

The Directors would like to present their annual report together with the audited financial statement of Dah Hwa International (Holdings) Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries and associates are principally engaged in (i) the sales of finished leather, and the manufacture and sale of leatherware products; as well as (ii) investment holding and operation in the healthcare business and other businesses within the medical sector.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	10%	
Five largest customers in aggregate	28%	
The largest supplier		23%
Five largest suppliers in aggregate		57%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial year ended 31 March 2004 is set out on pages 65 and 66 of the financial statements.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2004 are set out in the consolidated income statement on page 19 of this annual report.

The state of the Company's and the Group's affairs as at 31 March 2004 are set out in the balance sheet on page 20 to 22.

The Board of Directors do not recommend the payment of a dividend.

PROPERTY, PLANT AND EQUIPMENT

Details of significant changes in the property, plant and equipment of the Group during the year are set out in Note 15 to the financial statements.

SHARE CAPITAL

Movements in share capital of the Company during the year are set out in Note 26 to the financial statements.

RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 28 to the financial statements.

PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2004 and up to the date of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rate basis to existing shareholders.

SUBSIDIARIES AND ASSOCIATES

Particulars of the Company's subsidiaries and associates are set out in Notes 16 and 17 to the financial statements.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank borrowings as at 31 March 2004 are set out in Note 24 to the financial statements.

RETIREMENT SCHEMES

Details of the retirement benefits scheme of the Group are set out in Note 10 to the financial statements.

DONATIONS

Charitable and other donations made by the Group during the year amounted to HK\$141,075 (2003: HK\$640,000).

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors who held office during the year and up to the date of this report are:

Executive Directors:

Mr. Wong Kwan, Chairman (appointed on 23 October 2003)
Mr. Lee Sam Yuen, John
Mr. Callister, Stephen William
Ms. Ng Fung Ying
Mr. Ng Hoi Chun

Non-executive Directors:

Dr. Sun Ping Hsu, Samson MBE, JP
Dr. Wong Wing Hon, Alfonso (appointed on 22 April 2004)

Independent Non-executive Directors

Mr. Lo Ming Chi, Charles JP (resigned on 21 April 2004)
Mr. Wong Kwok Tai (resigned on 21 April 2004)
Mr. Chan Nim Leung, Leon (appointed on 22 April 2004)
Mr. Ha Kee Choy, Eugene (appointed on 22 April 2004)

In accordance with the provisions of the Company's Articles of Association, Mr. Callister, Stephen William, Ms. Ng Fung Ying, Mr. Ng Hoi Chun, Mr. Chan Nim Leung, Leon and Mr. Ha Kee Choy, Eugene shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

The term of office of each Non-executive Director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

None of the directors has an unexpired service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' SERVICE CONTRACTS

The Company has entered into service agreement with Mr. Lee Sam Yuen, John who was appointed as the Executive Director for a term of 2 years commencing on 1 January 2004. Their remuneration is determined by the board of directors on the anniversary of the date of their appointment. The agreement can be terminated without payment of compensation by the contracting parties giving six months written notice.

No director proposed for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than normal statutory obligations.

DIRECTORS' INTEREST IN SHARES

At 31 March 2004, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Personal Interests	Corporate Interests
Mr. Wong Kwan	–	253,337,140 (a)
Dr. Sun Ping Hsu, Samson	–	7,200,000 (b)
Mr. Callister, Stephen William	780,000	–
Mr. Ng Hoi Chun	240,400	–

Notes:

- (a) Out of these shares 151,337,140 shares are held by Cadison Company Limited and 102,000,000 shares are held by Champion Merry Investments Limited. Mr. Wong is the beneficial owner of both companies.
- (b) These shares are held by Sun International Limited, a company controlled by Dr. Sun Ping Hsu, Samson.

Other than as disclosed above, as at 31 March 2004, none of the directors and chief executive and their associates had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded 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 Companies.

DIRECTORS' INTEREST IN CONTRACTS

Except for the related party transactions as disclosed in Note 32 to the financial statements, no other contracts of significance to which the Company, its holding company or subsidiaries or associate companies was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' BENEFITS TO ACQUIRE SHARES OR DEBENTURES

Pursuant to a share option scheme approved at an extraordinary general meeting of the Company, the Directors may, at their Discretion, invite directors and employees of the Company to take up options to subscribe for ordinary shares in the Company subject to the terms and conditions stipulated therein. There is no aforesaid share options have been granted.

Except for the share option scheme as mentioned in Note 27 to financial statements, at no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at the reporting date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors or Chief Executive of the Company, the following persons (other than a Director or Chief Executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital (including any options in respect of such capital) carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name	Number of issued shares	Percentage holding
Guildford Finance Limited (a)	145,412,000	12.24%
Sino Asia Investments Limited (a)	50,330,000	4.24%
Mr. Michael Lee (a)	195,742,000	16.48%
Jade Alliance Group Limited (b)	68,000,000	5.72%
Mr. Tan Kian Chung (b)	68,000,000	5.72%
Bioleader Limited (c)	75,000,000	6.31%
Mr. Wong Tin Sang (c)	107,800,000	9.07%

Notes:

- (a) Mr. Michael Lee is the sole beneficial owner of Guildford Finance Limited and Sino Asia Investments Limited and is deemed to be interested in the shares held by these companies.
- (b) Jade Alliance Group Limited is wholly-owned by Mr. Tan Kian Chung. Mr. Tan is deemed to be interested in the shares held by Jade Alliance Group Limited.
- (c) Bioleader Limited a company controlled by Mr. Wong Tin Sang and is therefore deemed to be interested in the shares held by this company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

AUDIT COMMITTEE

The Company has an audit committee consisting of a Non-executive Director and two Independent Non-executive Directors of the Company. The committee reviews the system of internal controls throughout the Group, the completeness and accuracy of its financial statements and liaises on behalf of the Board with the auditors. It met regularly with the management and the auditors to review the audit reports and the interim and final financial statements of the Group.

CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31 March 2004 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, except that the Non-executive Directors of the Company are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the Articles of Association of the Company.

AUDITORS

These financial statements were audited by Messrs Charles Chan, Ip & Fung CPA Ltd. A resolution for their re-appointment as the Company's auditors for the ensuing year is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board of Directors

Wong Kwan

Chairman

Hong Kong, 26 July 2004