



Wah Yuen Holdings Limited 華園控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2349)

Announcement of unaudited interim results for the six months ended 30 June 2004

Hong Kong profits tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit during the period.

In accordance with the relevant tax laws and regulations of the PRC, certain of the Group's PRC subsidiaries are exempted from PRC enterprise income tax for two years starting from the first profit making year after utilisation of the carried forward tax losses and are eligible for a 50% relief of the PRC enterprise income tax for the following three years.

5. DIVIDENDS

	For the six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
2003 final dividend of HK2 cents (2002 final: Nil) per share	4,000	–
2004 interim dividend of Nil (2003 interim: HK1.5 cents) per share	–	3,000
	<u>4,000</u>	<u>3,000</u>

Notes:

(a) The final dividends of the year ended 31 December 2003 and 31 December 2002 of HK\$4,000,000 and Nil respectively, were approved after the balance sheet date. Under the Group's accounting policy, they were charged in the periods in which they were proposed and approved.

(b) The board of directors has resolved not to declare any interim dividend for the six months ended 30 June 2004 (2003 interim dividend: HK1.5 cents per share).

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the period of approximately HK\$6,770,000 (2003: approximately HK\$6,750,000) and on the weighted average number of 200,000,000 Shares (2003: 141,988,950 Shares) in issue and issuable.

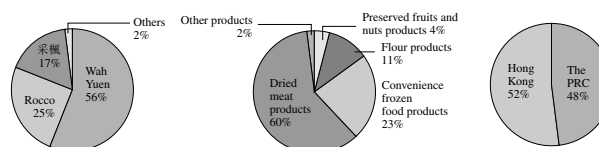
MANAGEMENT DISCUSSION AND ANALYSIS

For the period under review, the Group's turnover amounted to approximately HK\$89,207,000, representing a mild growth of approximately 0.7% as compared with turnover of approximately HK\$88,592,000 for the corresponding period in the previous year. Gross profit recorded a year-on-year increase of approximately 3.5% due to the implementation of stringent cost control measures and improvement in production efficiency. Net profit after minority interests rose slightly to approximately HK\$6,770,000 as compared to approximately HK\$6,750,000 for the corresponding period in the previous year. During the period, the Group acquired the remaining 35.19% interest in Rocco Foods Enterprises Company (Guangzhou) Limited, leading to nil minority interest since 19 May 2004. Basic earnings per share was HK 3.4 cents (2003: HK 4.8 cents).

Operations Review

Wah Yuen is a leading food manufacturer, distributor and retailer in the Hong Kong and China markets. Being the household brand for snacks, the Group is renowned for its product quality, unique Asian savour and diversified product range. The Group's products are sold under the brand names of "Wah Yuen", "Rocco" and "采楓" and its convenience frozen foods are distributed under the "Wah Yuen" brand name and under the OEM model. The Group is dedicated to continually enriching its product portfolio. Currently, the Group produces and distributes over 200 product varieties under five major categories.

Breakdown of turnover by brands, product categories and geographical areas are as follows:



Hong Kong Market

For the six months ended 30 June 2004, sales in the Hong Kong market amounted to approximately HK\$46,070,000, accounting for approximately 51.6% of the Group's total turnover. The directors attribute the Group's remarkable performance to the rebound of the Hong Kong economy, the further relaxation of the travel policy for Mainland tourists, as well as our stepped-up marketing and promotional efforts.

During the period under review, the Group collaborated with renowned retailers in the promotion of the European Football Championship 2004. In addition, the Group also launched a number of new products, such as "夏之脆" and "味之誘惑" in designated convenience stores.

The China Market

For the first half of 2004, sales in the China market amounted to approximately HK\$43,137,000, accounting for approximately 48.4% of the Group's total turnover. Sales of snacks under all three brand names recorded a decrease of approximately 10.2% compared with the corresponding period in the previous year due to intense market competition.

During this period, the Group endeavoured to strengthen its market presence in different department stores, convenience stores and specialty stores spanning across 250 cities in 30 provinces.

The Group introduced its convenience frozen food products to the China market in the first half of 2004, marking its first step in tapping into the enormous PRC market for convenience frozen food products.

The Group's specialty stores under joint ventures with local distributors have continued to enhance the market penetration and brand recognition of "Wah Yuen".

Production Facilities

Currently, the Group owns three production facilities in Hong Kong and Huadu District, Guangzhou, Guangdong Province, China, namely the Hong Kong plant, the first Huadu Plant and the second Huadu Plant. Utilising 10 production lines, the Group manufactures preserved meats, convenience frozen food products, flour, preserved fruits and nuts, seasonings and other products. The Group's expansion of production facilities and enhancement in production capacity was smooth during the period under review.

With the accreditation to the Hazard Analysis and Critical Control Point certificate (HACCP) as well as ISO 9001 and ISO 9002, the Group continues to exert tremendous efforts in accelerating its expansion plan and maintaining excellent quality.

INTERIM RESULTS

The directors of Wah Yuen Holdings Limited (the "Company") are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2004 with comparative figures for the corresponding period in 2003 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June			
	Notes	2004 HK\$'000 (unaudited)	2003 HK\$'000 (unaudited)
Turnover	2	89,207	88,592
Cost of sales		(54,169)	(54,742)
Gross profit		35,038	33,850
Other operating income		431	152
Selling and distribution expenses		(9,912)	(8,628)
Administrative expenses		(11,831)	(12,111)
Profit from operations		13,726	13,263
Finance costs		(4,762)	(3,975)
Profit before taxation		8,964	9,288
Taxation	4	(1,794)	(1,939)
Profit before minority interests		7,170	7,349
Minority interests		(400)	(599)
Profit attributable to shareholders		6,770	6,750
Dividends	5	4,000	3,000
Earnings per share – Basic	6	3.4 cents	4.8 cents

Notes:

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated 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 the Statement of Standard Accounting Practice No. 25 "Interim Financial Reporting" issued by the Hong Kong Society of Accountants.

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The unaudited condensed consolidated financial statements have been prepared in accordance with the accounting policies consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2003.

2. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting, the Group has determined that geographical segments are its primary reporting format.

(a) Business segment

The Group is principally engaged in the production and distribution of snack food and convenience frozen food products which constitute one single business segment throughout the periods.

(b) Geographical segment

The Group's operations and assets are located in Hong Kong and elsewhere in the People's Republic of China (the "PRC"). Geographical segment information is based on the location of its assets, and the location of its assets is not different from the location of its customers.

	For the six months ended 30 June 2004			
	Hong Kong HK\$'000	The PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	46,070	43,137	–	89,207
Inter-segment sales	–	4,842	(4,842)	–
Total turnover	46,070	47,979	(4,842)	89,207
SEGMENT RESULTS	3,248	10,047	–	13,295
Unallocated corporate income				431
Finance costs				(4,762)
Taxation				(1,794)
Minority interests				(400)
Profit attributable to shareholders				6,770

	For the six months ended 30 June 2003			
	Hong Kong HK\$'000	The PRC HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
TURNOVER				
External sales	40,572	48,020	–	88,592
Inter-segment sales	–	8,985	(8,985)	–
Total turnover	40,572	57,005	(8,985)	88,592
SEGMENT RESULTS	2,585	10,526	–	13,111
Unallocated corporate income				152
Finance costs				(3,975)
Taxation				(1,939)
Minority interests				(599)
Profit attributable to shareholders				6,750

3. DEPRECIATION AND AMORTISATION

During the period, charged against profit from operations was depreciation and amortisation of approximately HK\$2,911,000 (2003: approximately HK\$3,309,000) in respect of the Group's property, plant and equipment.

4. TAXATION

	For the six months ended 30 June	
	2004 HK\$'000	2003 HK\$'000
The charge comprises:		
Hong Kong profits tax	241	–
PRC income tax		
– current period	1,119	1,537
– under provision in prior year	278	402
	1,638	1,939
Deferred taxation	156	–
	1,794	1,939

Future Prospects

In the future, the Group aims to fortify its leading market position by introducing a variety of new products. Over the second half of 2004, the Group will launch new snack food products such as cookies and nuts with a view to increasing its market share and expediting sales.

In addition to snack food products, the Group will also introduce a number of new convenience frozen food products, such as rice and dim sum, targeting the high-end market. Following the Group's success in tapping into China's convenience frozen food market, Wah Yuen considers there to be ample room for further growth. The Group will continue to develop new products to cater for different customer tastes and needs and to capture immense growth potentials envisaged by the directors.

Along with enhancing its product portfolio, the Group will also seek appropriate collaboration opportunities to organise joint promotional campaigns. In so doing, the Group endeavours to maintain strong relationship with major distributors and retail chains to further strengthen its market presence.

The Group will also concentrate on consolidating its leading market position in Hong Kong while extending its reach to overseas markets. Currently, the Group is launching a series of convenience frozen food products in Japan, such as fried rice, which have so far been well received by the market. Looking to the second half of 2004, the Group will continue to launch different varieties of products in Japan, including dim sum and other convenience frozen foods. It is expected that the Group will start to receive long-term orders in 2005. In addition to the Japanese market, the Group is looking forward to launching its products in other overseas countries so as to extend its business network and explore new revenue sources.

Leveraging on its extensive distribution network, diversified product portfolio, creative and effective marketing strategy and stringent cost control, Wah Yuen is confident of capitalising on its tremendous market potential and bringing its quality products to food lovers worldwide.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operations with internally generated resources and banking facilities provided by its bankers in Hong Kong and the PRC.

As at 30 June 2004, the Group had total assets of approximately HK\$340,407,000 (31 December 2003: approximately HK\$352,011,000) which were financed by current liabilities of approximately HK\$166,665,000, long term liabilities of approximately HK\$48,017,000 and shareholders' equity of approximately HK\$125,725,000.

The cash and bank balance including pledged bank deposits is approximately HK\$53,598,000 and total borrowing of approximately HK\$176,822,000. Most of these borrowings were denominated in Hong Kong dollars and Renminbi and bearing floating interest rate. The gearing ratio of the Group as at 30 June 2004 was approximately 36.2 (31 December 2003: approximately 34.1), calculated on the basis of total borrowings less cash over total asset.

The Group has very limited exposure to movements in exchange rate. The majority of the Group's purchases were denominated in Hong Kong dollars and Renminbi.

CHARGES ON ASSETS

As at 30 June 2004, certain assets of the Group with aggregate carrying value of approximately HK\$144 million (31 December 2003: approximately HK\$144 million) were pledged to banks to secure banking facilities granted to the Group.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2004, the Group had a total of 867 full-time staff. The total staff costs for the period under review were approximately HK\$9,554,000. The Group offers comprehensive remuneration and employees' benefits package to its employees. In addition, share options and discretionary bonuses are also granted to eligible staff based on the performance of the individual as well as the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2004.

PUBLICATION OF DETAILED INTERIM RESULTS

A detailed version of the Company's interim results containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>) in due course.

AUDIT COMMITTEE

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 financial report for the six months ended 30 June 2004.

CODE OF BEST PRACTICE

None of the directors 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 30 June 2004, in compliance with the Code of Best Practice as set out in Appendix 14 of Listing Rules, with the exception that all non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's Articles of Association.

By order of the Board
But Ka Wai
Chairman

Hong Kong, 23 September 2004

As at the date of this announcement, the executive directors are Mr. But Ching Pui, Mr. But Ka Wai, Mr. But Chai Tong, Mr. Lai Wing Kuen and Mr. Chu Kin Wah, the non-executive directors are Ms. Leung Wai Ling and Mr. Ngai Chun Kong, Stephen, and the independent non-executive directors are Mr. Cheung Yu Yan, Tommy, Mr. Ip Shing Tong, Francis and Mr. Ku Siu Fung, Stephen.