

INTERIM RESULTS

The board of directors of Dah Hwa International (Holdings) Limited (the “Company”) announces the unaudited consolidated results of the Company (the “Unaudited Results”) and its subsidiaries (the “Group”) for the six months ended 30 September 2000. The Unaudited Results have not been audited by the Company’s auditors, but have been reviewed by the Company’s Audit Committee on 27 December 2000:

CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000

	NOTES	Six months ended	
		30.9.2000 (Unaudited) HK\$	30.9.1999 (Unaudited) HK\$
Turnover		153,839,832	128,435,992
Cost of sales		(124,504,505)	(100,136,499)
Gross profit		29,335,327	28,299,493
Other revenue		888,459	3,865,649
Distribution costs		(3,168,675)	(8,962,811)
Administrative expenses		(27,001,146)	(20,032,961)
Provision for doubtful debts		(13,000,000)	–
(Loss) profit from operations		(12,946,035)	3,169,370
Finance costs		(3,296,452)	(4,966,777)
Share of results of an associate		3,880,556	3,927,843
(Loss) profit before taxation		(12,361,931)	2,130,436
Taxation	4	(410,050)	(248,802)
Net (loss) profit for the period		(12,771,981)	1,881,634
(Loss) Earnings per share – Basic	5	(1.81) cents	0.29 cent

CONDENSED CONSOLIDATED BALANCE SHEET

AT 30 SEPTEMBER 2000

		30.9.2000	31.3.2000
		(Unaudited)	(Audited)
	<i>NOTES</i>	<i>HK\$</i>	<i>HK\$</i>
Non-current assets			
Investment property		4,000,000	4,000,000
Property, plant and equipment		98,705,925	102,780,081
Interests in associates		28,418,593	26,308,590
		<hr/> 131,124,518	<hr/> 133,088,671
Current assets			
Inventories		88,022,188	84,858,137
Trade and other receivables	6	65,133,464	61,666,771
Dividend receivable		–	1,626,472
Tax recoverable		596,851	377,626
Cash and bank balances		23,215,383	11,187,280
		<hr/> 176,967,886	<hr/> 159,716,286
Current liabilities			
Bills payable		62,066,239	56,220,712
Trade and other payables	7	20,710,809	15,272,743
Taxation payable		1,295,367	97,732
Bank borrowings – due within one year		2,524,184	2,493,720
Obligations under finance leases			
– due within one year		542,553	540,947
Bank overdrafts, unsecured		3,142,427	909,632
		<hr/> 90,281,579	<hr/> 75,535,486
Net current assets		<hr/> 86,686,307	<hr/> 84,180,800
		<hr/> 217,810,825	<hr/> 217,269,471

	<i>NOTE</i>	30.9.2000 (Unaudited) HK\$	31.3.2000 (Audited) HK\$
Capital and reserves			
Share capital	8	35,510,410	32,760,410
Reserves		154,099,817	154,854,358
		<hr/> 189,610,227	<hr/> 187,614,768
Minority interests		3,739,050	3,739,050
		<hr/> 193,349,277	<hr/> 191,353,818
Non-current liabilities			
Bank borrowings – due after one year		23,766,999	24,998,265
Obligations under finance leases			
– due after one year		563,211	752,457
Deferred taxation		131,338	164,931
		<hr/> 217,810,825	<hr/> 217,269,471

The condensed consolidated financial statements on pages 1 to 9 were approved by the Board of Directors on 27 December 2000 and are signed on its behalf by:

Lee Deh
DIRECTOR

Lee Sam Yuen, John
DIRECTOR

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000

	30.9.2000
	<i>HK\$</i>
Exchange differences arising on translation of overseas operations	(1,320,060)
Net loss for the period	(12,771,981)
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Total recognised losses	(14,092,041)
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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000

	Six months ended 30.9.2000 (Unaudited) HK\$
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	<u>(5,479,326)</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	49,778
Interest paid	(3,296,452)
Dividend received from an associate	<u>1,626,472</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	<u>(1,620,202)</u>
TAXATION	
Hong Kong profits tax paid	(123,362)
Overseas tax refunds	1,297,137
Overseas tax paid	<u>(230,129)</u>
NET CASH INFLOW FROM TAXATION	<u>943,646</u>
INVESTING ACTIVITIES	
Purchase of property, plant and equipment	(375,462)
Proceeds on disposal of property, plant and equipment	<u>18,178</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(357,284)</u>
NET CASH OUTFLOW BEFORE FINANCING	<u>(6,513,166)</u>
FINANCING	
Net proceeds from issue of shares	16,087,500
Repayment of bank loans	(1,225,979)
Repayment of obligations under finance leases	<u>(191,487)</u>
NET CASH INFLOW FROM FINANCING	<u>14,670,034</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>8,156,870</u>
CASH AND CASH EQUIVALENTS BEGINNING BALANCE	10,277,648
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>1,638,438</u>
CASH AND CASH EQUIVALENTS ENDING BALANCE	<u><u>20,072,956</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS	
Bank balances and cash	23,215,383
Bank overdrafts	<u>(3,142,427)</u>
	<u><u>20,072,956</u></u>

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2000

1. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties.

The interim report has been prepared in accordance with the Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants ("SSAP 25"), except that comparative figures are not presented either for the statement of recognised gains and losses or for the cash flow statement, being the first cash flow statement to be included in the interim financial report relating to accounting period ended on or after 1 July 2000. Such departures from SSAP 25 are permitted under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The accounting policies adopted are consistent with those followed in the group annual financial statements for the year ended 31 March 2000.

2. SEGMENTAL INFORMATION

Business segments

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2000	30.9.1999	30.9.2000	30.9.1999
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trading of finished leather	124,837,670	93,333,201	(14,721,669)	(4,665,020)
Commission income	248,956	3,510,911	248,956	3,510,911
Trading of handbags and travel goods	28,753,206	31,591,880	(1,769,774)	(643,298)
	<u>153,839,832</u>	<u>128,435,992</u>	<u>(16,242,487)</u>	<u>(1,797,407)</u>
Share of results of an associate			<u>3,880,556</u>	<u>3,927,843</u>
(Loss) profit from ordinary activities before taxation			<u>(12,361,931)</u>	<u>2,130,436</u>

Geographical segment

	Revenue		Segment results	
	Six months ended		Six months ended	
	30.9.2000	30.9.1999	30.9.2000	30.9.1999
	HK\$	HK\$	HK\$	HK\$
Hong Kong	101,267,549	79,278,373	(12,212,486)	557,586
Other regions of The People's Republic of China	3,033,477	3,625,104	78,437	(672,462)
Australia	29,407,504	32,246,178	(1,857,748)	(1,476,493)
Others	20,131,302	13,286,337	(2,250,690)	(206,038)
	<u>153,839,832</u>	<u>128,435,992</u>	<u>(16,242,487)</u>	<u>(1,797,407)</u>
Share of results of an associate			<u>3,880,556</u>	<u>3,927,843</u>
(Loss) profit from ordinary activities before taxation			<u>(12,361,931)</u>	<u>2,130,436</u>

3. DEPRECIATION

During the period, depreciation of HK\$2,873,072 (1999: HK\$2,784,344) was charged in respect of the Group's property, plant and equipment.

4. TAXATION

	THE GROUP	
	Six months ended	
	30.9.2000	30.9.1999
	HK\$	HK\$
The charge comprises:		
Profit for the period		
Hong Kong	-	-
Other jurisdictions	-	-
Underprovision in prior year		
Other jurisdictions	34,082	-
Deferred taxation	(34,082)	-
Share of taxation attributable to an associate	410,050	248,802
	<u>410,050</u>	<u>248,802</u>

5. (LOSS) EARNINGS PER SHARE

The calculation of earnings per share for the period is based on the consolidated net loss attributable to shareholder of HK\$12,771,981 (1999: profit of HK\$1,881,634) and on the weighted average number of 706,902,189 (1999: 655,208,200) ordinary shares in issue during the period.

6. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers.

The following is an ageing analysis of trade and other receivables at the reporting date:

	30.9.2000 (Unaudited) HK\$
Within 30 days	38,740,037
31 – 60 days	7,664,368
61 – 90 days	2,290,981
Over 90 days	16,438,078
	<hr/> 65,133,464 <hr/>

7. TRADE AND OTHER PAYABLES

The following is an ageing analysis of trade and other payables at the reporting date:

	30.9.2000 (Unaudited) HK\$
Within 30 days	17,002,990
31 – 60 days	667,057
61 – 90 days	1,003,093
Over 90 days	2,037,669
	<hr/> 20,710,809 <hr/>

8. SHARE CAPITAL

	Number of shares 30.9.2000	Share capital 30.9.2000 HK\$
<i>Issued and fully paid:</i>		
At the beginning of the period		
Ordinary shares of HK\$0.05 each	655,208,200	32,760,410
Placement of shares	55,000,000	2,750,000
	<u>710,208,200</u>	<u>35,510,410</u>
At the end of the period		

On 12 April 2000, 55,000,000 ordinary shares of HK\$0.05 each were issued at HK\$0.30 under a placing arrangement to provide additional working capital of the Company.

BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 September 2000, turnover was amounted to approximately HK\$153 million, representing an increase of approximately 19.78% against the corresponding period of the previous year. The Group recorded a loss attributable to shareholders of approximately HK\$12.7 million which included a provision of doubtful debts of HK\$13 million due to the adoption of the prudent policies.

The management of the Group believes the prices of leather have become stable after the market consolidation. The leather industry has undergone the ebb and is now on its way to rebound. The overall leather industry is experiencing a steady growth.

The Group is celebrating its 50th anniversary this year. Due to its successful diversification of its leather trading business, it has already established a strong foothold in the industry.

Leather trading continued to be the core business of the Group. Currently the Group has over a thousand different types of high quality leather suitable for the manufacturing of footwear, gloves, handbags and furniture. The increasing popularity of leather apparel and accessories in America and Europe has boosted the demand for leather. It is expected that leather will become a major component in the fashion trend in the coming years.

Building on its close relationships with suppliers, the Group is able to source a wide range of trendy leather at competitive prices. As the previous years, the Group participated in the Asia Pacific Leather Fair 2000 in Hong Kong, which is the best indicator of the latest fashion trends around the world.

In addition to the Group's effort in sourcing new and stylish leather, the Group intends to further improve the quality of leather to satisfy customers' demands. The Group may consider to invest in opportunity in utilizing the bio-technology technique to enhance the leather quality.

Paragold Distributors Pty Ltd, ("Paragold"), a wholly owned subsidiary of the Company, has obtained the exclusive rights in Australia, Hong Kong and the PRC for the manufacturing and distribution of the official bags, luggages and related accessories for the Olympic Games held in Sydney this year. These products together with the Group's own brand name products are manufactured in its consolidated manufacturing base in Zhongshan, the PRC. The performance of leatherware manufacturing remained stable during the review period.

For the six months ended 30 September 2000, the Group's retail business had a satisfactory performance. The sales of Olympic products were in line with the management's forecast. Paragold products were all well received by the market.

In view of the gradual market recovery, the Group is well positioned to grasp the opportunities ahead by leveraging on its established leading position in the leather industry. Being a vertically integrated leather group, it will take the advantages from its business ranging from leather sourcing, design, manufacturing to distribution. In addition, it will continue to adopt the prudent cost control policies and commit in maintaining a healthy financial position. With the improved market sentiment and the enhanced purchasing power, the management is optimistic to see a steady growth in the leather industry.

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

During the six months ended 30 September 2000, neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' INTERESTS IN SHARES

At 30 September 2000, the interests of the directors in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") were as follows:

Name of directors	Number of ordinary shares held		
	Personal interests	Corporate interests	Other interests
Mr. Lee Deh	–	–	385,904,000 (a)
Mrs. Lee Shiao Yu Cho	300,000	–	385,904,000 (a)
Mr. Lee Sam Yuen, John	–	–	385,904,000 (a)
Dr. Sun Ping Hsu, Samson	–	7,200,000 (b)	–
Mr. Callister, Stephen William	780,000	–	–

Notes:

- (a) These shares are held by D.H. International Limited, a company owned by a foundation under which Mr. Lee Deh, Mrs. Lee Shiao Yu Cho and Mr. Lee Sam Yuen, John are beneficiaries.
- (b) These shares are held by Sun International Limited, a company controlled by Dr. Sun Ping Hsu, Samson.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of 385,904,000 shares held by D.H. International Limited (representing approximately 54.34% of the entire issued share capital of the Company). The register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the SDI Ordinance discloses no person as having an interest of 10% or more in the issued share capital of the Company at 30 September 2000.

COMPLIANCE WITH CODE OF BEST PRACTICE

None of the directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the six months ended 30 September 2000, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.