

Notes to the Financial Statements

For the year ended 31st December, 2001

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture of Hoe Hin Brand of products, property investment, and distribution of healthcare and household products.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts reported for the current or prior periods.

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 on the face of the balance sheet. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase both the Group’s net assets at 1st January, 2000 and 31st December, 2000 by HK\$9,100,000 respectively. Comparative information has been restated to reflect this change in accounting policy.

Leases

In accordance with SSAP 14 (Revised) “Leases”, some amendments were introduced to the basis of accounting for operating leases and to the disclosures specified for the Group’s leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group’s leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES *(continued)*

Segment reporting

The Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment Reporting”. Segment disclosures for the year ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

Goodwill

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 will be credited to income at the time of disposal of the relevant subsidiary.

Goodwill arising on acquisitions on or after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions on or 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. SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Negative goodwill arising on acquisitions on or 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.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment losses.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income under operating leases is recognised on a straight-line basis over the term of the relevant lease.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Securities trading income is recognised on a trade-date basis when contracts are concluded.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation/amortisation and impairment losses, if any.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation surplus arising on the revaluation of land and buildings is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, in which case this surplus is credited to the income statement to the extent of the deficit previously charged. A decrease in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment (Continued)

On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

The cost or valuation of property, plant and equipment in use are depreciated on a straight-line basis over their estimated useful lives at the following rates per annum:

Leasehold properties held under long
and medium-term leases

Land	Over the remaining terms of the respective leases
Buildings	2% or over the relevant lease terms whichever is the shorter
Plant and machinery	10 – 15 years
Furniture, fixtures and equipment	5 – 15 years
Motor vehicles	5 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case, the impairment loss is treated as a revaluation decrease under that other accounting standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another accounting standard, in which case, the reversal of the impairment loss is treated as a revaluation increase under that other accounting standard.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

Foreign currencies

Transactions in foreign currencies are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessors are accounted for as operating leases. The relevant lease payments are charged to the income statement on a straight-line basis over the terms of the respective leases.

Pension scheme

The retirement benefit costs charged in the income statement represent the contributions payable in respect of the current year to the Group's mandatory provident fund scheme.

4. SEGMENT INFORMATION

Geographical segments

The Group is currently organised into three operating divisions – manufacturing and sales of Hoe Hin Brand of products, property investment and treasury investment.

The Group's operations are located in The Hong Kong Special Administrative Region ("Hong Kong") of the People's Republic of China (the "PRC"), other regions in the PRC, Southeast Asia, Northern America, United Kingdom and Europe (excluding United Kingdom). The Group's manufacturing division is located in Hong Kong. Property investment and treasury investment divisions are carried out in various locations.

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

These geographical locations of customers are the basis on which the Group reports its primary segment information.

	Year ended 31st December, 2001								
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Eliminations	Consolidated
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
REVENUE									
External sales	38,623,424	22,426,844	4,752,266	6,432,772	5,914,004	65,972	819,939	–	79,035,221
Inter-segment revenue	5,052,000	–	–	–	–	–	–	(5,052,000)	–
	<u>43,675,424</u>	<u>22,426,844</u>	<u>4,752,266</u>	<u>6,432,772</u>	<u>5,914,004</u>	<u>65,972</u>	<u>819,939</u>	<u>(5,052,000)</u>	<u>79,035,221</u>
SEGMENT RESULT	<u>4,725,805</u>	<u>1,066,548</u>	<u>(1,769,731)</u>	<u>4,302,097</u>	<u>5,181,748</u>	<u>(998,724)</u>	<u>604,841</u>	<u>–</u>	<u>13,112,584</u>

Inter-segment sales/charges are charged at mutually agreed prices.

Unallocated corporate expenses	<u>(5,837,796)</u>
Profit from operations	7,274,788
Finance costs	<u>(2,869,494)</u>
Profit before taxation	4,405,294
Taxation	<u>(1,663,145)</u>
Net profit for the year	<u>2,742,149</u>

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

BALANCE SHEET

At 31st December, 2001

	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
ASSETS								
Segment assets	103,690,484	9,987,515	60,381,682	4,027,728	76,652,250	–	20,663,099	275,402,758
Unallocated corporate assets								14,051,099
Consolidated total assets								<u>289,453,857</u>
LIABILITIES								
Segment liabilities	52,730,752	14,040	380,964	–	669,904	–	–	53,795,660
Unallocated corporate liabilities								2,368,603
Consolidated total liabilities								<u>56,164,263</u>

OTHER INFORMATION

For the year ended 31st December, 2001

	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Capital additions	2,944,240	–	–	–	–	–	–	2,944,240
Depreciation and amortisation	2,699,194	–	–	–	–	–	–	2,699,194

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

	Year ended 31st December, 2000								
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe	Others	Eliminations	Consolidated
						(excluding United Kingdom)			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
REVENUE									
External sales	42,314,837	21,057,064	18,014,757	4,298,191	6,247,067	217,913	959,616	-	93,109,445
Inter-segment revenue	5,052,000	-	-	-	-	-	-	(5,052,000)	-
	<u>47,366,837</u>	<u>21,057,064</u>	<u>18,014,757</u>	<u>4,298,191</u>	<u>6,247,067</u>	<u>217,913</u>	<u>959,616</u>	<u>(5,052,000)</u>	<u>93,109,445</u>
SEGMENT RESULT	<u>6,102,913</u>	<u>6,251,188</u>	<u>10,568,146</u>	<u>2,946,700</u>	<u>8,506,723</u>	<u>1,288,460</u>	<u>272,924</u>	<u>-</u>	<u>35,937,054</u>

Inter-segment sales/charges are charged at mutually agreed prices.

Unallocated corporate expenses	(4,466,074)
Profit from operations	31,470,980
Finance costs	(3,693,012)
Profit before taxation	27,777,968
Taxation	(3,990,612)
Net profit for the year	<u>23,787,356</u>

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

BALANCE SHEET

At 31st December, 2000

	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
ASSETS								
Segment assets	104,561,670	5,157,228	74,173,152	3,797,806	75,264,172	–	20,100,952	283,054,980
Unallocated corporate assets								<u>13,176,416</u>
Consolidated total assets								<u><u>296,231,396</u></u>
LIABILITIES								
Segment liabilities	52,581,860	11,600	975,986	–	464,139	–	–	54,033,585
Unallocated corporate liabilities								<u>3,116,645</u>
Consolidated total liabilities								<u><u>57,150,230</u></u>

OTHER INFORMATION

For the year ended 31st December, 2000

	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)	Others	Consolidated
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Capital additions	1,199,789	–	–	–	–	–	–	1,199,789
Depreciation and amortisation	2,390,570	–	–	–	–	–	–	2,390,570

4. SEGMENT INFORMATION (continued)

Geographical segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investments properties, property, plant and equipment	
	At 31.12.2001 HK\$	At 31.12.2000 HK\$	Year ended 31.12.2001 HK\$	Year ended 31.12.2000 HK\$
Hong Kong	116,230,758	116,188,714	1,235,360	1,199,789
Other regions in the PRC	9,987,515	5,157,228	–	–
Southeast Asia	60,381,682	74,173,152	–	–
Northern America	4,027,728	3,797,806	–	–
United Kingdom	76,652,250	75,264,172	–	–
Others	22,173,924	21,650,324	1,708,880	–
	<u>289,453,857</u>	<u>296,231,396</u>	<u>2,944,240</u>	<u>1,199,789</u>

4. SEGMENT INFORMATION (continued)

Business segments

The following table provides an analysis of the Group's sales revenue and contribution to profit (loss) from operations by business segment:

	Sales revenue by business segment		Contribution to profit (loss) from operations	
	Year ended 31.12.2001 HK\$	Year ended 31.12.2000 HK\$	Year ended 31.12.2001 HK\$	Year ended 31.12.2000 HK\$
Manufacturing and sales of Hoe Hin Brand of products	69,103,884	81,214,127	8,522,485	24,524,259
Property investment	6,927,494	6,985,287	5,734,328	7,762,550
Treasury investment	2,980,540	4,659,536	(1,117,276)	4,373,250
Others	23,303	250,495	(26,953)	(723,005)
	<u>79,035,221</u>	<u>93,109,445</u>	<u>13,112,584</u>	35,937,054
Unallocated corporate expenses			(5,837,796)	(4,466,074)
Profit from operations			<u>7,274,788</u>	<u>31,470,980</u>

4. SEGMENT INFORMATION (continued)

Business segments (continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segment:

	Carrying amount of segment assets		Additions to investment properties, property plant and equipment	
	At 31.12.2001	At 31.12.2000	Year ended 31.12.2001	Year ended 31.12.2000
	HK\$	HK\$	HK\$	HK\$
Manufacturing and sales of Hoe Hin Brand of products	105,848,718	108,828,090	1,235,360	1,199,789
Property investment	95,677,771	95,719,969	–	–
Treasury investment	86,213,391	89,848,778	–	–
Others	203,152	285,187	1,708,880	–
	287,943,032	294,682,024	2,944,240	1,199,789
Unallocated corporate assets	1,510,825	1,549,372		
	289,453,857	296,231,396		

5. OTHER REVENUE

	2001 HK\$	2000 HK\$
Commission income	93,493	95,064
Gain on disposal of property, plant and equipment	190,135	–
Dividends from other investments		
– listed	230,860	184,194
Gain on disposal of other investments		
– listed	195,069	2,170,048
– unlisted	37,550	78,394
Net unrealised gain on other investments		
– listed	–	921,874
– unlisted	–	75,800
Sundry income	67,740	138,600
	814,847	3,663,974

6. PROFIT FROM OPERATIONS

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	654,371	551,032
Bad debts recovered	(75,000)	(225,000)
Cost of manufactured goods sold	27,945,773	30,528,279
Exchange loss – net	3,387,253	4,104,806
Gain on disposal of property, plant and equipment	(190,135)	(55,306)
Minimum lease payments for operating lease in respect of land and buildings	2,212,067	1,696,344
Impairment loss recognised on investment securities	–	423,100
Net unrealised loss on other investments	2,228,048	–
Provision for long service payments	229,434	248,989
Rental income from investment properties less outgoings of HK\$377,461 (2000: HK\$295,876)	(6,497,833)	(6,689,411)
Royalty charges	134,602	199,474

7. FINANCE COSTS

	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Interest on bank overdrafts and borrowings wholly repayable within five years	2,869,494	3,693,012

8. DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	2001 HK\$	2000 HK\$
Directors' fees	150,000	150,000
Management remuneration	2,856,438	2,612,220
Management bonus	154,843	609,932
Provision for long service payments	19,027	89,251
Mandatory provident fund contributions	26,000	2,000
Housing allowances	1,257,320	1,152,051
Subsistence allowances	206,565	187,348
	<u>4,670,193</u>	<u>4,802,802</u>

Management bonus is calculated as the higher of the amounts according to the terms as specified in the directors' employment contracts and 2.5 per cent. of the consolidated net profit after taxation and minority interests.

The number of directors whose emoluments fall within each of the following bands is:

Band	2001 Number of directors	2000 Number of directors
Nil – HK\$1,000,000	3	3
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	1	1
	<u>5</u>	<u>5</u>

During the year, directors' fees paid to the independent non-executive directors amounted to HK\$60,000 (2000: HK\$60,000).

9. SALARIES OF EMPLOYEES

Of the five individuals with the highest emoluments in the Group, three (2000: three) are directors whose emoluments are included in the amounts disclosed in note 8 above. The aggregate of the emoluments of the other two (2000: two) individuals are as follows:

	2001 HK\$	2000 HK\$
Salaries	1,073,900	1,092,630
Mandatory provident fund contributions	24,000	2,000
	<u>1,097,900</u>	<u>1,094,630</u>

The two individuals with the highest emoluments are within the HK\$1,000,000 band for the two years ended 31st December, 2001.

During the two years ended 31st December, 2001, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the two years ended 31st December, 2001 and 2000, no directors waived any of their emoluments.

10. TAXATION

	2001 HK\$	2000 HK\$
The charge comprises:		
Hong Kong		
– Profit for the year	1,062,410	3,280,012
– Overprovision in prior years	(19,133)	(25,382)
	1,043,277	3,254,630
Overseas		
– Profit for the year	612,600	245,658
– Underprovision in prior years	7,268	490,324
	619,868	735,982
	<u>1,663,145</u>	<u>3,990,612</u>

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

Details of unprovided deferred tax are set out in note 26.

11. DIVIDENDS

	2001 HK\$	2000 HK\$
Interim, paid – 2 cents (2000: 4.5 cents) per share	2,600,000	5,850,000
Final, proposed – 2 cents (2000: 7 cents) per share	2,600,000	9,100,000
	<u>5,200,000</u>	<u>14,950,000</u>

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the Group's net profit for the year of HK\$2,742,149 (2000: HK\$23,787,356) and on 130,000,000 (2000: 130,000,000) ordinary shares in issue during the year.

13. INVESTMENT PROPERTIES

	The Group			Total HK\$
	Investment properties in Hong Kong under long leases HK\$	Investment properties in other regions in the PRC under long leases HK\$	Freehold investment properties in United Kingdom and Singapore HK\$	
VALUATION				
At 1st January, 2001	13,300,000	1,500,000	78,231,794	93,031,794
Exchange realignment	–	–	(2,757,469)	(2,757,469)
Disposals	(1,250,000)	–	–	(1,250,000)
Revaluation (deficit) surplus	(700,000)	(150,000)	5,318,050	4,468,050
At 31st December, 2001	<u>11,350,000</u>	<u>1,350,000</u>	<u>80,792,375</u>	<u>93,492,375</u>

Investment properties were independently valued on an open market value existing use basis on 31st December, 2001 by Memfus Wong Surveyors Limited, a corporation of independent professional valuers, in respect of properties in Hong Kong and other regions in the PRC and Myhill Newman and Dovebid (S) Pte Lte, corporations of independent professional valuers, in respect of properties in United Kingdom and Singapore respectively. The net surplus arising on revaluation has been credited to the investment property revaluation reserve (note 24).

All of the investment properties of the Group are rented out under operating leases.

14. PROPERTY, PLANT AND EQUIPMENT

The Group	Other properties in Hong Kong under long leases <i>HK\$</i>	Other properties in Hong Kong under medium- term leases <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Total <i>HK\$</i>
COST OR VALUATION						
At 1st January, 2001	16,600,000	27,600,000	10,690,133	14,037,550	1,345,930	70,273,613
Additions	–	–	1,152,111	83,249	1,708,880	2,944,240
Adjustment on revaluation	(3,000,000)	(2,300,000)	–	–	–	(5,300,000)
Disposals	–	–	–	(188,450)	(1,345,930)	(1,534,380)
At 31st December, 2001	13,600,000	25,300,000	11,842,244	13,932,349	1,708,880	66,383,473
Comprising:						
At cost	–	–	11,842,244	13,932,349	1,708,880	27,483,473
At 2001 professional valuation	13,600,000	25,300,000	–	–	–	38,900,000
	13,600,000	25,300,000	11,842,244	13,932,349	1,708,880	66,383,473
DEPRECIATION AND AMORTISATION						
At 1st January, 2001	–	–	5,272,187	7,840,964	1,192,344	14,305,495
Provided for the year	133,696	600,000	717,205	829,724	418,569	2,699,194
Eliminated on revaluation	(133,696)	(600,000)	–	–	–	(733,696)
Eliminated on disposals	–	–	–	(75,379)	(1,269,136)	(1,344,515)
At 31st December, 2001	–	–	5,989,392	8,595,309	341,777	14,926,478
NET BOOK VALUES						
At 31st December, 2001	13,600,000	25,300,000	5,852,852	5,337,040	1,367,103	51,456,995
At 31st December, 2000	16,600,000	27,600,000	5,417,946	6,196,586	153,586	55,968,118

Other properties were independently valued on an open market value existing use basis on 31st December, 2001 by Memfus Wong Surveyors Limited, a corporation of independent professional valuers.

If the other properties had not been revalued, they would have been included in the financial statements at their historical costs less accumulated depreciation and amortisation of approximately HK\$50,000,000 (2000: HK\$50,900,000).

15. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
The Group						
Equity securities						
Listed	-	-	14,715,000	17,369,785	14,715,000	17,369,785
Unlisted	1,344,700	1,344,700	-	-	1,344,700	1,344,700
	<u>1,344,700</u>	<u>1,344,700</u>	<u>14,715,000</u>	<u>17,369,785</u>	<u>16,059,700</u>	<u>18,714,485</u>
Debt securities						
Listed	-	-	2,885,488	9,246,770	2,885,488	9,246,770
Unlisted	-	-	-	2,983,200	-	2,983,200
	<u>-</u>	<u>-</u>	<u>2,885,488</u>	<u>12,229,970</u>	<u>2,885,488</u>	<u>12,229,970</u>
Total:						
Listed						
Hong Kong	-	-	2,345,990	1,809,600	2,345,990	1,809,600
Elsewhere	-	-	15,254,498	24,806,955	15,254,498	24,806,955
Unlisted	1,344,700	1,344,700	-	2,983,200	1,344,700	4,327,900
	<u>1,344,700</u>	<u>1,344,700</u>	<u>17,600,488</u>	<u>29,599,755</u>	<u>18,945,188</u>	<u>30,944,455</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>17,600,488</u>	<u>26,616,555</u>	<u>17,600,488</u>	<u>26,616,555</u>
Carrying amount analysed for reporting purposes as:						
Current	-	-	17,600,488	29,599,755	17,600,488	29,599,755
Non-current	1,344,700	1,344,700	-	-	1,344,700	1,344,700
	<u>1,344,700</u>	<u>1,344,700</u>	<u>17,600,488</u>	<u>29,599,755</u>	<u>18,945,188</u>	<u>30,944,455</u>
The Company						
Listed overseas						
Equity securities	-	-	2,475,657	3,027,721	2,475,657	3,027,721
Debt securities	-	-	-	3,021,373	-	3,021,373
Carrying amount for reporting purposes as current assets	<u>-</u>	<u>-</u>	<u>2,475,657</u>	<u>6,049,094</u>	<u>2,475,657</u>	<u>6,049,094</u>
Market value of listed securities	<u>-</u>	<u>-</u>	<u>2,475,657</u>	<u>6,049,094</u>	<u>2,475,657</u>	<u>6,049,094</u>

16. INVESTMENTS IN SUBSIDIARIES

The Company
2001 & 2000
HK\$

Unlisted shares, at cost 84,339,832

Particulars of the Company's subsidiaries, all of which are private limited liability companies, are as follows:

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of nominal value of issued ordinary share capital held by the Company		Principal activities
			Directly	Indirectly	
Biotech Products Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	–	100	Distribution of healthcare and household products
Digi Star Advertising Company Limited (Formerly known as Digi Star Recording Studio Limited)	Hong Kong	4,000,000 ordinary shares of HK\$1 each	–	100	Advertising agency
Hoe Hin Pak Fah Yeow (B.V.I.) Limited	British Virgin Islands/ Hong Kong	20,000 ordinary shares of US\$1 each	100	–	Investment holding

16. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of nominal value of issued ordinary share capital held by the Company		Principal activities
			Directly	Indirectly	
Hoe Hin Pak Fah Yeow Manufactory, Limited	Hong Kong	22,000 non-voting deferred shares ** of HK\$1,000 each, and 2 ordinary shares of HK\$1,000 each	–	100	Manufacturing and sales of Hoe Hin Brand of products
Pak Fah Yeow Advertising Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	–	100	Advertising agency
Pak Fah Yeow Investment (Hong Kong) Company, Limited	Hong Kong	21,200,000 non-voting deferred shares** of HK\$1 each, and 2 ordinary shares of HK\$1 each	–	100	Property investment
* Princely Profits Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US\$1	–	100	Property investment
* Princesland International Limited	British Virgin Islands/ United Kingdom	1 ordinary share of US\$1	–	100	Property investment
Velton Enterprises Limited	British Virgin Islands/ Hong Kong	30,000 ordinary shares of US\$1 each	–	100	Inactive

* Subsidiaries not audited by Deloitte Touche Tohmatsu.

** The non-voting deferred shares carry no right to receive notice of or to attend or vote at any general meeting of these subsidiaries. They also carry very limited rights in respect of dividends and share of surplus assets upon winding up of the company.

17. INVENTORIES

	The Group	
	2001 HK\$	2000 HK\$
Finished goods	2,487,914	776,040
Raw materials	5,040,790	3,704,376
Bottles, caps and packing materials	5,049,523	4,210,156
	<u>12,578,227</u>	<u>8,690,572</u>

All the inventories are stated at cost.

18. DEBTORS, DEPOSITS AND PREPAYMENTS

At 31st December, 2001, included in the Group's debtors, deposits and prepayments were trade receivables of HK\$23,492,052 (2000: HK\$27,868,483). The Group allows an average credit period of 180 days to its customers. Details of the aged analysis of trade receivables are as follows:

	The Group	
	2001 HK\$	2000 HK\$
0 – 30 days	7,873,272	25,052,671
31 – 60 days	3,821,033	2,503,103
61 – 90 days	8,758,307	300,975
More than 90 days	3,039,440	11,734
	<u>23,492,052</u>	<u>27,868,483</u>

19. CREDITORS AND ACCRUED CHARGES

At 31st December, 2001, included in the Group's creditors and accrued charges were trade payables of HK\$701,228 (2000: HK\$946,707). Details of the aged analysis of trade payables are as follows:

	The Group	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>
0 – 30 days	682,853	946,707
31 – 60 days	–	–
More than 60 days	18,375	–
	<u>701,228</u>	<u>946,707</u>

20. PROVISION FOR LONG SERVICE PAYMENTS

	The Group		The Company	
	2001 <i>HK\$</i>	2000 <i>HK\$</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
At 1st January	3,768,656	3,892,158	1,811,409	1,722,158
Additional provision for the year	229,434	248,989	19,027	89,251
Utilisation of provision	(220,112)	(372,491)	–	–
At 31st December	<u>3,777,978</u>	<u>3,768,656</u>	<u>1,830,436</u>	<u>1,811,409</u>

21. BANK BORROWINGS, SECURED

	The Group		The Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
On demand or within one year	–	767,775	–	465,986
More than two years but not exceeding five years	45,250,000	46,600,000	–	–
	45,250,000	47,367,775	–	465,986
Less: Amounts due within one year shown under current liabilities	–	(767,775)	–	(465,986)
	<u>45,250,000</u>	<u>46,600,000</u>	<u>–</u>	<u>–</u>

The maturity of the loans are as follows:

The bank borrowings are repayable in a lump sum on 8th June, 2003 and bear interest at 1.10 per cent. per annum above a six-month British Sterling Pounds London Interbank Offered Rate.

The bank borrowings are secured by the Group's investment properties with an aggregate net book value of HK\$74,662,500 (2000: HK\$93,031,794) at the balance sheet date.

22. SHARE CAPITAL

	2001 & 2000
	HK\$
Authorised	
300,000,000 ordinary shares of HK\$0.1 each	<u>30,000,000</u>
Issued and fully paid	
130,000,000 ordinary shares of HK\$0.1 each	<u>13,000,000</u>

There was no movement in the share capital of the Company for the two years ended 31st December, 2001.

23. SHARE OPTION SCHEME

The Company has a Share Option Scheme (“Scheme”) for the primary purpose of providing incentive to its directors and eligible employees. Under the Scheme, the directors of the Company may, at their discretion, invite employees of any member of the Group, including executive directors of any member of the Group, to take up options to subscribe for shares of the Company at a price to be determined by the Board of Directors of the Company and notified to each invitee at not less than either 80 per cent of the average of the closing prices of the shares of the Company quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of offer of the option or the nominal value of the shares, whichever is the higher.

No option has been granted under the Scheme since its adoption.

The Scheme expired during the year and a new Share Option Scheme will be proposed to the shareholders for approval in a special general meeting to be convened in June 2002.

24. RESERVES

	Share premium <i>HK\$</i>	Contributed surplus <i>HK\$</i>	Negative goodwill <i>HK\$</i>	Dividend reserve <i>HK\$</i>	Investment property revaluation reserve <i>HK\$</i>	Other property revaluation reserve <i>HK\$</i>	Exchange reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP									
At 1st January, 2000									
– as originally stated	24,925,458	–	12,808,008	–	30,591,456	2,592,609	(235,500)	137,997,383	208,679,414
– prior period adjustment (Note 2)	–	–	–	9,100,000	–	–	–	–	9,100,000
– as restated	24,925,458	–	12,808,008	9,100,000	30,591,456	2,592,609	(235,500)	137,997,383	217,779,414
Exchange realignment	–	–	–	–	(2,455,235)	–	–	–	(2,455,235)
Surplus (deficit) on revaluation of properties	–	–	–	–	4,518,362	(142,409)	–	–	4,375,953
Realised upon disposals	–	–	–	–	(2,531,696)	–	–	–	(2,531,696)
Exchange differences arising on translation of financial statements of overseas operations	–	–	–	–	–	–	75,374	–	75,374
Net profit for the year	–	–	–	–	–	–	–	23,787,356	23,787,356
Interim dividend	–	–	–	5,850,000	–	–	–	(5,850,000)	–
Final dividend	–	–	–	9,100,000	–	–	–	(9,100,000)	–
Dividends paid	–	–	–	(14,950,000)	–	–	–	–	(14,950,000)
At 31st December, 2000	24,925,458	–	12,808,008	9,100,000	30,122,887	2,450,200	(160,126)	146,834,739	226,081,166
Exchange realignment	–	–	–	–	(729,870)	–	–	–	(729,870)
Surplus (deficit) on revaluation of properties	–	–	–	–	4,468,050	(244,600)	–	–	4,223,450
Realised upon disposals	–	–	–	–	(321,125)	–	–	–	(321,125)
Exchange differences arising on translation of financial statements of overseas operations	–	–	–	–	–	–	(6,176)	–	(6,176)
Net profit for the year	–	–	–	–	–	–	–	2,742,149	2,742,149
Interim dividend	–	–	–	2,600,000	–	–	–	(2,600,000)	–
Final dividend	–	–	–	2,600,000	–	–	–	(2,600,000)	–
Dividends paid	–	–	–	(11,700,000)	–	–	–	–	(11,700,000)
At 31st December, 2001	<u>24,925,458</u>	<u>–</u>	<u>12,808,008</u>	<u>2,600,000</u>	<u>33,539,942</u>	<u>2,205,600</u>	<u>(166,302)</u>	<u>144,376,888</u>	<u>220,289,594</u>

24. RESERVES (continued)

	Share premium HK\$	Contributed surplus HK\$	Negative goodwill HK\$	Dividend reserve HK\$	Investment property revaluation reserve HK\$	Other property revaluation reserve HK\$	Exchange reserve HK\$	Retained profits HK\$	Total HK\$
THE COMPANY									
At 1st January, 2000									
– as originally stated	24,925,458	67,707,053	–	–	–	–	–	8,531,139	101,163,650
– prior period adjustment (Note 2)	–	–	–	9,100,000	–	–	–	–	9,100,000
– as restated	24,925,458	67,707,053	–	9,100,000	–	–	–	8,531,139	110,263,650
Net profit for the year	–	–	–	–	–	–	–	13,646,188	13,646,188
Interim dividend	–	–	–	5,850,000	–	–	–	(5,850,000)	–
Final dividend	–	–	–	9,100,000	–	–	–	(9,100,000)	–
Dividends paid	–	–	–	(14,950,000)	–	–	–	–	(14,950,000)
At 31st December, 2000	24,925,458	67,707,053	–	9,100,000	–	–	–	7,227,327	108,959,838
Net profit for the year	–	–	–	–	–	–	–	1,240,428	1,240,428
Interim dividend	–	–	–	2,600,000	–	–	–	(2,600,000)	–
Final dividend	–	–	–	2,600,000	–	–	–	(2,600,000)	–
Dividends paid	–	–	–	(11,700,000)	–	–	–	–	(11,700,000)
At 31st December, 2001	<u>24,925,458</u>	<u>67,707,053</u>	<u>–</u>	<u>2,600,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>3,267,755</u>	<u>98,500,266</u>

The balance of contributed surplus of the Company represents the difference between the nominal value of the Company's share allotted on 28th November, 1991 and the consolidated net assets of the subsidiaries then acquired.

Under the Companies Act of 1981 of Bermuda (as amended), the contributed surplus of the Company is available for distribution to shareholders. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if there are reasonable grounds for believing that:

- (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

24. RESERVES *(continued)*

At the balance sheet date, the Company's reserves available for distribution to shareholders are as follows:

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Contributed surplus	67,707,053	67,707,053
Dividend reserve	2,600,000	9,100,000
Retained profits	3,267,755	7,227,327
	<u>73,574,808</u>	<u>84,034,380</u>

25. AMOUNTS DUE FROM/TO SUBSIDIARIES

The amounts are unsecured, interest-free and with no fixed repayment terms.

26. UNPROVIDED DEFERRED TAX

At the balance sheet date, the major components of the deferred taxation asset (liability) unprovided are as follows:

	The Group		The Company	
	2001	2000	2001	2000
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(1,893,686)	(1,090,601)	–	–
Other timing differences	738,095	716,834	292,870	288,645
Unutilised tax losses	1,729,024	1,960,928	–	5,366
	<u>573,433</u>	<u>1,587,161</u>	<u>292,870</u>	<u>294,011</u>

The amount of the deferred taxation charge (credit) unprovided for the year is as follows:

	The Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Tax effect of timing differences because of:		
Excess (shortfall) of depreciation over tax allowances	803,085	(47,675)
Other timing differences	(21,261)	10,285
Tax losses utilised (arising)	231,904	(387,365)
	<u>1,013,728</u>	<u>(424,755)</u>

No provision for deferred taxation has been recognised in the financial statements of the Company and the Group as it is uncertain that the deferred taxation asset will crystallise in the foreseeable future.

26. UNPROVIDED DEFERRED TAX (continued)

Deferred taxation has not been provided on the revaluation surplus or deficit arising on the valuation of properties in Hong Kong, other regions in the PRC, United Kingdom and Singapore as profits arising from the disposal of these assets would not be subject to taxation. Accordingly, the revaluation surplus does not constitute a timing difference for deferred taxation purposes.

27. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$	2000 HK\$
Profit before taxation	4,405,294	27,777,968
Dividend income from other investments	(230,860)	(184,194)
Revaluation deficit in respect of properties other than investment properties	4,321,704	529,120
Gain on disposal of property, plant and equipment	(190,135)	(55,306)
Gain on disposal of other investments	(232,619)	(2,248,442)
Gain on disposal of investment properties	(252,800)	(3,927,589)
Goodwill written off	2	–
Interest expenses	2,869,494	3,693,012
Depreciation and amortisation of property, plant and equipment	2,699,194	2,390,570
Bad debts recovered	(75,000)	(225,000)
Net unrealised loss (gain) on other investments	2,228,048	(997,674)
Impairment loss recognised on investment securities	–	423,100
(Increase) decrease in inventories	(3,887,655)	2,041,187
Decrease (increase) in long-term receivable, debtors, deposits, prepayments	6,422,961	(1,998,049)
(Increase) decrease in bills receivable	(993,703)	3,207,021
Increase (decrease) in creditors and accrued charges	1,183,444	(4,181,554)
Increase (decrease) in provision for long service payments	9,322	(123,502)
Exchange differences	779,626	1,423,681
Net cash inflow from operating activities	<u>19,056,317</u>	<u>27,544,349</u>

28. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Bank borrowings HK\$
At 1st January, 2000	38,871,891
Exchange realignment	(2,873,391)
Net cash inflow from financing	10,601,500
<hr/>	
At 1st January, 2001	46,600,000
Exchange realignment	(1,350,000)
<hr/>	
At 31st December, 2001	<u>45,250,000</u>

29. 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\$85,350,000 (2000: HK\$83,091,854) of which HK\$45,250,000 (2000: HK\$47,367,775) were utilised at the balance sheet date.

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

	The Group		The Company	
	2001	2000	2001	2000
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Investment properties	74,662,500	93,031,794	–	–
Bank deposits	61,208,298	57,458,945	8,483,206	19,802,808
Securities	14,431,286	21,153,903	–	–
	<u>150,302,084</u>	<u>171,644,642</u>	<u>8,483,206</u>	<u>19,802,808</u>

Investment properties have been pledged to secure long-term bank borrowings and the remaining bank deposits have been pledged to secure general banking facilities granted to the Group.

30. OPERATING LEASE COMMITMENTS

The Company did not have any significant lease commitments at the balance sheet date.

The Group as lessee

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	The Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Within one year	575,400	716,877
In the second to fifth years inclusive	–	59,103
	<u>575,400</u>	<u>775,980</u>

Operating lease payments represent rentals payable by the Group in respect of leased land and buildings, advertising spaces and equipment. Leases are negotiated for an average term of one year with fixed rentals.

The Group as lessor

Property rental income earned during the year was HK\$6,875,294 (2000: HK\$6,985,287). The properties are expected to generate rental yields of 7 per cent. on an ongoing basis. All of the properties held have committed tenants for the next twenty years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Within one year	5,998,030	6,671,074
In the second to fifth years inclusive	18,984,638	21,618,410
Over five years	20,932,509	25,457,434
	<u>45,915,177</u>	<u>53,746,918</u>

31. CAPITAL COMMITMENTS

	The Group	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided for in the financial statements	—	1,124,550

The Company did not have any other significant capital commitments at 31st December, 2001 and 2000.

32. LONG SERVICE PAYMENTS

At 31st December, 2001, the Group had provided for the long service payments in the financial statements for 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 income statement until the termination of their employment. Had the employment of all eligible employees been terminated on 31st December, 2001 under the circumstances specified by the Ordinance, the maximum further potential exposure would have been approximately HK\$1,130,000 (2000: HK\$362,300). No provision has been made in the financial statements in respect of such further long service payment liability.

33. PENSION SCHEME

With effective from 1st December, 2000, the Group joined a Mandatory Provident Fund scheme ("MPF Scheme") for all employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Hong Kong's Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the MPF Scheme.

The contributions charged to the consolidated income statement during the year under the MPF Scheme amounting to HK\$556,263 (2000: HK\$58,603) represents contributions payable to the funds by the Group at rates specified in the rules of the MPF Scheme.

34. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities at the balance sheet date.

The Company has given guarantees to banks in respect of general facilities granted to its subsidiaries. The extent of such facilities utilised by the subsidiaries at 31st December, 2001 amounted to approximately HK\$45,250,000 (2000: HK\$46,600,000).

35. RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

During the year, 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 year, sales at a 50 per cent. discount on retail prices to Hong Kong Pak Fah Yeow Charity Association Limited (“Charity”) amounted to HK\$29,223 (2000: HK\$41,300). 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 Mfy. Ltd. 和興百花油廠股份有限公司 (“Taiwan PFY”) amounting to HK\$315,630 (2000: HK\$347,760) and HK\$240,000 (2000: HK\$71,073) respectively during the year. Messrs. Gan Wee Sean and Gan Fock Wai, Stephen are also the directors and shareholders of Taiwan PFY.

Purchases and sales of good were carried out at cost plus a percentage profit mark up.

- (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 year, royalties in the amount of HK\$134,602 (2000: HK\$199,474) were paid by the Group pursuant to the aforesaid agreement. The agreement has been renewed for a further term of one year on similar terms.
- (d) Both Mr. Lee Ka Sze, Carmelo and Mr. Yuen Ka Fai are partners of Woo, Kwan, Lee & Lo, Solicitors and Notaries. During the year, Woo, Kwan, Lee & Lo provided legal services to the Company and its subsidiaries and received professional fees amounting to HK\$10,040 (2000: HK\$46,450) for those services.