

Heshe Holdings Limited

Half Year Financial Statement and Dividend Announcement for the Period ended 31/12/2004

PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year****1(a)(i) Income Statement**

	6 months ended <u>31/12/2004</u> \$'000	Group 6 months ended <u>31/12/2003</u> \$'000	<u>Change</u> %
Revenue	4,834	8,193	-41.0%
Cost of sales	(3,905)	(7,985)	-51.1%
Gross Profit	929	208	346.6%
Other income	45	299	-84.9%
Distribution costs	(31)	(215)	-85.6%
Administrative expenses	(1,732)	(1,054)	64.3%
Other operating expenses	(410)	(347)	18.2%
Loss from operations	(1,199)	(1,109)	8.1%
Share of results of :			
- associated companies	(2)	0	NM
- jointly controlled entity	0	114	-100.0%
Finance costs	0	(253)	-100.0%
Loss from ordinary activities before taxation	(1,201)	(1,248)	-3.8%
Taxation - credit/(charge)	(101)	0	NM
Loss from ordinary activities after taxation	(1,302)	(1,248)	4.3%
Minority interests	92	92	0.0%
Loss for the year	(1,210)	(1,156)	4.7%

N/M : Not meaningful

Certain comparatives have been restated to conform with the changes in current period's presentation

1(a)(ii) Notes to the Income Statement

	6 months ended <u>31/12/2004</u> \$'000	Group 6 months ended <u>31/12/2003</u> \$'000	<u>Change</u> %
Loss from operations include the followings:			
Other income including interest income	45	299	-84.9%
Depreciation and amortisation	(137)	(394)	-65.2%
Foreign exchange gain	0	64	NM
Profit on disposal of fixed assets	22	66	-66.7%
Loss on sale of short-term investment in quoted equity shares	0	(10)	-100.0%
Profit on sale of long-term investments	0	59	-100.0%

The tax charge of \$101,000 for the six months ended 31 December 2004 mainly relates to an underprovision of tax of \$100,000 in respect of prior years of the Company. The additional assessment arose because The Comptroller of Income Tax ("CIT") has applied Section 10E of the Income Tax Act and computed the tax liability of the Company as an investment holding company, as opposed to be a trading company. At the same time, the Company has written to the CIT to object to the additional tax assessment.

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**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS****1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the
end of the immediately preceding financial year**

	Group As at <u>31/12/04</u> \$'000	Group As at <u>30/06/04</u> \$'000	Company As at <u>31/12/04</u> \$'000	Company As at <u>30/06/04</u> \$'000
Non-current assets				
Property, plant and equipment	1,102	1,186	7	9
Investment in				
- subsidiaries	0	0	3,204	4,004
- associated corporations	346	348	0	0
Long-term investments	60	120	60	120
Long-term receivables	2,106	2,106	2,106	2,106
	<u>3,614</u>	<u>3,760</u>	<u>5,377</u>	<u>6,239</u>
Current assets				
Short-term investments	1	1	0	0
Property development	1,876	5,214	0	0
Inventories	29	37	0	0
Trade receivables	938	1,600	0	0
Other receivables	3,611	2,777	37	2
Amount owing by related parties	3,027	2,821	6,486	7,072
Fixed deposits	0	1,204	0	0
Cash and cash equivalents	2,840	3,425	2	1,048
	<u>12,322</u>	<u>17,079</u>	<u>6,525</u>	<u>8,122</u>
Less:				
Current Liabilities				
Trade and other payables	5,975	7,931	3,745	3,829
Obligations under hire purchase agreements	0	0	0	0
Obligations under corporate guarantees	4,485	5,255	4,485	5,255
Amounts owing to related parties	2,451	3,025	1,557	1,495
Provision for taxation	160	44	0	0
	<u>13,071</u>	<u>16,255</u>	<u>9,787</u>	<u>10,579</u>
Net current assets	(749)	824	(3,262)	(2,457)
Less:				
Non-current liabilities				
Deferred taxation	16	16	0	0
	<u>2,849</u>	<u>4,568</u>	<u>2,115</u>	<u>3,782</u>
Minority interests	(1,054)	(1,250)	0	0
Net Assets	<u>1,795</u>	<u>3,318</u>	<u>2,115</u>	<u>3,782</u>
Capital and Reserves				
Share Capital	79,928	79,928	79,928	79,928
Reserves	(78,133)	(76,610)	(77,813)	(76,146)
	<u>1,795</u>	<u>3,318</u>	<u>2,115</u>	<u>3,782</u>

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**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS****1(b)(ii) Aggregate amount of group's borrowings and debt securities****Amount repayable in one year or less, or on demand**

As at 31/12/2004		As at 30/06/2004	
Secured	Unsecured	Secured	Unsecured
0	4,485,000	0	5,255,000

Amount repayable after one year

As at 31/12/2004		As at 30/06/2004	
Secured	Unsecured	Secured	Unsecured
0	0	0	0

Details of collateral

The Group borrowings were secured by plant and equipment of the Group which are held under hire purchase agreements.

1 (c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**Consolidated Statement of Cash Flows**

Operating Activities	6 months ended 31/12/2004 \$'000	6 months ended 31/12/2003 \$'000
Loss from ordinary activities before taxation	(1,201)	(1,248)
<u>Adjustments for:</u>		
Allowance written back for foreseeable losses on properties held for resale	(258)	-
Depreciation of property, plant and equipment	137	394
Interest expense	-	253
Interest income	(1)	-
Allowance for decline in value of long-term investments	60	-
Profit on sale of long-term investments	-	(59)
Loss on sale of short-term investments	-	10
Loss on sale of property, plant and equipment	-	-
Gain on disposal of property, plant and equipment	(22)	(66)
Share of results of :		
- associated corporations	2	-
- jointly controlled entity	-	(114)
	(82)	418
Operating loss before working capital changes	(1,283)	(830)
<u>(Increase)/decrease in working capital:</u>		
Properties held for resale	3,596	2,582
Inventories	8	573
Trade receivables and other receivables	(1,002)	(377)
Trade payables and other payables	(3,618)	(3,442)
	(1,016)	(664)
Cash utilised in from operations	(2,299)	(1,494)
Interest paid	-	(253)
Interest received	1	-
Income tax paid	(10)	(99)
Cash flows from operating activities	(2,308)	(1,846)

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**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS****Investing Activities**

Proceed from sale of property, plant and equipment	22	220
Proceed from sale of short-term investments	-	235
Proceed from sale of long-term investments	-	59
Proceeds from sale of tender quotas	-	3
Withdrawal of fixed deposits	1,203	-
Withdrawal of short-term deposits	-	10
Cash flows from investing activities	1,225	527

Financing Activities

Repayment of hire purchase liabilities	-	(71)
Repayment of short-term bank loans	-	(34)
Cash flows from financing activities	-	(105)
Net increase in Cash and Cash Equivalents	(1,083)	(1,424)
Effect of Exchange Rate Changes on Balances Held in Foreign Currencies	(105)	66
Cash and Cash Equivalent at beginning of the year	3,425	2,853
Cash and Cash Equivalent at end of the year (Note A)	2,237	1,495

Notes to Consolidated Statement of Cash Flows**A. Cash and Cash Equivalents**

Cash and cash equivalent comprise:

Cash and bank balances	2,840	2,556
Bank overdrafts	-	(531)
	2,840	2,025
Less : Deposits placed with banks as security	(603)	(530)
	2,237	1,495

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**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

- 1(d)(i) A statement (for the issuer and group) showing either (i) all the changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

The Group \$'000	Share Capital	Share Premium	Exchange Fluctuation Reserve	Accumulated Losses	Total
Balance as at 1 July 2004	79,928	23,330	138	(100,078)	3,318
Currency translation differences	0	0	0	(313)	(313)
Loss for the period	0	0	0	(1,210)	(1,210)
Balance as at 31 December 2004	<u>79,928</u>	<u>23,330</u>	<u>138</u>	<u>(101,601)</u>	<u>1,795</u>
Balance as at 1 July 2003	79,928	23,330	85	(94,552)	8,791
Currency translation differences	0	0	55	0	55
Profit for the period	0	0	0	(1,156)	(1,156)
Balance as at 31 December 2003	<u>79,928</u>	<u>23,330</u>	<u>140</u>	<u>(95,708)</u>	<u>7,690</u>

The Company \$'000	Share Capital	Share Premium	Exchange Fluctuation Reserve	Accumulated Losses	Total
Balance as at 1 July 2004	79,928	23,330	0	(99,476)	3,782
Currency translation differences	0	0	0	0	0
Loss for the year	0	0	0	(1,667)	(1,667)
Balance as at 31 December 2004	<u>79,928</u>	<u>23,330</u>	<u>0</u>	<u>(101,143)</u>	<u>2,115</u>
Balance as at 1 July 2003	79,928	23,330	0	(88,786)	14,472
Loss for the year	0	0	0	(452)	(452)
Balance as at 31 December 2003	<u>79,928</u>	<u>23,330</u>	<u>0</u>	<u>(89,238)</u>	<u>14,020</u>

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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Half Year Financial Statement and Dividend Announcement for the Period ended 31/12/2004

**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

At the Extraordinary General Meeting of the Company held on 3 November 2004, the shareholders approved the capital reduction exercise whereby the par value of each ordinary share in the capital of the Company was reduced from \$0.25 to \$0.03. The capital reduction was effected on 8 December 2004 upon the lodgement of a copy of the Order of Court with the Accounting & Corporate Regulatory Authority of Singapore.

At the Extraordinary General Meeting of the Company held on 26 January 2005, the shareholders approved the proposed placement of 213,000,000 new ordinary shares at \$0.045 for each new share and the grant of options to subscribe for up to 133,000,000 new ordinary shares to Mr Chng Weng Wah and Mr Soh Kim Yong collectively.

On 3 February 2005, the Investment Agreements pertaining to the aforesaid placement of 163,000,000 and 50,000,000 new shares to Mr Chng and Mr Soh respectively were completed. The Company received a total cash consideration of \$9,585,000 comprising an initial deposit of \$2 million received in December 2003 and the balance payment of \$7,585,000 in cash on 3 February 2005. Hence the current issued and paid-up Company was increased by 213,000,000 ordinary shares from 319,712,250 ordinary shares as at 30 June 2004 to 532,712,250 ordinary shares.

2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited nor reviewed by the auditors.

3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has adopted the same accounting policies and methods of computation for the current reporting period as those for the financial year ended 30 June 2004.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6 Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provisions for preference dividends.

	Group	
	6 months ended 31/12/2004	6 months ended 31/12/2003
Earning per ordinary share (cents)		
(a) Based on weighted average number of ordinary shares in issue	(0.38)	(0.36)
(b) On a fully diluted basis	NA	NA

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PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS**7 Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the :-**

- (a) Current financial period reported on; and
 (b) immediately preceding financial year.

	Group As at <u>31/12/2004</u>	Group As at <u>30/06/2004</u>	Company As at <u>31/12/2004</u>	Company As at <u>30/06/2004</u>
Net assets value per ordinary share (cents)	0.56	1.04	0.66	1.18

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
 (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

As explained in the previous announcement, the Group has exited the Export Garment business and scaled down the Food and Beverage and Property business in 2004. Consequentially, the group turnover was trimmed by \$3.4 million from \$8.2 million to \$4.8 million. The fall in turnover of \$3.4 million was mainly due to the closure of the Export Garment business which contributed \$3 million in the last corresponding period.

Administrative expenses increased by 0.7 million as costs were charged to the profit and loss account as the property development project was completed.

The Group contained its loss to \$1.2 million, similar to the loss in the last corresponding period.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Board is pleased to inform that the Investment Agreements with Mr Chng Weng Wah and Mr Soh Kim Yong were completed on 3 February 2005. The Board is hopeful that with the injection of financial resources and the new leadership from Mr Chng, new core businesses will be added to enhance shareholders' value in future.

11 Dividend

- (a) Current Financial Period Reported On - Not applicable
 (b) Corresponding Period of the Immediately Preceding Financial Year - Not applicable
 (c) Date payable - Not applicable
 (d) Books closure date - Not applicable

12 If no dividend has been declared/recommended, a statement to that effect

Not Applicable

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**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1,Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

- 13** **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

Not applicable

- 14** **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable

- 15** **A breakdown of sales**

Not applicable

- 16** **A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

Not applicable.

BY ORDER OF THE BOARD

**EDDIE CHNG
CHAIRMAN/CHIEF EXECUTIVE OFFICER
DATE : 14 FEBRUARY 2005**