



eye on the

future

Dah Hwa International (Holdings) Limited

Interim Report 2004

CORPORATE INFORMATION

Board of Directors

Executive Directors:

Wong Yuk Kwan (*alias: Wong Kwan*)
(*Chairman*)

Law Kar Po (*Vice Chairman*)

Lee Sam Yuen, John

Law Wing Yee, Wendy

Lee Siu Yuk, Eliza

Non-executive Director:

Wong Wing Hon, Alfonso

Independent Non-executive Directors:

Chan Nim Leung, Leon[#]

Ha Kee Choy, Eugene[#]

Ng Kai Man, Luke[#]

([#] Members of Audit Committee)

Company Secretary

Tsang Wing Yee

Solicitors

On Hong Kong Law

Iu, Lai & Li
Hastings & Co.

On Cayman Islands Law

W.S. Walker & Company

Auditors

CCIF CPA Limited

Head Office & Principal Place of Business

Principal place of business in Hong Kong:

Suite 1908, 19th Floor,
No. 9 Queen's Road Central,
Hong Kong

Registered Office

The RHB Trust Co., Ltd.
P.O. Box 1787, Second Floor,
One Capital Place,
Grand Cayman,
Cayman Islands,
British West Indies

Share Registrars & Transfer Office

Principal Registrars

The RHB Trust Co., Ltd.
P.O. Box 1787, Second Floor,
One Capital Place,
Grand Cayman,
Cayman Islands,
British West Indies

Registrars in Hong Kong

Standard Registrars Ltd.
G/F., BEA Harbour View Centre,
56 Gloucester Road,
Wanchai, Hong Kong

Banker

DBS Bank (Hong Kong) Limited
The Shanghai Commercial Bank Limited

INTERIM RESULTS

For the six months ended 30 September 2004

The board of Directors (the "Board") of Dah Hwa International (Holdings) Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 September 2004, together with comparative figures for the corresponding period in 2003.

This interim financial report has not been audited, but has been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

		(Unaudited)	
		Six months ended	
		30 September	
		2004	2003
	<i>Note</i>	HK\$	<i>HK\$</i>
Turnover	2	136,550,099	105,604,944
Cost of sales		(111,412,844)	(87,046,195)
Gross profit		25,137,255	18,558,749
Other revenue	2	336,775	8,548,408
Selling and distribution costs		(2,422,115)	(3,896,700)
General and administrative expenses		(19,395,746)	(16,132,987)
Profit from operations		3,656,169	7,077,470
Amortisation charges on intangible assets		(5,061,722)	–
Impairment loss on property, plant and equipment		(7,300,000)	–
Gain on disposal of investment property		1,649,561	–
Gain on disposal of property, plant and equipment		4,776,595	–
Loss on disposal of discontinuing operation		–	(3,090,903)
Finance costs	3	(797,492)	(700,535)
(Loss)/profit before taxation	4	(3,076,889)	3,286,032
Taxation	5	–	–
(Loss)/profit after taxation		(3,076,889)	3,286,032
Minority interests		303,435	–
Net (loss)/profit attributable to shareholders		(2,773,454)	3,286,032
(Loss)/earnings per share			
– Basic	6	(0.24 cents)	0.43 cents

CONDENSED CONSOLIDATED BALANCE SHEET*As at 30 September 2004*

	Note	(Unaudited) 30/9/2004 HK\$	(Audited) 31/3/2004 HK\$
Assets			
<i>Non-current assets</i>			
Investment property		–	3,700,000
Property, plant and equipment		18,141,568	46,307,229
Interests in an associate		909,695	909,695
Other investments		–	7,000,000
Intangible assets		96,140,296	53,993,572
		115,191,559	111,910,496
<i>Current assets</i>			
Inventories		24,419,612	22,414,079
Trade and other receivables	8	18,436,890	32,726,440
Short-term investments		308,000	3,720,400
Bank balances and cash		19,569,412	2,878,473
		62,733,914	61,739,392
Liabilities			
<i>Current liabilities</i>			
Bank overdrafts, secured		–	46,916
Bills payable		3,627,444	668,902
Due to a director		500,000	–
Trade and other payables	9	20,216,137	22,599,505
Current portion of interest-bearing borrowings	10		
– secured bank borrowings		25,564,547	19,530,575
– obligations under finance lease		255,856	–
– other unsecured borrowings		4,500,000	–
Taxation payable		301,705	–
		54,965,689	42,845,898
Net current assets		7,768,225	18,893,494
Total assets less current liabilities		122,959,784	130,803,990

CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30 September 2004

	Note	(Unaudited) 30/9/2004 HK\$	(Audited) 31/3/2004 HK\$
<i>Non-current liabilities</i>			
Long-term interest-bearing borrowings	10	–	11,041,306
– secured bank borrowings		253,274	–
– obligations under finance leases		2,234,663	2,234,663
Provision for long service payments		1,400,000	18,240,000
Loan notes		91,353	–
Deferred tax liabilities			–
		3,979,290	31,515,969
Minority interests		2,464,855	349,290
NET ASSETS		116,515,639	98,938,731
CAPITAL AND RESERVES			
Issued capital	11	59,401,142	53,901,142
Reserves		57,114,497	45,037,589
		116,515,639	98,938,731

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 September 2004*

	Issued capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Goodwill reserve HK\$	Investment property revaluation reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2004 (audited)	53,901,142	150,196,240	68,600	3,158,626	1,649,561	(222,616)	(109,812,822)	98,938,731
Issue of shares at premium	5,500,000	16,500,000	-	-	-	-	-	22,000,000
Release upon disposal of investment properties	-	-	-	-	(1,649,561)	-	-	(1,649,561)
Exchange differences arising from translation	-	-	-	-	-	(77)	-	(77)
Net loss for the period	-	-	-	-	-	-	(2,773,454)	(2,773,454)
At 30 September 2004 (unaudited)	<u>59,401,142</u>	<u>166,696,240</u>	<u>68,600</u>	<u>3,158,626</u>	<u>-</u>	<u>(222,693)</u>	<u>(112,586,276)</u>	<u>116,515,639</u>

For the six months ended 30 September 2003

	Issued capital HK\$	Share premium HK\$	Capital redemption reserve HK\$	Goodwill reserve HK\$	Investment property revaluation reserve HK\$	Translation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2003 (audited)	37,834,285	136,936,240	68,600	2,145,921	1,349,561	(3,989,797)	(109,321,916)	65,022,894
Exchange differences arising from translation	-	-	-	-	-	122,168	-	122,168
Disposal of subsidiaries	-	-	-	1,012,705	-	3,645,013	-	4,657,718
Net profit for the period	-	-	-	-	-	-	3,286,032	3,286,032
At 30 September 2003 (unaudited)	<u>37,834,285</u>	<u>136,936,240</u>	<u>68,600</u>	<u>3,158,626</u>	<u>1,349,561</u>	<u>(222,616)</u>	<u>(106,035,884)</u>	<u>73,088,812</u>

CONDENSED CONSOLIDATED CASH FLOW STATEMENT**(Unaudited)
Six months ended
30 September****2004**

2003

HK\$**HK\$**

NET CASH FROM OPERATING ACTIVITIES	21,093,089	23,519,401
NET CASH FROM INVESTING ACTIVITIES	28,346,690	19,531,643
NET CASH USED IN FINANCING ACTIVITIES	(32,701,847)	(1,371,727)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,737,932	41,679,317
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	2,831,557	(2,217,620)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(77)	122,168
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	19,569,412	39,583,865
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	19,569,412	39,583,865

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS*For the six months ended 30 September 2004***1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These unaudited condensed interim financial statements have been prepared in accordance with the disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited and is in compliance with Hong Kong Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants.

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

2. TURNOVER AND SEGMENT INFORMATION**(i) Turnover and revenue**

Turnover represented sale value of goods supplied to customers (after deduction of any goods returns and trade discounts), provision for healthcare and medical-related services, interest income, gross rental income from investment properties and dividend income for the period.

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	HK\$	HK\$
Turnover		
Continuing operations		
Leather trading	127,648,636	92,843,531
Leatherware manufacturing	3,776,418	5,118,727
Healthcare and medical-related businesses	5,125,045	–
	136,550,099	97,962,258
Discontinuing operations		
Leatherware distribution	–	7,642,686
	136,550,099	105,604,944
Other revenue		
Bad debts recovered	–	8,075,000
Interest income	13,691	15,817
Gross rental income from investment properties	226,797	457,591
Dividend income	96,287	–
	336,775	8,548,408
Total revenue	136,886,874	114,153,352

2. TURNOVER AND SEGMENT INFORMATION (Continued)**(ii) Segment information**

An analysis of the Group's unaudited segment revenue and results of business segments, which is its primary reporting format basis, is as follows:

	For the six months ended 30 September 2004 (Unaudited)					
	Leather trading	Leatherware manufacturing	Healthcare and medical related business	Corporate	Elimination	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue						
External customers	127,648,636	3,776,418	5,125,045	-	-	136,550,099
Inter-segments	895,781	-	563,604	-	(1,459,385)	-
	<u>128,544,417</u>	<u>3,776,418</u>	<u>5,688,649</u>	<u>-</u>	<u>(1,459,385)</u>	<u>136,550,099</u>
Segment results	<u>8,730,568</u>	<u>(3,241,069)</u>	<u>(692,958)</u>	<u>83,965,689</u>	<u>(85,106,061)</u>	<u>3,656,169</u>
Amortisation charge on intangible assets						(5,061,722)
Impairment loss on property, plant and equipment						(7,300,000)
Gain on disposal of investment property						1,649,561
Gain on disposal of property, plant and equipment						4,776,595
Finance costs						(797,492)
Minority interest						303,435
Net loss attributable to shareholders						<u>(2,773,454)</u>

2. **TURNOVER AND SEGMENT INFORMATION** (Continued)

(ii) **Segment information** (Continued)

	For the six months ended 30 September 2003 (Unaudited)							Total HK\$
	Continuing operations:			Discontinuing operation:				
	Leather trading HK\$	Leatherware manufacturing HK\$	Healthcare and medical related business HK\$	Leatherware distribution HK\$	Corporate HK\$	Elimination HK\$		
Segment revenue								
External customers	92,843,531	5,118,727	-	7,642,686	-	-	105,604,944	
Inter-segments	497,935	1,222,843	-	-	-	(1,720,778)	-	
	<u>93,341,466</u>	<u>6,341,570</u>	<u>-</u>	<u>7,642,686</u>	<u>-</u>	<u>(1,720,778)</u>	<u>105,604,944</u>	
Segment results	<u>4,438,578</u>	<u>(2,526,371)</u>	<u>-</u>	<u>(1,604,591)</u>	<u>6,832,938</u>	<u>(63,084)</u>	<u>7,077,470</u>	
Loss on disposal of discontinuing operation				(3,090,903)			(3,090,903)	
Finance costs							(700,535)	
Net profit attributable to shareholders							<u>3,286,032</u>	

3. **FINANCE COSTS**

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	HK\$	HK\$
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	684,982	700,535
Interest on other loans	100,583	-
Finance charges on obligations under finance leases	11,927	-
	<u>797,492</u>	<u>700,535</u>

4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after (crediting)/charging:

	(Unaudited)	
	Six months ended	
	30 September	
	2004	2003
	HK\$	HK\$
Crediting:		
Bad debt recovered	–	(8,075,000)
Gain on disposal of investment property	(1,649,561)	–
Gain on disposal of property, plant and equipment	(4,776,595)	–
Gain on disposal of a subsidiary	(100,000)	–
	<hr/>	<hr/>
Charging:		
Amortisation of intangible assets	5,061,722	–
Cost of inventories	111,412,844	87,046,195
Depreciation of property, plant and equipment	1,757,701	1,843,578
Impairment loss on investment property	7,300,000	–
Net realised loss on short-term investments	1,144,668	–
	<hr/>	<hr/>

5. TAXATION

Hong Kong Profits Tax has not been provided as the companies comprising the Group have no assessable profit for the period or have available tax losses carried forward at 30 September 2004. No provision for People's Republic of China ("PRC") income tax and overseas profits tax has been made in the financial statements as the Group does not have any assessable profit in the PRC and other places in which the Group operates.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

No provision for deferred taxation has been made in the financial statements for the current period (2003: HK\$Nil) as the Group has net potential deferred tax asset at the balance sheet date. The deferred tax assets have not been recognized as it is not probable that sufficient taxable profit will be available to allow the related tax benefit to be utilized in the foreseeable future.

6. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share for the period is based on the consolidated net loss attributable to shareholders of HK\$2,773,454 (2003: net profit of HK\$3,286,032) and on the weighted average number of 1,163,378,031 (2003: 756,685,700) ordinary shares in issue during the period.

Diluted earnings per share is not presented as the company has no dilutive potential shares as at 30 September 2004 (2003: Nil).

7. DIVIDENDS

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

8. TRADE AND OTHER RECEIVABLES

The Group normally allows credit terms ranging from 30 to 60 days to its trade customers.

An analysis of the trade receivables, net of provision, as at the balance sheet date, based on the invoice date of the sale is as follows:

	(Unaudited)	(Audited)
	30/9/2004	31/3/2004
	<i>HK\$</i>	<i>HK\$</i>
Trade receivables		
Within 30 days	10,713,452	8,989,958
31 – 60 days	1,982,014	191,531
61 – 90 days	696,476	41,670
Over 90 days	1,118,958	96,502
	14,510,900	9,319,661
Other receivables	3,925,990	23,406,779
	18,436,890	32,726,440

9. TRADE AND OTHER PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	(Unaudited) 30/9/2004 <i>HK\$</i>	(Audited) 31/3/2004 <i>HK\$</i>
Trade payables		
Within 30 days	8,732,772	3,482,075
31 – 60 days	174,084	441,979
61 – 90 days	502,161	270,899
Over 90 days	422,610	708,733
	9,831,627	4,903,686
Other payables	10,384,510	17,695,819
	20,216,137	22,599,505

10. BANK AND OTHER INTEREST-BEARING BORROWINGS

	(Unaudited) 30/9/2004 <i>HK\$</i>	(Audited) 31/3/2004 <i>HK\$</i>
Bank loans, secured	–	11,980,238
Trust receipt loans, secured	25,564,547	18,591,643
Obligations under finance leases	509,130	–
Other loans, unsecured	4,500,000	–
	30,573,677	30,571,881
The maturity of the above interest-bearing borrowings are as follows:		
Within one year	30,320,403	19,530,575
In the second year	199,940	661,321
In the third to fifth years	53,334	2,414,521
After five years	–	7,965,464
	30,573,677	30,571,881

11. ISSUED CAPITAL

	(Unaudited) At 30 September 2004		(Audited) At 31 March 2004	
	<i>Number of shares</i>	<i>HK\$</i>	<i>Number of shares</i>	<i>HK\$</i>
Authorised:				
Ordinary shares of HK\$0.05 each	1,800,000,000	90,000,000	1,800,000,000	90,000,000
			Number of ordinary shares of HK\$0.05 each	Nominal value HK\$
Issued and fully paid:				
At 1 April 2004 (audited)			1,078,022,840	53,901,142
Issue of new shares at premium			110,000,000	5,500,000
At 30 September 2004 (unaudited)			1,188,022,840	59,401,142

Pursuant to an announcement dated 23 April 2004, the Company entered into an agreement with a vendor to acquire 44% equity interest in Kenitic for a consideration of HK\$42 million. The consideration was partially satisfied by issuing of 110,000,000 new shares to the vendor, at HK\$0.20 per share. The shares were issued to rank pari passu in all respects with the then existing shares.

12. CONTINGENT LIABILITIES

At the balance sheet date, the Company had contingent liabilities not provided for in these financial statements in respect of guarantee of HK\$104,644,000 (31 March 2004: HK\$104,644,000) for banking facilities, which were utilised by subsidiaries to the extent of HK\$29,191,991 (31 March 2004: HK\$31,287,699).

13. PLEDGE OF ASSETS

At the balance sheet date, investment property and certain land and buildings of the Group with net book values of approximately HK\$Nil (31 March 2004: HK\$3,700,000) and HK\$Nil (31 March 2004: HK\$22,000,000) respectively were pledged to secure general banking facilities to the extent of approximately HK\$Nil (31 March 2004: HK\$65,600,000), of which approximately HK\$Nil (31 March 2004: HK\$31,300,000) were utilised.

14. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, during the period the Group had the following transactions with related parties.

- (i) Mr. Lee Sam Yuen, John, a director, provided a personal guarantee of HK\$100,000,000 (31 March 2004: HK\$100,000,000) to a bank to secure general banking facilities granted to a subsidiary, for which no charge is made;
- (ii) The Company has provided corporate guarantee of HK\$104,644,000 (31 March 2004: HK\$104,644,000) to certain subsidiaries for banking facilities granted.
- (iii) During the period, the Group purchased goods amounting to HK\$821,000 (31 March 2004: HK\$1,984,708) from and sold goods amounting to HK\$225,000 (31 March 2004: HK\$Nil) to a company owned by a close family member of Ms. Ng Fung Ying, a director of the Group who was resigned on 30 September 2004.
- (iv) During the period, two subsidiaries have entered into sales and purchase agreements with a company owned by Mr. Lee Sam Yuen, John, a director, to dispose of certain properties with carrying values of approximately HK\$23,950,000 at an aggregate consideration of HK\$30,370,000.

At the same time, the Group has leased back certain properties disposed of from the Company at an aggregate monthly rental of HK\$109,000. Total rental paid amounting to HK\$218,000 during the period.

15. OPERATING LEASE COMMITMENTS

(a) Operating lease payable

At 30 September 2004, the Group had total outstanding commitments for future minimum lease payable under non-cancellable operating lease in respect of properties which fall due as follows:

	(Unaudited) 30/9/2004 HK\$	(Audited) 31/3/2004 HK\$
Within one year	1,965,000	–
In the second to fifth year	3,817,000	–
	<u>5,782,000</u>	<u>–</u>

(b) Operating lease receivable

At 30 September 2004, the Group had future minimum lease payments under non-cancellable operating leases receivable as follows:

	(Unaudited) 30/9/2004 HK\$	(Audited) 31/3/2004 HK\$
Within one year	770,658	874,508
After one year but within five years	931,203	949,532
	<u>1,701,861</u>	<u>1,824,040</u>

16. CAPITAL COMMITMENTS

	(Unaudited) 30/9/2004 HK\$	(Audited) 31/3/2004 HK\$
Commitments for the acquisition of property, plant and equipment		
– contracted but not provided for	2,602,824	2,602,824
– authorised but not provided for	49,070,189	49,070,189
	<u>51,673,013</u>	<u>51,673,013</u>

17. POST BALANCE SHEET EVENT

- (1) On 30 September 2004, the Company entered into a conditional agreement pursuant to which the Company agreed to sell 50% equity interest in Pathway Group and assign 50% of the loan outstanding to the vendor, for an aggregate consideration of HK\$4 million. The completion of this transaction was effected on 12 November 2004 after the approval obtained pursuant to an ordinary resolution passed by the Independent Shareholders at the Extra-ordinary General Meeting.
- (2) Pursuant to the announcement dated 25 October 2004, the corporate guarantee provided to secure the performance of the obligations of the Pathway Group amounting to HK\$104,644,000, as set out in note 12, will be released and discharged by the Company on or before 31 March 2005.
- (3) On 21 December 2004, the Company and the placing agent entered into the Placing agreement pursuant to which the placing agent has agreed to place 237,600,000 placing shares on a fully underwritten basis to not less than six independent professional, institutional and/or individual investors at a price of HK\$0.27 per placing share. The net proceeds from the placing of approximately HK\$62.7 million will be applied as to approximately HK\$50.0 million mainly for future investment purposes in hotel and casino-related gaming businesses in Macau, and as to approximately HK\$12.7 million for general working capital purposes.

18. COMPARATIVE FIGURES

With a review of financial statements presentation, certain items in the financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform to the current period's presentation.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi or United States dollars, as such the Group has no significant exposure to foreign exchange risks.

PURCHASES, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period under review.

CHAIRMAN'S REPORT

Results

As of September 30, 2004, our Group's turnover has increased by 29.3%, HK\$136,550,000, for the past six months as compared with the same period of last year. Due to the intense price cutting competition from traditional leather product wholesalers and retailers, there is a loss of HK\$2,770,000.

Business review & prospects

In the first half year, our Group has developed a line of health product business, including Hifu Tumor Therapy Clinical, Franchise shops of Kenitic health combo and 999 E-Tech in Canada. This new business line contributes a stable cash income to the Group. The establishment of the retail business for European leather goods in next year is expected to be benefited by the continuous growth of economy driven by individual visitors of mainland China.

In the review period, the board of directors decided to sell 50% of Pathway which operates leather business, to Mr. Lee Sam Yuen John. This will further decrease the loss in business for our Group and relieve the Company from undertaking all financial risks.

Since October 2003, the Company has successively appointed several directors, including Vice-President Mr. Law Kar Po and several professionals. The Group's overall image has been enhanced. Our management members have rich experience in Hong Kong and Macau real estate and hotel management in Hong Kong, Macau and mainland China. Since Macau has a high potential of growth in hotel, traveling, gambling and entertainment businesses, with the advantage of expert experience on the human resources side, the board of directors are planning to invest in Macau's hotel and gambling entertainment industry. The group may successfully raise a capital fund of HK\$64,170,000 by issuing new shares, and set up Pearl Oriental Macau Limited to take sole responsibility for the Macau investment project.

The board of directors believes that 2005 will be a challenging year with excellent opportunities and the management will certainly grasp each opportunity in an aggressive and steady way. Next year, Dah Hwa International (Holdings) Limited will officially change its name to Pearl Oriental Enterprises Limited and 2005 is going to be a meaningful year. We will do our best to bring better investment return for all shareholders.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2004, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange, were as follows:

Long position in the ordinary shares of HK\$0.05 each ("Shares") in the Company

Name of Directors	Type of interest	Number of ordinary shares held	Percentage of issued share capital
Wong Kwan	Corporate*	253,337,140	21.32%
Law Kar Po	Personal	200,000,000	16.83%

Note:

- * These shares are held as to 151,337,140 Shares by Cadison Company Limited and as to 102,000,000 Shares by Champion Merry Investments Limited, the ultimate beneficial owner of both companies is Mr. Wong.

Save as disclosed above, as at 30 September 2004, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies of the Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2004, 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 (not being a Director or chief executive of the Company) had, or were deemed or taken to have interests or short positions in the Shares or 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 or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other member of the Group or had any option in the respect of such capital:

Name of Shareholder	Number of Shares held <i>(Note 1)</i>	Approximate percentage of issued share capital of the Company
Jade Alliance Group Limited <i>(Note 2)</i>	68,000,000(L)	5.7%
Mr. Tan Kian Chung <i>(Note 2)</i>	68,000,000(L)	5.7%
Bioleader Limited <i>(Note 3)</i>	75,000,000(L)	6.3%
Mr. Wong Tin Sang <i>(Note 3)</i>	97,500,000(L)	8.2%

Notes:

1. (L) denotes a long position.
2. Jade Alliance Group Limited is wholly-owned by Mr. Tan Kian Chung. Mr. Tan is deemed interested in the Shares held by Jade Alliance Group Limited.
3. Mr. Wong Tin Sang has a personal interest of 22,500,000 Shares and is deemed interested in the 75,000,000 Shares held by Bioleader Limited, a company wholly owned by Mr. Wong Tin Sang.

AUDIT COMMITTEE

The audit committee consists of three members, including independent non-executive Directors of the Company Mr. Chan Nim Leung Leon, Mr. Ha Kee Choy Eugene and Mr. Ng Kai Man Luke. The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim accounts for the six months ended 30 September 2004.

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice.

By order of the Board

Wong Kwan
Chairman

Hong Kong, 23 December 2004