the Chairman, two Executive Directors and the Head of Personnel Department has been responsible for determining and reviewing the Group's overall remuneration policy and structure for the remuneration of the Directors, but no Director will be involved in deciding his own remuneration.

  On 12 September 2006, the Company established a remuneration committee, which comprises an Executive Director and the Deputy General Manager, Mr. SIT Hoi Tung, and two Independent Non-Executive Directors, Messrs. CUI Shu Ming and HUANG Shenglan, with written terms of reference in compliance with the code provision B1.1.

– Code provision E1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. CHAN Shing, the Chairman of the Board, was unable to attend the Company's annual general meeting held on 30 May 2006 as he was on business trip. Nevertheless, he had arranged for Mr. SIT Hoi Tung, an Executive Director and the 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 consider appropriate.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors by 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 2006.

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

Hong Kong, 12 September 2006

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