祥泰行集團有限公司

CHEUNG TAI HONG HOLDINGS LIMITED

Since 1950 創立

Interim Report 2004-2005

CONTENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th September, 2004

		Six months ended	
		30.9.2004	30.9.2003
		(unaudited)	(unaudited)
	Notes	***HK$'000***	*HK$'000*
Turnover	*3*	**175,398**	29,465
Cost of sales		**(125,505)**	(28,283)
Allowance for properties held for sale		**–**	(6,006)
Gross profit (loss)		**49,893**	(4,824)
Investment income		**34**	2,930
Other operating income		**255**	1,506
Distribution costs		**(24,733)**	–
Administrative expenses		**(13,651)**	(5,336)
Gain (loss) on disposal of investments in securities		**53**	(7,509)
Amortisation of goodwill arising on acquisition of subsidiaries		**(478)**	–
Loss on disposal of investment properties		**(3,217)**	–
Unrealised holding (loss) gain of other investments		**(4,696)**	1,675
Profit (loss) from operations	*4*	**3,460**	(11,558)
Finance costs	*5*	**(4,011)**	(9,576)
Profit on disposal of a subsidiary		**–**	20
Loss before taxation		**(551)**	(21,114)
Taxation	*6*	**(466)**	–
Loss before minority interests		**(1,017)**	(21,114)
Minority interests		**–**	6,453
Loss for the period		**(1,017)**	(14,661)
Loss per share (basic)	*8*	**(0.8 cents)**	(12.5 cents)

CONDENSED CONSOLIDATED BALANCE SHEET

At 30th September, 2004

	Notes	30.9.2004 (unaudited) *HK$'000*	31.3.2004 (audited) *HK$'000*
Non-current assets			
Investment properties	*9*	–	8,200
Property, plant and equipment	*10*	69,054	380
Intangible assets	*11*	1,261	–
Goodwill	*12*	22,458	–
Interest in an associate		11	–
		92,784	8,580
Current assets			
Properties held for sale		71,990	116,846
Inventories		67,034	–
Investments in securities		10,330	16,388
Debtors, deposits and prepayments	*13*	35,201	10,311
Pledged bank deposits		2,930	–
Bank balances and cash		64,025	80,136
		251,510	223,681
Current liabilities			
Creditors and accrued charges	*14*	64,479	7,641
Tax payable		179	–
Obligations under finance lease – due within one year		33	–
Bank and other borrowings due within one year	*15*	119,449	94,444
		184,140	102,085
Net current assets		67,370	121,596
Total assets less current liabilities		160,154	130,176
Non-current liabilities			
Obligations under finance lease – due after one year		112	–
Bank and other borrowings – due after one year	*15*	30,000	–
		30,112	–
		130,042	130,176
Capital and reserves			
Share capital	*17*	1,288	1,277
Reserves		128,754	128,899
		130,042	130,176

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th September, 2004

	Share capital	Share premium	Capital redemption reserve	Other reserve	Special reserve	Translation reserve	Accumulated (losses) profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1st April, 2003	234,375	334,999	646	–	(8,908)	–	(403,500)	157,612
Capital reorganisation								
– capital reduction	(233,203)	–	–	233,203	–	–	–	–
– cancellation of share premium	–	(334,999)	–	334,999	–	–	–	–
– set-off against accumulated losses	–	–	–	(535,894)	–	–	535,894	–
Loss for the period	–	–	–	–	–	–	(14,661)	(14,661)
At 30th September, 2003	1,172	–	646	32,308	(8,908)	–	117,733	142,951
Exercise of share options	105	2,071	–	–	–	–	–	2,176
Loss for the period	–	–	–	–	–	–	(14,951)	(14,951)
At 31st March, 2004	1,277	2,071	646	32,308	(8,908)	–	102,782	130,176
Exchange differences arising on translation of operations outside Hong Kong and gain not recognised in the condensed income statement	–	–	–	–	–	645	–	645
Exercise of share options	11	227	–	–	–	–	–	238
Loss for the period	–	–	–	–	–	–	(1,017)	(1,017)
At 30th September, 2004	1,288	2,298	646	32,308	(8,908)	645	101,765	130,042

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th September, 2004

	Six months ended	
	30.9.2004	30.9.2003
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Net cash from operating activities	**59,743**	12,891
Tax paid	**(273)**	–
Net cash (used in) from investing activities	**(17,720)**	9,518
Net cash used in financing activities	**(59,004)**	(15,683)
Net (decrease) increase in cash and cash equivalents	**(17,254)**	6,726
Cash and cash equivalents at beginning of the period	**80,136**	120,112
Effect of foreign exchange rate changes	**527**	–
Cash and cash equivalents at end of the period	**63,409**	126,838
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	**64,025**	126,838
Bank overdrafts	**(616)**	–
	63,409	126,838

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30th September, 2004

1. BASIS OF PREPARATION

The condensed financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Statement of Standard Accounting Practice 25 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31st March, 2004, except that the Group has adopted certain new accounting policies following its acquisition of subsidiaries as disclosed in note 18, as described below.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Intangible assets

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

3. SEGMENT INFORMATION

In May 2004, the business of manufacturing, distribution and retailing of medicine and health food was acquired upon acquisition of subsidiaries as disclosed in note 18.

An analysis of the Group's turnover and profit (loss) from operations by business segment, the primary segment, is as follows:

Six months ended 30th September, 2004

	Medicine and health food	Motorcycles	Property	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	107,080	7,673	60,645	175,398
SEGMENT RESULTS	601	253	9,611	10,465
Unallocated corporate expenses				(7,005)
Profit from operations				3,460
Finance costs				(4,011)
Loss before taxation				(551)
Taxation				(466)
Loss before minority interests				(1,017)
Minority interests				–
Loss for the period				(1,017)

3. SEGMENT INFORMATION *(Cont'd)*

Six months ended 30th September, 2003

	Motorcycles	Property	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
REVENUE			
External sales	9,860	19,605	29,465
SEGMENT RESULTS	557	(5,575)	(5,018)
Unallocated corporate expenses			(6,540)
Loss from operations			(11,558)
Finance costs			(9,576)
Profit on disposal of a subsidiary			20
Loss before taxation			(21,114)
Taxation			–
Loss before minority interests			(21,114)
Minority interests			6,453
Loss for the period			(14,661)

4. PROFIT (LOSS) FROM OPERATIONS

	Six months ended	
	30.9.2004	30.9.2003
	HK$'000	*HK$'000*
Profit (loss) from operations for the period has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**4,221**	100
Amortisation of intangible assets included in administrative expenses	**4**	–
Loss (gain) on disposal of property, plant and equipment	**53**	(1,473)
Bad debts recovered	**(1)**	(21)

5. FINANCE COSTS

	Six months ended	
	30.9.2004	30.9.2003
	HK$'000	*HK$'000*
Interest on:		
Bank and other borrowings wholly repayable within five years	**2,719**	9,576
Promissory notes	**290**	–
Convertible note	**122**	–
Loan arrangement fees	**880**	–
	4,011	9,576

6. TAXATION

The taxation for the current period represents provision for income tax in the People's Republic of China.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profit for the period.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

7. DIVIDENDS

No dividends were paid during the period (six months ended 30th September, 2003: Nil). The directors do not recommend the payment of an interim dividend.

8. LOSS PER SHARE

The calculation of the basic loss per share is based on the following data:

	Six months ended	
	30.9.2004	30.9.2003
	HK$'000	*HK$'000*
Loss for the period	**1,017**	14,661
	Number of shares	Number of shares
Weighted average number of shares for the purpose of basic loss per share	**128,739,049**	117,187,656

No diluted loss per share has been presented because the exercise of the share options and the conversion of the convertible note would result in a decrease in net loss per share.

9. INVESTMENT PROPERTIES

During the current period, the Group disposed of all its investment properties with a carrying amount of HK$8,200,000 for net proceeds of HK$4,983,000, resulting in a loss on disposal of HK$3,217,000. The legal charges over the investment properties were released upon the disposal.

10. PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group acquired property, plant and equipment at a cost of HK$72,906,000 of which HK$71,549,000 was arising upon the acquisition of subsidiaries as disclosed in note 18 and disposed of property, plant and equipment with a carrying value of HK$129,000. In addition, depreciation of HK$4,221,000 (six months ended 30th September, 2003: HK$100,000) was charged to the condensed income statement for the period in respect of the Group's property, plant and equipment.

Certain equipment of the Group with an aggregate net book value of approximately HK$12,331,000 were pledged to a bank as security for the credit facilities granted to the Group.

11. INTANGIBLE ASSETS

During the period, intangible assets of HK$1,265,000 was purchased upon acquisition of subsidiaries as disclosed in note 18. The intangible assets represent pharmaceutical product development costs. In addition, amortisation of HK$4,000 was charged for the period in respect of the Group's intangible assets. The amortisation period adopted for the intangible assets ranges from 5 to 20 years.

12. GOODWILL

Goodwill of approximately HK$22,936,000 arose from the acquisition of subsidiaries as set out in note 18. Amortisation of goodwill of approximately HK$478,000 was charged for the current period. The amortisation period adopted for the goodwill is 20 years.

13. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group allows credit period ranging from 30 to 90 days to its trade customers.

The following is an aged analysis of trade debtors at the reporting date:

	30.9.2004	31.3.2004
	HK$'000	*HK$'000*
0 – 30 days	17,757	4,799
31 – 90 days	3,445	–
Over 90 days	1,660	–
	22,862	4,799
Other debtors, deposits and prepayments	12,339	5,512
	35,201	10,311

14. CREDITORS AND ACCRUED CHARGES

The following is an aged analysis of trade creditors at the reporting date:

	30.9.2004	31.3.2004
	HK$'000	*HK$'000*
0 – 30 days	24,968	488
31 – 90 days	16,865	–
Over 90 days	3,676	1,283
	45,509	1,771
Other creditors and accrued expenses	18,970	5,870
	64,479	7,641

15. BANK AND OTHER BORROWINGS

At 30th September, 2004, the Group had bank and other borrowings of HK$82,697,000 arose from the acquisition of subsidiaries. The consideration for the acquisition was partially satisfied by the issue of promissory notes of HK$13 million and 2% redeemable convertible note due in 2006 in a principle amount of HK$15 million as disclosed in note 18. The promissory notes are unsecured, bear interest at 5.5% per annum and are to be matured on 6th May, 2005. The convertible note can be converted into 33,333,333 ordinary shares of the Company at a conversion price of HK$0.45 per share, subject to adjustments.

In addition, the Group raised and repaid bank and other borrowings of HK$57,152,000 and HK$112,844,000, respectively.

16. DEFERRED TAXATION

The following are the major deferred tax liability (asset) provided for and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation	**Tax losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1st April, 2003, 30th September, 2003 and 1st April, 2004	–	–	–
Acquisition of subsidiaries	3,263	(3,263)	–
(Credit) charge to income for the period	(385)	385	–
At 30th September, 2004	2,878	(2,878)	–

At 30th September, 2004, the Group has unused tax losses of HK$698,699,000 (at 31st March, 2004: HK$538,966,000) available for offset against future profits and deductible temporary differences associated with property, plant and equipment of HK$595,000. (at 31st March, 2004: associated with investment properties and property, plant and equipment of HK$25,504,000). A deferred tax asset has been recognised in respect of HK$16,445,000 (at 31st March, 2004: Nil) of such losses. No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK$682,254,000 (at 31st March, 2004: HK$538,966,000) and the deductible temporary differences due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

17. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1st April, 2004 and 30th September, 2004	40,000,000,000	400,000
Issued and fully paid:		
At 1st April, 2004	127,697,656	1,277
Exercise of share options	1,155,000	11
At 30 September, 2004	**128,852,656**	**1,288**

18. ACQUISITION OF SUBSIDIARIES

In May 2004, the Group acquired 100% of the issued share capital of Tung Fong Hung Investment Limited and the remaining 50% of the issued share capital of Pacific Wins Development Ltd. not being held by Tung Fong Hung Investment Limited for considerations of HK$42 million and HK$28 million, respectively. The transactions have been accounted for using the purchase method of accounting.

The effect of the acquisition is summarised as follows:

	HK$'000
Net assets acquired	51,199
Goodwill arising on acquisition	22,936
Total consideration	74,135
Satisfied by	
Cash	42,000
Promissory notes	13,000
Convertible note	15,000
	70,000
Legal and professional fees	4,135
	74,135
Net cash outflow arising on acquisition	
Cash consideration	(42,000)
Legal and professional fees	(4,135)
Bank balances and cash acquired	23,274
	(22,861)

The subsidiaries acquired during the period contributed approximately HK$107,080,000 to the Group's turnover and a profit of approximately HK$601,000 to the Group's profit from operations.

19. OPERATING LEASE COMMITMENTS

The Group as lessee

	Six months ended	
	30.9.2004	30.9.2003
	HK$'000	*HK$'000*
Property rentals paid by the Group during the period in respect of:		
Minimum lease payments	**7,812**	134
Contingent rents	**1,421**	–
	9,233	134

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	30.9.2004	31.3.2004
	HK$'000	*HK$'000*
Within one year	**17,220**	–
In the second to fifth year inclusive	**20,683**	–
	37,903	–

Operating lease payments represent rentals payable by the Group for certain of its office premises, factory premises and outlets. Leases are negotiated for an average term of three years and rentals are either fixed or, in addition to the fixed rentals, contingent rental based on a fixed percentage of the monthly gross turnover of the outlets.

20. POST BALANCE SHEET EVENT

Subsequent to 30th September, 2004, the Company entered into a conditional share placing agreement and a conditional convertible note placing agreement in relation to the appointment of a placing agent for the placing of 150,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company at HK$0.4 and the placing of HK$100 million 2% 3-year convertible notes at an initial conversion price of HK$0.42 per share. The net estimated proceeds of HK$155 million from the shares and convertible notes issue is intended to be used for the repayment of certain short-term borrowings of approximately HK$35 million, the expansion of the Group's investment properties portfolio of approximately HK$90 million and the additional general working capital of the Group of approximately HK$30 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group's turnover for the six months ended 30th September, 2004 was approximately HK$175,398,000, representing a significant increase of nearly 500% of that of last year. Alongside, the Group has managed to reduce the loss for the period to HK$1,017,000 (six months ended 30th September, 2003: HK$14,661,000). The increase in turnover and improved bottom line was contributed by the operating result of the newly acquired medicine and health food business in May, 2004 and a general result of picking up of consumers' confidence in the property market in Hong Kong following the economic recovery.

Property Development

The Group was gradually making sales of its 13 residential units and a commercial unit at Talon Tower at Connaught Road West and recorded a turnover of HK$60,546,000 with a gross profit of HK$13,878,000 during the period. Profitability improvement is steadily seen in the property sales caused by the rising market prices. At the end of the period, there remain unsold units of 27 residential units and 2 commercial units.

Medicine retailing and manufacturing

Since the acquisition of the interest in the Chinese medicine retailer, "Tung Fong Hung", and the western pharmaceutical manufacturer, Jean-Marie Pharmacal Company Limited ("Jean-Marie"), the Group has diversified its operation into the medicine and health food business and has become a famous medicine brand owner and retailer in Hong Kong, the Mainland China, Canada, Taiwan and Macau. The division currently operates a total number of 69 retail outlets in these regions with a turnover of HK$107,080,000 since its inception. Taking advantage of the progressively recovering economy in Hong Kong and the continuing strong economic growth in the Mainland China in particular, the business achieved a rebound in sales from last year, consisting of a respective growth of 23% and 31% in sales in these two regions.

The western pharmaceutical manufacturer, Jean-Marie is putting efforts in expanding its distribution network and enhancing production efficiency. Sales to the local government are a new stream of business since Jean-Marie was licensed with the GMP (Good Manufacturing Practice) standard. The Group is also devoting resources to obtain licenses of its products in Hong Kong and potential markets to prepare for a sale break through. As Jean-Marie is still in transit in turning around, it sustained an operating loss during the period. This is, however, compensated by the profit of the Chinese medicine operation leading to a small profit of HK$601,000 during the period.

Financial Review

As at 30th September, 2004, the net asset value of the Group was HK$130,042,000, which showed a decrease of 0.1% from that of last year caused by the loss reported for the period. The Group maintained bank and cash balances of approximately HK$64,025,000, and the bank and other borrowings of HK$149,449,000. The bank borrowings of HK$70,451,000 comprised mainly a project loan relating to the construction of the property units at Talon Tower, a term loan for financing the construction of the plant in

Tai Po for western pharmaceutical production, and documentary credits for trade settlements to suppliers. Other borrowings of HK$78,998,000 comprised a HK$15 million convertible note and HK$13 million promissory notes payable to vendors for outstanding consideration for the acquisition of the medicine and health food business. As effected by acquisition of the medicine and health food business that is operating on a comparatively higher gearing level, the gearing ratio of the Group (the ratio of total liabilities over total assets) increased to 62% (31st March, 2004: 44%). Given the improving profitability of the Group foreseen in the coming year, the directors believe that the leverage position will be reduced.

Most of these borrowings were interest bearing with reference to Hong Kong inter-bank offer rate or prime rate. The management believes that interest remains to be low in the capital market and therefore no hedge was made against interest rate fluctuation. Most of the assets and liabilities of the Group were denominated in Hong Kong dollars, the Board thus considered that the Group was not subject to any material exchange rate exposure.

Rewards For Employees

As a result of the acquisition of the medicine and health food business, the number of employees increased to 502 (30th September, 2003: 8) persons as at 30th September, 2004. The total personnel expenses amounted to approximately HK$18,805,000 (six months ended 30th September, 2003: HK$2,053,000). Employees are remunerated according to qualifications and experience, job nature and performance, with pay scale aligned with market conditions. The Group also provides other benefits such as medical, dental insurance cover and retirement schemes to the employees.

Prospects

Driven by the envisaged continuing growing numbers of travelers and the continuing recovery of local consumption sentiment, the retail environment in Hong Kong will be characterized by steady growth in the coming years. Should environmental factors be consistent, the same uprising trend is also expected in the property sector that will lead to further improvement in the Group's performance in the coming years.

The Group is keen to collaborate with well-established medicine and health food distributors through which distribution networks are expanded. During the period, we streamlined the retail management by transferring the retail operation in Singapore to a subsidiary of PSC Corporation Limited, a renowned consumer product distributor and a listed company in Singapore, that becomes our licensed operator of "Tung Fong Hung" medical stores in Singapore and other countries in the South East Asia. The company is also appointed the sole distributor of our products in that territories. In addition, active work programs are currently in place with a business partner in the Mainland China for the licensing and distribution of products of Jean-Marie and Tung Fong Hung there. The directors are entrusted with a stronger operating base to leap forward to a better year in 2005.

Subsequent to the interim reporting date on 15th December, 2004, the Company entered into two conditional agreements for the placing of new shares and convertible notes (the "Placing") raising a gross proceed of HK$160 million. The directors believe that the Placing will strengthen the Group's financial position and provide sufficient resources for its future business development.

INFORMATION REQUIRED BY THE LISTING RULES

Interim Dividend

The Board does not recommend the payment of interim dividend in respect of the six months ended 30th September, 2004 (six month ended 30th September, 2003: Nil)

Directors' and Executives' Interests in Shares and Underlying Shares

At 30th September, 2004, the interests of the directors and the chief executives and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance, or as otherwise notified to the Company and the Stock Exchange of the Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long Position in the ordinary shares of HK$0.01 each of the Company:

Name	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Mr. Tse Cho Tseung	Held by a controlled corporation	28,558,196 *(Note)*	22.16%

Note: These shares were beneficially owned by Lunghin Enterprise Inc. ("Lunghin"), a company incorporated in the British Virgin Islands, whose entire issued share capital is beneficially owned by Mr. Tse Cho Tseung.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30th September, 2004.

Share Options

There are two share options schemes adopted by the Company on 28th February, 1994 (the "1994 Scheme") and on 26th August, 2002 (the "2002 Scheme"). Pursuant to a resolution passed on 26th August, 2002, the 1994 Scheme was terminated. There was no option granted under the 2002 Scheme during the period.

The following table disclosed movements in the Company's share options during the period:

			Number of share options of the Company		
	Date of grant	Exercise price *HK$*	Outstanding at 1.4.2004	Exercised during the period	Outstanding at 30.9.2004
1994 Scheme					
Other employees	19.6.1997	21.84	4,800	–	4,800
Other employees	2.2.1998	2.00	2,000	–	2,000
Other employees	17.11.1999	2.34	10,500	–	10,500
Other employees	14.3.2000	6.60	10,000	–	10,000
			27,300	–	27,300
2002 Scheme					
Other employees	7.1.2004	0.207	1,155,000	(1,155,000)	–
Total employees			1,182,300	(1,155,000)	27,300

Substantial Shareholder

At 30th September, 2004, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the Securities and Futures Ordinance shows that other than the interests disclosed above in respect of directors and chief executives, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long Position in the ordinary shares of HK$0.01 each of the Company:

Name	Capacity	Number of issued ordinary shares/ underlying shares held	Percentage of the issued share capital of the Company
Lunghin *(Note 5)*	Beneficial owner	28,558,196	22.16%
Chelson Limited ("Chelson")	Beneficial owner	33,333,333 *(Note 1)*	25.86%
Pyrope Assets Limited ("Pyrope")	Interest of a controlled corporation	33,333,333 *(Note 2)*	25.86%
CK Life Sciences Int'l (Holdings) Inc. ("CKLS")	Interest of controlled corporations	33,333,333 *(Note 2)*	25.86%
Gold Rainbow Int'l Limited ("Gold Rainbow")	Interest of controlled corporations	33,333,333 *(Note 2)*	25.86%
Gotak Limited ("Gotak")	Interest of controlled corporations	33,333,333 *(Note 2)*	25.86%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	33,333,333 *(Note 2)*	25.86%
Li Ka-Shing Unity Trustee Company Limited ("TUT1") as trustee of The Li Ka-Shing Unity Trust ("UT1")	Trustee	33,333,333 *(Note 3)*	25.86%
Li Ka-Shing Unity Trustee Corporation Limited ("TDT1") as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1")	Trustee & beneficiary of a trust	33,333,333 *(Note 3)*	25.86%
Li Ka-Shing Unity Trustcorp Limited ("TDT2") as trustee of another discretionary trust ("DT2")	Trustee & beneficiary of a trust	33,333,333 *(Note 3)*	25.86%
Li Ka-Shing ("Mr. Li")	Founder of discretionary trusts & interest of controlled corporations	33,333,333 *(Note 4)*	25.86%

Notes:

1. Pursuant to a sale and purchase agreement dated 19th March, 2004, Chelson disposed of its shareholding of an associated company in consideration, inter alia, for a convertible note rendering Chelson the right to convert for 33,333,333 shares of the Company.

2. Chelson is wholly-owned by Pyrope which in turn is a wholly-owned subsidiary of CKLS; Gold Rainbow controls one-third or more of the voting power at the general meetings of CKLS and is wholly-owned by Gotak which in turn is a wholly-owned subsidiary of CKH. Under the SFO, each of Pyrope, CKLS, Gold Rainbow, Gotak and CKH is deemed to be interested in the same number of Shares which Chelson is deemed to be interested as disclosed in Note 1 above.

3. TUT1 as trustee of the UT1 and companies controlled by TUT1 as trustee of the UT1 hold more than one-third of the issued share capital of CKH. TDT1 as trustee of DT1 and TDT2 as trustee of DT2 hold all issued and outstanding units in UT1 but are not entitled to any interest or share in any particular property comprising the trust assets of UT1. Under the SFO, each of TUT1 as trustee of UT1, TDT1 as trustee of DT1 and TDT2 as trustee of DT2 is deemed to be interested in the same number of Shares which CKH is deemed to be interested as disclosed in Note 2 above.

4. Mr. Li owns one-third of the issued share capital of Li Ka-Shing Unity Holdings Limited which in turn holds the entire issued share capital of TUT1, TDT1 and TDT2. In addition, Mr. Li is the settlor and may be regarded as a founder of each of DT1 and DT2 for the purpose of the SFO. By virtue of the SFO, Mr. Li is therefore deemed to be interested in the same number of Shares in which CKH is deemed to be interested as mentioned above.

5. Mr. Tse Cho Tseung, a Director of the Company, is also a director of Lunghin.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30th September, 2004.

Advance to an Entity

At 30th September, 2004, the trade receivable due to Jean-Marie Pharmacal Company Limited, a wholly owned subsidiary of the Company, from United Italian Corp. (HK) Ltd. amounted to approximately HK$3,701,000, representing 10.26% of the Company's total market capitalization.

United Italian Corp. (HK) Ltd. is not a connected person of the Company. All the trade receivables are interest-free, unsecured and with credit period of 90 days, and all of which arose in the ordinary course of business of the Company and its subsidiaries.

Corporate Governance

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 30th September, 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 of Hong Kong Limited.

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 period.

Audit Committee

The Company has established an audit committee comprising Mr. Wong Chi Keung, Alvin, Mr. Kwok Ka Lap, Alva and Mr. Zhang Shichen, all are independent non-executive directors.

The unaudited interim financial statements of the Group for the six months ended 30th September, 2004 have been reviewed by audit committee and the external auditors of the Company.

By Order of the Board
Tse Cho Tseung
Executive Director

Hong Kong, 17th December, 2004