

## Report of the Directors

The Directors would like to present their annual report together with the audited financial statement of Pearl Oriental Enterprises Limited (the “Company”) and subsidiaries (the “Group”) for the year ended 31 March 2005.

### CHANG OF COMPANY NAME

Pursuant to a special resolution passed at the special general meeting held on 22 September 2004 and an approval by the Registrar of Companies in Cayman Island, the name of the Company has been changed from “Dah Hwa International (Holdings) Limited” to “Pearl Oriental Enterprises Limited” with effect from 29 December 2004.

The Company has also adopted the new Chinese name “東方明珠實業有限公司” in replace of the previous Chinese name “大華國際(集團)有限公司” for identification purpose only.

### PRINCIPAL ACTIVITIES

The Company is primarily an investment holding company and its investment portfolio includes (i) hotel and real estate investments; (ii) trading, manufacturing and retailing of leather products; and (iii) healthcare and medical-related business.

### MAJOR CUSTOMERS AND SUPPLIERS

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

	Percentage of the Group’s total	
	Sales	Purchases
The largest customer	12.08%	
Five largest customers in aggregate	23.56%	
The largest supplier		23.02%
Five largest suppliers in aggregate		55.63%

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

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years ended 31 March 2005 is set out on pages 79 and 80 of the financial statements.

## Report of the Directors

### RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2005 are set out in the consolidated income statement on page 23 of this annual report.

The state of the Company's and the Group's affairs as at 31 March 2005 are set out in the balance sheet on pages 24 to 26.

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

### PROPERTY, PLANT AND EQUIPMENT

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

### SHARE CAPITAL

Movements in share capital of the Company during the year are set out in Note 28 to the financial statements.

### RESERVES

Movements in reserves of the Group and the Company during the year are set out in Note 29 to the accompanying financial statements.

### PURCHASE, SALE AND REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2005 and up to the date of this report.

### PRE-EMPTIVE RIGHTS

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

### SUBSIDIARIES AND ASSOCIATES

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

### BANK LOANS AND OTHER BORROWINGS

Particulars of bank borrowings as at 31 March 2005 are set out in Note 24 to the accompanying financial statements.

### DONATIONS

There is no charitable and other donations made by the Group during the year (2004: HK\$141,075).

## Report of the Directors

### DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

#### Executive directors:

Mr. Chiang Pedro, Chairman  
(appointed on 22 July 2005)  
Mr. Law Kar Po, Vice Chairman  
(appointed on 25 August 2004)  
Mr. Wu Ka I, Miguel  
(appointed on 22 July 2005)  
Mr. Hoi Man Pak  
(appointed on 22 July 2005)  
Mr. Ung Choi Kun  
(appointed on 22 July 2005)  
Mr. Lee Sam Yuen, John  
Ms. Law Wing Yee, Wendy  
(appointed on 30 September 2004)  
Ms. Lee Siu Yuk, Eliza  
(appointed on 30 September 2004)  
Mr. Wong Kwan, Chairman  
(resigned on 29th June 2005)  
Mr. Callister, Stephen William  
(resigned on 30 September 2004)  
Ms. Ng Fung Ying  
(resigned on 30 September 2004)  
Mr. Ng Hoi Chun  
(resigned on 30 September 2004)

#### Non-executive directors:

Dr. Wong Alfonso

#### Independent non-executive directors:

Mr. Chan Nim Leung, Leon  
(appointed on 22 April 2004)  
Mr. Ha Kee Choy, Eugene  
(appointed on 22 April 2004)  
Mr. Ng Kai Man, Luke  
(appointed on 30 September 2004)

In accordance with the provisions of the Company's Articles of Association, Mr. CHIANG Pedro, Mr. LAW Kar Po, Mr. WU Ka I, Miguel, Mr. HOI Man Pak, Mr. UNG Choi Kun, Mr. LEE Sam Yuen, John, Ms. LAW Wing Yee, Wendy and Ms. LEE Siu Yuk Eliza shall retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

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

### DIRECTORS' SERVICE CONTRACTS

The Company has entered into service agreement with Mr. Lee Sam Yuen, John who was appointed as the Executive Director for a term of 2 years commencing on 1 January 2004. His remuneration is determined by the board of directors on the anniversary of the date of his appointment.

The agreement can be terminated without payment of compensation by the contracting parties giving six months written notice.

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

## Report of the Directors

### DIRECTORS' INTEREST IN SHARES

As at the reporting date, the directors of the Company had the following beneficial interests in the shares of the Company and its subsidiaries within the meaning of the Securities (Disclosure of Interest) Ordinance (the "SDI Ordinance"), as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to Section 28 of the SDI Ordinance and the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Personal Name of Director	Corporate Interests	Other Interest	Interest
Mr. Chiang Pedro	3,500,000	-	-
Mr. Law Kar Po	222,520,000	-	-
Mr. Wu Ka I, Miguel	27,265,140	-	-
Mr. Hoi Man Pak (Note a)	-	-	136,000
Mr. Ung Choi Kun	2,200,000		

*Notes:*

- (a) These Shares are held by Mrs. Hoi, the associate of Mr. Hoi.

Other than as disclosed above, as at the reporting date, none of the directors or the chief executives or their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SDI Ordinance.

### DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 12 to 15 of this annual report.

### DIRECTORS' INTEREST IN CONTRACTS

Except for the related party transactions as disclosed in Note 33 to the accompanying financial statements, no other contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' BENEFITS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company, its subsidiaries, its fellow subsidiaries or its holding company a party to any arrangement to enable the directors or chief executives of the Company or any of their spouses or children under eighteen years of age to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Report of the Directors

### SUBSTANTIAL SHAREHOLDERS

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

<b>Number of Name</b>	<b>Percentage issued shares</b>	<b>holding</b>
Mr. Law Kar Po	222,520,000	10.958%

### MANAGEMENT CONTRACTS

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

### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events of the Group are set out in note 36 to the financial statements.

### AUDIT COMMITTEE

The Company has an audit committee consisting of three independent non-executive directors of the Company. The committee reviews the system of internal controls throughout the Group, the completeness and accuracy of its financial statements and liaises on behalf of the

Board with the auditors. It met regularly with the management and the auditors to review the audit reports and the interim and final financial statements of the Group.

### CORPORATE GOVERNANCE

Throughout the year, the Company complied 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 (the "Listing Rules"), which was in force prior to 1 January 2005, except that the non-executive directors of the Company are not appointed for any specific term of office but are subject to retirement by rotation in accordance with the Articles of Association of the Company.

On 1 January 2005, the Code of Best Practice set out in Appendix 14 of the Listing Rules was replaced by the "Code and Corporate Governance Report" (Appendices 14 and 23 of the Listing Rules). The Company is taking appropriate actions to comply with the new Code.

### AUDITORS

The accompanying financial statements were audited by Messrs CCIF CPA Limited. A resolution for their re-appointment as the Company's auditors for the ensuring year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board of Directors

**Law Kar Po**

*Vice Chairman and Executive Director*

Hong Kong, 25 July 2005