MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group's unaudited consolidated net profit for the period amounted to HK$6,327,000 (2000: HK$13,704,000), a decrease of HK$7,377,000 from the last period. It is partly due to the fact that the profit from disposal of investment properties for the current period is HK$804,000 while in last period was HK$3,928,000. Further, the gain on disposals of investment in securities is HK$120,000 for the current period while HK$1,284,000 gain was recorded in 2000. Also, there is an increase in the amount of unrealised loss on exchange difference and investments in securities by HK$935,000 and HK$2,358,000 respectively.

Manufacture of White Flower Brand of products

Profit decreased by HK$1,830,000. It is principally due to the advertising campaigns held with respect to the launch of two new products during the period.

Property investment

Revenue for this segment increased from last period's HK$5,643,000 to HK$6,441,000. It is the increase in rental income contributed by the investment property located in London acquired during 2000. However, it is offset by the decrease in profit from disposal of investment properties during the period, resulting in a decline in segment profit from HK$4,208,000 to HK$3,642,000.

Treasury investment

The interest-rate cuts during the period resulted in the decrease in interest income earned. Coupled with the increased unrealised exchange loss recorded during the period (2001: HK$4,547,000, 2000: HK$3,612,000), this segment incurred a loss of HK$3,983,000 for the period.

Other principal activities

The Group discontinued the sales of other healthcare goods. The segment losses of HK$222,000 mainly represents the final write off of finished goods on hand as at the interim date.

Financial resources and treasury policies

The Group continues to maintain a strong liquidity with sufficient cash and marketable securities on hand at the interim date to satisfy its commitments and working capital demand.

Outlook

Business has been difficult for the global economy and there is no exception for the Group. It is anticipated that turnover for the year will experience a slight decline from last year's level.

In order to maintain and even enlarge market share of our products, the Group has increased advertising expenditure to strengthen brand awareness. This could explain partly the shrinkage in net profit. However, coverage of such advertising activities not only benefited the local market but the PRC market as well.

The launch of the two new products, namely Hoe Hin Strain Relief and Hoe Hin Analgesic Cream in April also took up a share of the pie bidding up advertising expenditure. Contribution to gross profit is not yet significant for the moment since the two products are still at the introductory stage.

Research and development

Despite the fact that the Group's products have been sold in the markets for so many years and have been favourably received, it is always the Group's policy to substantiate the various claims made by the Group over the products. Other than the clinical studies conducted in 2000, the Group will further invest in research and development projects in both current and new products though they are still at an early stage. There is also a long term planning in view of the tightened control over traditional Chinese medicine in both the local and overseas markets. During the period, approximately HK$350,000 has been spent on research and development of our new products.

The Board of Directors would like to thank our staff for their hard work and devotion to quality and control.

Gan Wee Sean
Chairman

Hong Kong, 17th September, 2001