



NOTES TO THE CONDENSED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30TH JUNE, 2001

1. Basis of preparation

The condensed financial statements have been prepared in accordance with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and Statement of Standard Accounting Practice ("SSAP") No. 25 "Interim Financial Reporting", except that, in this first year of implementation of the Standard, as permitted by Listing Rules, no comparative amounts have been presented for:

- the condensed consolidated statement of recognised gains and losses; and
- the condensed consolidated cash flow statement.

2. Principal accounting policies

The financial statements have been prepared under the historical cost convention as modified for the revaluation of certain properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st December, 2000 except as described below.

In the current period, the Group has adopted, for the first time, a number of new and revised SSAPs issued by the Hong Kong Society of Accountants. The adoption of these new/revised SSAPs does not have any material effect on the financial statements of the current or prior periods, except as described below:

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. The effect of this change has been to increase the Group's net assets at 1st January, 2000 and 31st December, 2000 by HK\$9,100,000 and HK\$9,100,000 respectively. Comparative information has been restated to reflect this change in accounting policy.



2. Principal accounting policies (continued)

Goodwill

In the current period, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate negative goodwill previously credited to reserves. Accordingly, negative goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be credited to income at the time of disposal of the relevant subsidiary. There was no effect on the financial statements of the current or prior periods on adoption of this new standard.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life, that is, over periods up to 20 years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

3. Turnover and segment information

Turnover represents the aggregate of net amounts received and receivable for goods sold, rental and interest income of the Group. All intra-group transactions are excluded.

The Group's turnover and contribution to profit from operations analysed by business segments and by geographical segments are set out below:

Business segments

	Manufacture of White Flower Brand of products (unaudited) HK\$'000	Property investment (unaudited) HK\$'000	Treasury investment (unaudited) HK\$'000	Others (unaudited) HK\$'000	Eliminations (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
2001						
REVENUE						
External sales	39,832	3,915	1,553	10	-	45,310
Inter-segment sales	-	2,526	-	-	(2,526)	-
Total revenue	<u>39,832</u>	<u>6,441</u>	<u>1,553</u>	<u>10</u>	<u>(2,526)</u>	<u>45,310</u>
SEGMENT RESULTS	<u>12,866</u>	<u>3,642</u>	<u>(3,983)</u>	<u>(222)</u>	<u>-</u>	<u>12,303</u>
Unallocated corporate expenses						(2,500)
Profit from operations						<u>9,803</u>
2000						
REVENUE						
External sales	40,956	3,036	2,082	131	-	46,205
Inter-segment sales	41	2,607	-	-	(2,648)	-
Total revenue	<u>40,997</u>	<u>5,643</u>	<u>2,082</u>	<u>131</u>	<u>(2,648)</u>	<u>46,205</u>
SEGMENT RESULTS	<u>14,696</u>	<u>4,208</u>	<u>1,258</u>	<u>(135)</u>	<u>-</u>	<u>20,027</u>
Unallocated corporate expenses						(2,475)
Profit from operations						<u>17,552</u>

3. Turnover and segment information (continued)

Geographical segments

	The Hong Kong Special Administrative Region ("Hong Kong") of the People's				Europe				
	Republic of China (the "PRC") (unaudited)	Others regions in the PRC (unaudited)	Southeast Asia (unaudited)	Northern America (unaudited)	United Kingdom ("UK") (unaudited)	other than UK (unaudited)	Others (unaudited)	Eliminations (unaudited)	Consolidated (unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2001									
REVENUE									
External sales	21,672	9,715	5,899	4,316	3,359	64	285	-	45,310
SEGMENT RESULTS	9,768	2,843	1,522	2,299	3,040	(1,531)	(506)	-	17,435
Unallocated corporate expenses									(7,632)
Profit from operations									9,803
2000									
REVENUE									
External sales	20,675	14,604	5,966	1,791	2,438	354	377	-	46,205
SEGMENT RESULTS	10,329	4,004	2,696	1,202	4,506	954	(42)	-	23,649
Unallocated corporate expenses									(6,097)
Profit from operations									17,552



4. Profit from operations

	(unaudited)	
	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Profit from operations has been arrived at after charging:		
Cost of sale of manufactured goods	<u>14,260</u>	<u>17,124</u>

5. Taxation

	(unaudited)	
	Six months ended 30th June,	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong	1,490	2,064
Overseas	<u>452</u>	<u>169</u>
	<u>1,942</u>	<u>2,233</u>

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the period. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. DIVIDENDS

On 29th June, 2001, a dividend of HK7 cents per share was paid to shareholders as the final dividend for 2000.

On 5th July, 2000, a dividend of HK7 cents per share was paid to shareholders as the final dividend for 1999.

The directors have determined that an interim dividend of HK2 cents per share (2000 interim: HK4.5 cents) should be paid to the shareholders of the Company whose names appear in the Register of Members on 12th October, 2001.

7. Basic earnings per share

The calculation of earnings per share is based on the Group's net profit for the period of HK\$6,327,000 (2000: HK\$13,704,000) and on 130,000,000 ordinary shares in issue during the two periods.

8. MOVEMENTS IN INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

During the period, the Group disposed of an investment property with a carrying amount of HK\$1,250,000 for net proceeds of HK\$1,181,000, resulting in a gain on disposal of HK\$804,000 which includes the realisation of revaluation surplus from investment properties revaluation reserve of HK\$873,000. In addition, exchange realignment of HK\$4,164,000 contributed to a decrease in the carrying value of investment properties brought forward from 1st January, 2001.

In addition, the Group acquired a motor vehicle at a cost of HK\$840,000 by trade-in of a fully depreciated motor vehicle at a consideration of HK\$130,000.

In the opinion of the directors, the carrying amounts of the Group's investment properties and leasehold land and buildings carried at revalued amounts as at 31st December, 2000 do not differ significantly from those which would be determined using fair values at 30th June, 2001. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30th June, 2001, included in the Group's debtors, deposits and prepayments were trade receivables of HK\$30,541,000 (31st December, 2000: HK\$27,869,000). The Group allows an average credit period of 90 days to its trade customers. Details of the aged analysis of trade receivables are as follows:

	30th June, 2001 (unaudited) HK\$'000	31st December, 2000 (audited) HK\$'000
0 – 30 days	25,869	25,053
31 – 60 days	1,458	2,503
61 – 90 days	85	301
> 90 days	3,129	12
	<u>30,541</u>	<u>27,869</u>

10. CREDITORS AND ACCRUED CHARGES

At 30th June, 2001, included in the Group's creditors and accrued charges were trade payables of HK\$1,734,000 (31st December, 2000: HK\$947,000). Details of the aged analysis of trade payables are as follows:

	30th June, 2001 (unaudited) HK\$'000	31st December, 2000 (audited) HK\$'000
0 – 30 days	1,734	947


11. RESERVES

	Share premium (unaudited) HK\$'000	Goodwill reserve (unaudited) HK\$'000	Dividend reserve (unaudited) HK\$'000	Property revaluation reserve		Exchange reserve (unaudited) HK\$'000	Retained profits (unaudited) HK\$'000	Total (unaudited) HK\$'000
				Investment properties (unaudited) HK\$'000	Other properties (unaudited) HK\$'000			
THE GROUP								
At 1st January, 2000								
– as originally stated	24,925	12,808	–	30,591	2,593	(235)	137,997	208,679
– prior period adjustment (note 2)	–	–	9,100	–	–	–	–	9,100
– as restated	24,925	12,808	9,100	30,591	2,593	(235)	137,997	217,779
Surplus (deficit) on revaluation	–	–	–	4,519	(143)	–	–	4,376
Realised upon disposal	–	–	–	(2,532)	–	–	–	(2,532)
Exchange difference arising on translation of financial statements of overseas operations	–	–	–	(2,455)	–	75	–	(2,380)
Net profit for the year	–	–	–	–	–	–	23,788	23,788
Dividends	–	–	14,950	–	–	–	(14,950)	–
Dividends paid								
– 1999 final	–	–	(9,089)	–	–	–	–	(9,089)
– 2000 interim	–	–	(5,842)	–	–	–	–	(5,842)
Unclaimed dividends transferred to dividend payable	–	–	(19)	–	–	–	–	(19)
At 31st December, 2000	24,925	12,808	9,100	30,123	2,450	(160)	146,835	226,081
Realised upon disposal	–	–	–	(873)	–	–	–	(873)
Exchange difference arising on translation of financial statements of overseas operations	–	–	–	–	–	(1,115)	–	(1,115)
Net profit for the period	–	–	–	–	–	–	6,327	6,327
Dividends	–	–	2,600	–	–	–	(2,600)	–
Dividends paid								
– 2000 final	–	–	(8,978)	–	–	–	–	(8,978)
Unclaimed dividends transferred to dividend payable	–	–	(122)	–	–	–	–	(122)
At 30th June, 2001	<u>24,925</u>	<u>12,808</u>	<u>2,600</u>	<u>29,250</u>	<u>2,450</u>	<u>(1,275)</u>	<u>150,562</u>	<u>221,320</u>



12. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

During the period, the Group entered into the following transactions with the directors and the related parties in which certain directors of the Company have beneficial interests:

- (a) During the period, sales at a 50 per cent discount on retail prices to Hong Kong Pak Fah Yeow Charity Association Limited ("Charity") amounted to HK\$19,000 (six months ended 30th June, 2000: HK\$18,000). Messrs. Gan Wee Sean and Chiu Sin Kuen, are also the shareholders and directors of Charity.
- (b) The Group made purchases from and sales to Hoe Hin Pak Fah Yeow Manufactory, Limited, Taiwan ("Taiwan PFY") amounting to HK\$316,000 (six months ended 30th June, 2000: HK\$272,000) and HK\$240,000 (Six months ended 30th June, 2000: HK\$NIL) respectively during the period. Messrs. Gan Wee Sean and Gan Fock Wai, Stephen are also the directors and shareholders of Taiwan PFY.
- (c) Mr. Gan Wee Sean was interested as licensor in an agreement with a subsidiary, Hoe Hin Pak Fah Yeow Manufactory, Limited, whereby the subsidiary was granted a licence to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore for a period of ten years from 1st January, 1992 in consideration of an annual royalty payment equivalent to 10 per cent of the invoiced sales less returns and discounts. During the period, royalties in the amount of HK\$122,000 (six months ended 30th June, 2000: HK\$168,000) were paid by the Group pursuant to the aforesaid agreement.
- (d) Both Mr. Lee Ka Sze, Carmelo and Mr. Yuen Ka Fai are partners of Woo, Kwan, Lee & Lo, Solicitors and Notaries. During the period, Woo, Kwan, Lee & Lo provided legal services to the Company and its subsidiaries and received normal professional fees for those services.

13. CAPITAL COMMITMENTS

	30th June, 2001 (unaudited) HK\$'000	31st December, 2000 (audited) HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	<u>1,663</u>	<u>1,125</u>



14. PLEDGE OF ASSETS

Certain of the Group's investment properties, bank deposits and securities were pledged to secure banking facilities granted to the Group to the extent of HK\$43,870,000 (31st December, 2000: HK\$46,600,000) in respect of long-term loan facilities and HK\$40,070,000 (31st December, 2000: HK\$36,499,000) in respect of short-term loan and other general banking facilities of which HK\$43,870,000 (31st December, 2000: HK\$46,600,000) and Nil (31st December, 2000: HK\$768,000) were utilised respectively at the reporting date.

Details of the Group's investment properties, bank deposits and securities pledged are as follows:

	30th June, 2001 (unaudited) HK\$'000	31st December, 2000 (audited) HK\$'000
Investment properties	66,902	93,032
Bank deposits	53,657	57,459
Securities	16,488	21,154
	<u>137,047</u>	<u>171,645</u>

15. LONG SERVICE PAYMENTS

At 30th June, 2001, the Group had provided for the long service payments in the condensed financial statements regarding those non-daily rate employees who had worked for the Group for over 10 years or those employees who had worked for the Group for over 5 years and at age 65 or above. The Group also had a number of employees who had completed the required number of years of service under Hong Kong's Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. The Group will not account for the long service payments for those employees other than those who satisfied the conditions stated above in the condensed consolidated income statement until the termination of their employment. Had the employment of all eligible employees been terminated on 30th June, 2001 under the circumstances specified by the Ordinance, the maximum further potential exposure would have been approximately HK\$1,070,000 (31st December, 2000: HK\$362,000). No provision has been made in the condensed financial statements in respect of such further long service payment liability.