2005 INTERIM REPORT

新華聯國際控股有限公司*
MACRO-LINK International Holdings Limited

(Incorporated in Bermuda with limited liability)

* For identification purposes only

The Board of Directors (the "Directors") of MACRO-LINK International Holdings Limited (the "Company") announce that the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2005 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2005

	Notes	Six months ended 30/6/2005 (Unaudited) HK$000	30/6/2004 (Unaudited) HK$000
Revenue	3	**44,211**	42,128
Cost of sales		**(37,341)**	(27,467)
Gross profit		**6,870**	14,661
Interest income		**—**	82
Other income		**1,258**	2,546
Current account waived by former ultimate holding company		**—**	3,727
Distribution expenses		**(2,400)**	(1,470)
Administration expenses		**(10,009)**	(24,428)
Allowance on trade and other receivables		**—**	(7,145)
Allowance on short term loans receivable		**—**	(2,188)
Impairment loss recognised in respect of property, Plant and equipment		**—**	(5,531)
Amounts due from fellow subsidiaries written off		**—**	(11,336)
Loss from operations		**(4,281)**	(31,082)
Finance costs		**(1)**	(773)
Loss on disposal of subsidiaries		**—**	(5,817)
Loss before taxation		**(4,282)**	(37,672)
Taxation	5	**(300)**	26
Loss for the period		**(4,582)**	(37,646)
Attributable to:			
Equity holders of the parent		**(5,066)**	(37,258)
Minority interests		**(484)**	388
		(4,582)	(37,646)
Loss per share			
Basic	6	**(0.44 cents)**	(3.24 cents)
Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2005

	Notes	30/6/2005 (Unaudited) HK$000	31/12/2004 (Audited) HK$000
Non-current Assets			
Goodwill		**9,824**	—
Property, plant and equipment		**69,961**	4,360
		79,785	4,360
Current Assets			
Inventories		**49,025**	9,747
Trade and other receivables	8	**53,463**	15,957
Due from a director		**1,328**	—
Tax recoverable		**820**	9
Pledged time deposits		**3,296**	3,256
Bank balances and cash		**13,299**	76,376
Total Current Assets		**121,231**	105,345
Less: Current Liabilities			
Trade and other payables	9	**66,872**	14,697
Obligations under finance leases due within one year		**719**	262
Provision for taxation		**6,253**	—
Bank borrowings due within one year		**24,494**	16,935
Total Current Liabilities		**98,338**	31,894
Net Current Assets		**22,893**	73,451
		102,678	77,811
Non-current Liability			
Obligations under finance leases – due after one year		**—**	140
Total Assets and Liabilities		**102,678**	77,811
Capital and Reserves			
Share capital	10	**11,493**	11,493
Reserves		**63,675**	65,011
Equity attributable to equity holders of the parent company		**75,168**	76,504
Minority Interests		**27,510**	1,167
Total Equity		**102,678**	77,671

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2005

	Share Capital HK$000	Share premium HK$000	Special reserve HK$000	Goodwill reserve HK$000	Deficit HK$000	Total HK$000	Minority interests HK$000	Total HK$000
At 30 June 2004	11,493	34,619	604,497	(2,176)	(565,607)	82,826	—	—
Net loss for the period	—	—	—	—	(6,322)	(6,322)	—	—
At 31 December 2004	11,493	34,619	604,497	(2,176)	(571,929)	76,504	—	77,671
Acquisition of interests in subsidiaries	—	—	3,730	—	—	3,730		
Net loss for the period	—	—	—	—	(5,066)	(5,066)	484	(4,582)
At 30 June 2005	**11,493**	**34,619**	**608,227**	**(2,176)**	**(576,995)**	**75,168**	**484**	**102,678**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2005

	Six months ended	
	30/6/2005	30/6/2004
	(Unaudited)	(Unaudited)
	HK$000	HK$000
Net cash inflow/(outflow) from operating activities	**64,821**	(26,669)
Net cash (outflow)/inflow from investing activities	**(135,773)**	57,440
Net cash (outflow)/inflow before financing	**(70,952)**	30,771
Net cash inflow from financing	**7,875**	16,260
(Decrease)/increase in cash and cash equivalents	**(63,077)**	47,031
Cash and cash equivalents and beginning of the period	**76,376**	36,254
Cash and cash equivalents at end of the period	**13,299**	83,285

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

For the six months ended 30 June 2005

1 BASIS OF PREPARATION AND ACCOUNTING POLICY

The unaudited condensed consolidated interim financial statements has been prepared in accordance with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Exchange") and with Hong Kong Accounting Standard ("HKAS") 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the relevant provisions thereof. The accounting policies and basis of preparation used in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2004 except that the Group has changed certain of its accounting policies following its adoption of new and revised Hong Kong Financial Reporting Standards ("HKFRS"), Hong Kong Accounting Standards ("HKAS"), and Interpretations (hereinafter collectively referred to as "new HKFRSs") issued by the HKIPCA that are effective for accounting periods commencing on or after 1st January 2005.

The adoption of these new HKFRSs has resulted in changes to the Group's accounting policies in the following areas. However, the adoption of these new HKFRSs has had no material effect on how the results of operations and financial position of the Group are prepared and presented for the current and prior periods. Accordingly, no prior period adjustment has been required. Major changes to the Group's accounting policies and the effect of adopting these new policies are set out in the note 2 below.

The interim results are unaudited, but have been reviewed by the Audit Committee which is of the opinion that such financial statements complied with the applicable accounting standards, and that adequate disclosures have been made. This condensed consolidation financial information should be read in conjunction with the 2004 annual financial statements

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

2 CHANGES IN ACCOUNTING POLICIES

In 2005, the Group adopted the new revised standards of HKFRSs below which are relevant to its operations. The 2004 comparatives have been amended as required in accordance with the relevant requirements.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKSA 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earning per Share
HKAS 36	Impairment of Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 3	Business Combination

The adoption of HKFRS 3, HKAS 36 and HKAS 38 which is applied on a prospective basis, resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was amortised on a straight-line basis over its estimated useful life and assessed for an indication of impairment at each balance sheet date. In accordance with the relevant provision, goodwill recognised in equity was held in reserve and will be transferred to deficits at the time when the business to which the goodwill related is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired. Goodwill generate in the current period as a result of acquisition of subsidiaries will be treated as an asset. Goodwill will be tested for impairment annually, unless an event occurs during the period which requires the goodwill to be tested more frequently. The carrying amount of unamortized Negative goodwill as at January 2005 is derecognized at the beginning of that period with correspondence adjustment to the beginning balance of accumulated loss of the Group.

2 CHANGES IN ACCOUNTING POLICIES (Continued)

The adoption of HKAS 32 and HKAS 39 has resulted in a change in the accounting policy relating to the classification of financial assets and liabilities and their measurement. Financial assets included trade and other receivables, amount due from an associate and bank balances and cash. Trade and other receivables and amount due from an associate are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the asset is impaired.

3 SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for goods sold to outside customers during the year.

(A) BY BUSINESS SEGMENTS

For management purposes, the Group is currently organised into three operating divisions, namely manufacture and distribution of electronic products, manufacture of health care products and manufacturing and distribution of grape wine and naked barley wine. These divisions are the basis of which the Group reports its primary segment information.

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

3 SEGMENT INFORMATION (Continued)

(A) BY BUSINESS SEGMENTS (Continued)

Business segment information for the six months ended 30 June 2005:

	Manufacture and distribution of electronics products HK$000	Manufacture and marketing of nano and herbal products HK$000	Manufacture and distribution of grape wine and naked barley wine HK$000	Period ended 30 June 2005 Total HK$000
Revenue	35,315	289	8,607	44,211
Segment results	(2,661)	(964)	1,741	(1,884)
Unallocated corporate Income				1,188
Unallocated corporate expenses				(3,585)
Loss from operations				(4,281)
Finance costs				(1)
Loss before taxation				(4,282)
Taxation				(300)
Loss for the period				(4,582)

3 SEGMENT INFORMATION (Continued)

(A) BY BUSINESS SEGMENTS (Continued)

Business segment information for the six months ended 30 June 2004:

	Manufacture and distribution of electronics products HK$000	Property and investment holding HK$000	Manufacture and marketing of nano and herbal products HK$000	Period ended 30 June 2004 Total HK$000
Revenue	41,929	(156)	355	42,128
Results				
Segment results	113	6,394	(3,393)	3,114
Unallocated corporate income				1,053
Unallocated corporate expenses				(35,249)
Loss from operations				(31,082)
Finance costs				(773)
Loss on disposal of subsidiaries				(5,817)
Loss before taxation				(37,672)
Taxation				26
Loss for the period				(37,646)

NOTES TO THE CONDENSED FINANCIAL STATEMENTS (Continued)

3 SEGMENT INFORMATION (Continued)

(B) BY GEOGRAPHICAL SEGMENTS

The Group operations are located in Hong Kong, United States of America, Europe, the People's Republic of China other than Hong Kong (the "PRC") and other Asian countries.

The following table provides an analysis of the Group's sales by geographical market irrespective of the origin of the goods or services:

	Turnover For the six months ended 30 June	
	2005	2004
	HK$000	HK$000
Hong Kong	**28,077**	21,469
United States of America	**179**	5,862
Mainland China	**13,380**	7,098
Europe	**18**	90
Other Asian countries	**2,557**	7,609
	44,211	42,128

4 ACQUISITION OF SUBSIDIARIES

On 23 February 2005, the Company and 北京金六福酒有限公司 ("Jin Liu Fu") entered into a Sale and Purchase Agreement, pursuant to which the Company agreed to acquire from Jin Liu Fu 70% equity interest in 雲南香格里拉酒業股份有限公司 ("Yunnan Shangeli-La") for a consideration of HK$65,000,000 to be satisfied by cash as to HK$58,500,000 (90% of the total consideration) at completion and HK$6,500,000 (10% of the total consideration) on or before 23 February 2006, being the first anniversary of the date of the sale and purchase agreement. As at 23 February 2005, 北京金六福酒有限公司 is owned (i) as to 90% by 新華聯控股有限公司 which is a company of which FU Kwan, a director of the Company, has 41% interest and (ii) as to 10% by 湖南省海達汽車機電銷售有限公司. The audited net asset value and total assets of Yunnan Shangeli-La as at 30 September 2004 are approximately HK$70,100,000 and approximately HK$117,090,000 respectively. In addition, Yunnan Shangeli-La record as audited net profit after taxation and minority interest of approximately HK$ 14,120,000 for the nine months ended 30 September 2004.

4 ACQUISITION OF SUBSIDIARIES (Continued)

On the same day, the Company and 馬來西亞新華聯集團有限公司 ("MACRO-LINK Sdn Bhd") had entered into another Sale and Purchase Agreement pursuant to which the Company agreed to acquire from Macro-Link Sdn Bhd, a 25% equity interest in Shangeli-La (Qinhuangdao) Winery Ltd ("Qinhuangdao") for a consideration of HK$4,407,645 to be satisfy in cash as to HK$3,966,880.50 (90% of the total consideration) at completion and HK$440,764.5 (10% of the total consideration) on or before 23 February 2006, being the first anniversary of the sale and purchase agreement. As at 23 February 2005, Macro-Link Sdn Bhd, through its wholly-owned subsidiary, Macro-Link International Investment Co, Ltd., is interested in approximately 74.99% of the entire issued share capital in the Company. The unaudited net asset value and total assets of Qinhuangdao as at 30 September 2004 are approximately HK$17,630,000 and approximately HK$50,630,000 respectively. In addition, Qinhuangdao recorded an unaudited net loss of approximately HK$950,000 for the nine months ended 30 September 2004.

Both of the above transactions have been approved by independent shareholders at a special general meeting on 20 April 2005. The Agreements of Yunnan Shangeli-La and Qinghuangdao were completed on 18 May 2005 and 3 June 2005 respectively.

5 TAXATION

(A) HONG KONG PROFITS TAX

Hong Kong profits tax is calculated at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the period. No provision for Hong Kong profits tax was made for the period ended 30 June 2005 (2004: Nil) as the Company and its subsidiaries had no assessable profit during the period.

No provision for deferred tax has been made in respect of accelerated capital allowances as the Directors consider that the event is not expected to crystallize in the foreseeable future (2004: Nil).

5 TAXATION (Continued)

(B) PRC ENTERPRISE INCOME TAX ("EIT")

EIT is provided on the estimated assessable income of the period calculated in accordance with the relevant regulations of the PRC after considering all the available tax benefits from incentive, refunds and allowances.

In accordance with an approval document from state tax department on 19 July 2004, Yunnan Shangeli-La was exempted from EIT for the period from 1 January 2003 to 31 December 2005. According to a State Tax Department document dated 3 August 2005, 迪慶香格里拉經濟開發區天籟酒業有限公司 ("Diqing Shangeli-La Limited") is exempted from EIT from 1 January 2005 to 31 December 2009.

香格里拉（秦皇島）葡萄酒有限公司 ("Shangeli-la (Qinhuangdao) Winery Ltd."), being a foreign equity join venture, can enjoy tax incentive of exemption from EIT for two years starting from the first year of profit-making after offsetting prior year tax losses, followed by a reduction rate of 15% reduction for the next three consecutive years thereafter. 廣州藏吉商貿有限公司 ("Guangzhou Zangji Trading Co. Ltd") is subjected to EIT at a standard rate of 33% based on their respective assessable income for the relevant Period.

(C) VALUE-ADDED TAX ("VAT")

According to the "People's Republic of China Value-added Tax Temporary Regulations" ("VAT Regulations"), the Group is subject to output VAT which is calculated at 17% of the domestic sales value of tangible goods. The Group also pays input VAT on its purchases of raw materials and auxiliary materials which is deducted against output VAT in arriving at the net VAT amount payable to the PRC Government.

(D) CONSUMPTION TAX

According to the Ministry of Finance of the PRC and the SAT, red wine product is subject to a consumption tax of 10% whereas naked barley wine is subjected to a consumption tax of RMB240 per ton.

6 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK$5,066,141 (2004: HK$37,258,476) and on the weighted average of 1,149,263,455 (2004: 1,149,261,820) shares in issue during the period.

7 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one company has the ability, directly or indirectly, to control the other company or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subjected to common control or common significant influence. The Group's current balances maintained with related parties are all unsecured, non-interest bearing and with no fixed repayment terms.

On 23 February 2005, the Company entered into a Sale and Purchase Agreement with Jin Liu Fu whereby the Company agreed to acquire from Jin Liu Fu 70% equity interest in Yunnan Shangeli-La for a consideration of HK$65,000,000 to be satisfied by cash as to HK$58,500,000 at Completion and HK$6,500,000 on or before 23 February 2006, being the first anniversary of the date of the Sale and Purchase Agreement. On the same date, the Company also entered into another Sale and Purchase Agreement whereby the Company agreed to acquire from MACRO-LINK Sdn Bhd 25% equity interest of Qinhuangdao for a consideration of HK$4,407,645 to be satisfied by cash as to HK$3,966,880.50 at Completion and HK$440,764.50 on or before 23 February 2006, being the first anniversary of the date of the Sale and Purchase Agreement.

As at 31 March 2005, Jin Liu Fu was owned as to (i) 90% by MACRO-LINK Holdings which is a company in which Mr. Fu Kwan, a Director, has 41% interest; and (ii) 10% by 湖南省海達汽車機電銷售有限公司 ("Hai Da Company"), an associate of Mr. Fu Kwan. Pursuant to the Listing Rules, Jin Liu Fu is an associate of Mr. Fu Kwan and accordingly, the Acquisition of Yunnan Shangeli-La constitutes a connected transaction of the Company. As at 30 June 2005, MACRO-LINK Sdn Bhd, through its wholly-owned subsidiary, MACRO-LINK International Investment Co, Ltd., was interested in approximately 74.99% of the entire issued share capital in the Company. Pursuant to the Listing Rules, the transaction contemplated under the Sale and Purchase Agreement of Qinhuangdao constitutes a connected transaction of the Company. The entering into of the Agreements also constitutes a major transaction under the Listing Rules.

More information in relation to the above related party transactions is illustrated in note 4 "Acquisition of Subsidiaries".

8 TRADE AND OTHER RECEIVABLES

The Group generally allows a credit period ranging from 30 to 90 days except major customers of which specific terms will be agreed.

The following is an aged analysis of accounts receivable at the reporting date:

	30/6/05 (Unaudited) HK$000	31/12/04 (Audited) HK$000
Overdue under 30 days	**40,017**	7,784
Overdue 31-60 days	**3,069**	2,654
Overdue over 60 days	**2,520**	3,174
	45,606	13,612

9 TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK$49.5 million (31.12.2004: HK$10.9 million) and their age analysis is as follows:

	30/6/05 (Unaudited) HK$000	31/12/04 (Audited) HK$000
Within 90 days	**42,379**	9,314
90 to 180 days	**7,016**	1,542
More than 180 days and within 360 days	**77**	17
	49,472	10,873

10 SHARE CAPITAL

	Number of ordinary shares	Amount HK$
Ordinary shares of HK$0.01 each		
Authorised:		
At 30 June 2005	16,000,000,000	160,000,000
Issued and fully paid:		
At 30 June 2005	1,149,263,455	114,926,346

11 PLEDGE OF ASSETS

At 30 June 2005, the Group pledged its time deposits amounting to approximately HK$33.3 million to secure general banking facilities granted to the Group.

12 POST BALANCE SHEET EVENT

PLEDGE OF ASSETS FOR LOAN

On 4 July 2005, Yunnan Shangeli-La has entered into agreements with 中國農業銀行迪藏族自治州分行 (Diqing Agriculture Development Bank) to pledge its land and building amounting to approximately HK$12.5 million and factory equipment amounting to HK$18.1 million to secure two loans totaling of HK$17M repayable within one year at an interest rate of 5.58% per annum to facilitate the company's operation.

13 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with current year's presentation.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period ended 30 June 2005 (No interim dividend was recommended or paid for the period ended 30 June 2004).

REVIEW OF OPERATION AND PROSPECTS

Since the new management team's operation after MACRO-LINK International Investment Co, Ltd. completed the acquisition of 74.99% stake in the Company in March 2004, the Group had readjusted its business strategies to reduce losses and increase revenue stream with a focus to return the Group to profitability. The substantial improvement of current period's result is encouraging and it demonstrates the success of the new management's effort.

The Group's turnover for the period ended 30 June 2005 was approximately HK$44 million, which represented an increase of 4.9% as compared to the period ended 30 June 2004. The administrative expenses for the period ended 30 June 2005 were approximately HK$10 million, which represented a decrease of 59% as compared to the period ended 30 June 2004.

The unaudited consolidated loss for the period ended 30 June 2005 was approximately HK$5 million (as compared to an unaudited consolidated loss of HK$37 million for the period ended 30 June 2004).

During the period, the Group took a major step to strengthen its revenue stream with the acquisition of 70% equity interest in Yunnan Shangeli-La Winery Co., Ltd. ("Yunnan Shangeli-La Winery") and 25% equity interest in Shangeli-La (Qinhuangdao) Winery Ltd. ("Shangeli-La (Qinhuangdao) Winery") on 23 February 2005. The combined result of these two companies had contributed approximately HK$8.61M to the Group representing 19.5% of the total turnover for the period and HK$1.10M profit in offsetting the Group's loss for the period.

REVIEW OF OPERATION AND PROSPECTS (Continued)

Winery Business

The management's confidence in the Group's continuous growth is well supported by the lucrative wine market in the PRC. According to the National Alcoholic Drinks Making Industry Information published in March 2004 by China Light Industry Information Centre (which, to the understanding of the Company, is an administrative department of China National Council of Light Industry responsible for guiding, managing and coordinating the information work of light industries in the PRC), the production of grape wine in the PRC has increased from approximately 302,200 tonnes in 2002 to approximately 343,000 tonnes in 2003, representing an increase of approximately 13.5%. In addition, according to the same publication published by China Light Industry Information Centre in December 2004, for the nine months ended 30 September 2004, the production of grape wine in the PRC was approximately 238,796 tonnes, representing an increase of 18.44% compared to 201,614 tonnes for the same period in 2003. The growth in the production of grape wine for the year 2004 was one of the fastest amongst the various kinds of wine in the PRC.

With these two companies' extensive experience in the manufacturing and sale of grape wine and Tibetan naked barley wine in the PRC and facilitated by the established brand of Yunnan Shangeli-La Winery in the market, the acquisition provided the Group with a golden opportunity to tap the country's booming wine market, thereby laying a solid platform for the Group's continuous growth. Based on the audited consolidated financial statements as at 30 September 2004 of Yunnan Shangeli-La Winery, for the two financial years ended 31 December 2003 and the nine months ended 30 September 2004, it recorded an audited net profit after taxation and minority interest of approximately HK$8.02 million, HK$16.04 million and HK$14.12 million respectively. This strong track record reflects the profit growth potential for the Group's new winery business.

REVIEW OF OPERATION AND PROSPECTS (Continued)

Winery Business (Continued)

In addition, Yunnan Shangeli-La Winery also made arrangements with 北京金六福酒有限公司("Jin Liu Fu") on 23 February 2004 under which the latter has agreed to purchase not less than HK$80 million worth of grape wine and Tibetan naked barley wine from the former in the financial year ending 31 December 2005. These arrangements had secured sales volume and immediate profit contributions to the current financial year while at the same time allow the Group to establish its own direct sales channel in improving future contribution margin. Moreover, the management also believes that their previous experience and expertise in the manufacture and sale of wine industry in the PRC will help the Group's winery business to grow further, propelled by the Mainland's strong GDP growth of 9.5% for 2004 as well as the robust growth in the country's per capita consumption of wine which recorded a compound annual growth of 24.2% from approximately 0.06 litres in 1997 to approximately 0.22 litres in 2003, according to "Wine in China: A Market Analysis" published by Access Asia Limited in June 2004.

Electronic Products

As a result of the recent economic recovery in Hong Kong and other Asia markets, the Group's consumer electronic products and industrial cable assemblies continued to post a stable growth in sales during the period under review. However escalating crude oil prices has created uncertainties for this line of business as the price of plastics—a major raw material for our consumer electronic products was affected which resulted in an increase in the cost of production. The Group has been able to reduce its impact on production by implementing a series of cost control measures.

Empowered by a research and development team specializing in consumer electronic products, the Group has successfully ventured into OEM and ODM business by establishing a long-term working relationship with a giant in the consumer electronic business. Our R&D specialists are also instrumental in the diversification of our existing product lines. The Group plans to launch more consumer electronic products in the coming year.

REVIEW OF OPERATION AND PROSPECTS (Continued)

Healthcare Products

During the period under review, the performance of the Group's Chinese herbal business that includes the sale of Lingzhi, Cordyceps, Yunzhi and other fat reduction as well as nutritional health herb was disappointing due to fierce competition in the PRC Traditional Chinese Medicine ("TCM") market. Besides, reports of poor quality TCM products that may jeopardize people's health also made the marketing of new herbal products difficult since the increasingly health-conscious consumers tend to choose well-known brand names that have a long-established history in the market.

PROSPECT

The management remains optimistic about the Group's outlook in 2005. Looking ahead, though Electronic Products is expected to remained as the main contributor, the Group sees the Winery Business as being the strongest growth driver and being able to contribution positively to the profitability of the Group towards the end of the financial year. With minimum local competition and vast market potential, the Group expects Winery Business to continue to be its strongest growth driver given its promising market potential due to its growing demand in major economic zones and affluent coastal provinces. To satisfy domestic market needs, the Group will continue to upgrade and improve the productivity of its manufacturing bases in Yunnan Province. Emphasis will be placed on automate and standardizing operations, improving efficiency and increasing production capacity. Developing more direct sales channels will also be the Group's another focus. All these will be keys to the Group's expansion in productivity, entry into new markets and development of new client base. In addition, the Group will automate certain processing procedures to enhance its overall operational efficiency.

Aiming at building a portfolio of quality businesses, the Group will continuously take proactive approaches to review and strengthen its existing businesses as well as exploring more investment opportunities that offer sustainable growth advantages. With full support from its parent company, the management is confident that the Group's businesses will improve further, thereby providing maximum returns to shareholders in the future.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2005, the interests of the Directors and their associates in the shares, underlying shares and debentures 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 (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 were as follows:

A) Long positions in ordinary shares of the Company

Name of Director *(Note)*	Number of issued ordinary shares held by controlled corporations	Percentage of the issued share capital of the Company
Mr Fu Kwan	861,880,281	74.99%

Note: These 861,880,281 Shares are registered in the name of MACRO-LINK International Investment Co., Ltd., the entire issued share capital of which is wholly-owned by MACRO-LINK Sdn. Bhd.. Mr Fu Kwan, the Director of the Company owns 40% of the issued share capital of MACRO-LINK Sdn. Bhd. Under the SFO, Mr Fu Kwan is deemed to be interested in the 861,880,281 Shares held by MACRO-LINK International Investment Co., Ltd..

B) Interests in the shares in associated corporation

Name of associated corporation	Name of Director	Number of ordinary share Personal Interest	Percentage of the issued share
MACRO-LINK Sdn. Bhd.	Mr Fu Kwan *(Note)*	400,000	40%
MACRO-LINK Sdn. Bhd.	Mr Wu Xiang Dong	150,000	15%

Note: These 861,880,281 Shares are registered in the name of MACRO-LINK International Investment Co., Ltd., the entire issued share capital of which is wholly-owned by MACRO-LINK Sdn. Bhd.. Mr Fu Kwan, the Director of the Company owns 40% of the issued share capital of MACRO-LINK Sdn. Bhd. Under the SFO, Mr Fu Kwan is deemed to be interested in the 861,880,281 Shares held by MACRO-LINK International Investment Co., Ltd..

B) Interests in the shares in associated corporation (Continued)

Save as disclosed herein and other than certain nominee shares in the subsidiaries held in trust for the Group, none of the Directors, chief executives or 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 30 June 2005.

SHARE OPTION SCHEME

On 16 September 2002, the Company adopted a share option scheme (the "2002 Scheme") for the primary purpose of providing incentives to its directors and eligible employees. The 2002 Scheme will expire on 15 September 2012. Under the 2002 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

The total number of shares in respect of which options may be granted under the 2002 Scheme is not permitted to exceed the higher of 10% of the shares of the Company in issue as at the date of adoption of the 2002 Scheme. The number of shares in respect of which options may be granted to any individual is not permitted to exceed the higher of 1% of the number of shares issued and issuable under the 2002 Scheme or any other limit as may be permitted under the Listing Rules.

Options granted must be taken up within 30 days of the date of grant, upon payment of HK$1 per grant. Options may be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors may at their discretion determine the specific exercise period. The exercise price is determined by the directors of the Company, and will be not less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

No option has been granted under the 2002 Scheme since its adoption.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed above, at no time during the period was the Company or any of its holding companies or fellow subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in or debt securities, including debentures, of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than as disclosed under the heading "Directors' interests in shares" above, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 30 June 2005.

LIQUIDITY AND FINANCIAL INFORMATION

As at 30 June 2005, the Group's total borrowings amounted to approximately HK$24.5 million and cash, bank balances and deposits amounted to approximately HK$16.6 million. The Group's current ratio was 1.2 and gearing ratio which is expressed as a ratio of total bank liabilities to total assets was 0.1. Bank balances and cash and deposits were in Hong Kong dollars.

The Group had no significant exposure to foreign exchange fluctuation.

ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Except the events that are mentioned in Note 4 "Acquisition of Subsidiaries", during the accounting period, there was no material acquisition or disposal of the Company's subsidiaries and associates.

EMPLOYEE INFORMATION

As at 30 June 2005, the Group employed a total of 896 full-time employees. The Group's emolument policies are formulated on the performance of individual employees and are reviewed annually. The Group also provides medical insurance coverage, and provident fund scheme (as the case may be) to its employees depending on the location of such employees.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period ended 30 June 2005.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2005.

Under the code provision A.4.2 of the CG Code, 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.

According to (i) Bye-law 87(1) of the Bye-laws of the Company, one-third of the Directors for the time being shall retire from the office by rotation at each annual general meeting provided that the Chairman of the Board and/or the Managing Director of the Company shall not be subject to retirement by rotation and (ii) Bye-law 86(2) of the Bye-laws of the Company, any director appointed by the Board to fill a casual vacancy shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. In order that the provisions of the Bye-laws are consistent with the code provision A.4.2 of the CG Code, the Company intends to propose to amend Bye-laws 86(2) and 87(1) of the Bye-laws of the Company at the forthcoming annual general meeting of Company.

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") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all directors have confirmed that they have complied with the required standards set out in the Model Code throughout the six months ended 30 June 2005.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and the unaudited interim financial report for the six months ended 30 June 2005. The Audit Committee comprises the three Independent Non-executive Directors, namely Mr Ting Leung Huel, Stephen, Mr Cao Kuangyu and Mr E Meng, and one Non-executive Director, Mr Hung Kin Sang, Raymond.

REMUNERATION COMMITTEE

A Remuneration Committee has been established in accordance with the requirements of the CG Code. The Remuneration Committee comprises two Executive Directors, namely Mr Fu Kwan and Mr Shu Shi Ping, and three Independent Non-executive Directors, namely Mr Ting Leung Huel, Stephen, Mr Cao Kuangyu and Mr E Meng.

APPRECIATION

The Directors would like to express their sincere appreciation for all the dedicated efforts of all the management and staff of the Group during the period.

By order of the Board
Fu Kwan
Chairman

Hong Kong, 5 September 2005