

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June, 2002

1. BASIS OF PREPARATION

These unaudited condensed consolidated 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") 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants.

The financial information relating to the financial year ended 31 December, 2001 included in the interim financial report does not constitute the Company's statutory financial statements for that financial year but is derived from those financial statements. The auditors have expressed an unqualified opinion on those financial statements in their report dated 22 April, 2002.

2. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation adopted in these condensed consolidated financial statements are consistent with those used in the preparation of the Company's annual financial statements for the year ended 31 December, 2001, except for the adoption of the following revised and new SSAPs which are effective for the first time for the period:

SSAP 1 (revised) "Presentation of financial statements"

In order to comply with the revised requirements of SSAP 1 (revised), the Group adopts the new statement "Consolidated statement of changes in equity" which replaces the "Consolidated statement of recognised gains and losses" included in previous financial statements. The new statement reconciles the movement of key components of the shareholders' fund, including issued capital, reserves and accumulated profits, from the beginning to end of a period.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)**SSAP 11 (revised) "Foreign currency translation"**

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of this revised SSAP on the condensed consolidated financial statements is that the profit and loss account of subsidiaries operating in overseas are translated at an average rate for the period on consolidation, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. This SSAP is required to be applied retrospectively. The Group has adopted the transitional provision of this SSAP that where the calculation of a prior year adjustment is impractical, these changes in policy are applied only to current and future financial statements and the effect on the results of the period is not significant.

SSAP 15 (revised) "Cash flow statements"

SSAP 15 (revised) prescribes the provision of information about the historical changes in cash and cash equivalents by means of cash flow statement which classifies cash flows during the period into operating, investing and financing activities. The condensed consolidated cash flow statements for the period and the comparative figures have been presented in accordance with this revised SSAP.

SSAP 25 (revised) "Interim financial reporting"

SSAP 25 (revised) prescribes the presentation and disclosures following changes in SSAP 1 (revised) and SSAP 15 (revised). The condensed consolidated financial statements for the period and comparative figures have been presented in accordance with these revised SSAPs.

SSAP 33 "Discontinuing operations"

SSAP 33 prescribes the basis for reporting information about discontinuing/discontinued operations. This SSAP has had no major impact on these condensed consolidated financial statements.

SSAP 34 "Employee benefits"

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has had no major impact on these condensed consolidated financial statements.

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.

Segment information is presented in respect of the Group's geographical segments and business segments.

An analysis of the Group's revenue and segment results for the financial period is as follows:

Geographical segments

	The Hong Kong Special Administrative Region of the People's Republic of China (the "PRC") (unaudited) HK\$'000	Others regions in the PRC (unaudited) HK\$'000	Southeast Asia (unaudited) HK\$'000	Northern America (unaudited) HK\$'000	United Kingdom ("UK") (unaudited) HK\$'000	Europe other than UK (unaudited) HK\$'000	Others (unaudited) HK\$'000	Eliminations (unaudited) HK\$'000	Consolidated (unaudited) HK\$'000
For the six months ended									
30 June, 2002									
Segment revenue									
External sales	15,947	17,895	2,368	2,119	2,958	90	275	-	41,652
Segment results	4,713	5,798	2,446	971	2,975	(78)	1,214	-	18,039
Unallocated corporate expenses									(2,993)
Profit from operations									15,046
For the six months ended									
30 June, 2001									
Segment 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

3. TURNOVER AND SEGMENT INFORMATION (CONTINUED)**Business segments**

	Manufacturing and sales of Hoe Hin 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
For the six months ended 30 June, 2002						
Segment revenue						
External sales	37,217	3,152	1,272	11	-	41,652
Inter-segment sales	-	1,200	-	-	(1,200)	-
Total revenue	37,217	4,352	1,272	11	(1,200)	41,652
Segment results	10,979	3,610	3,190	(4)	-	17,775
Unallocated corporate expenses						(2,729)
Profit from operations						15,046
For the six months ended 30 June, 2001						
Segment revenue						
External sales	39,832	3,915	1,553	10	-	45,310
Inter-segment sales	-	2,526	-	-	(2,526)	-
Total revenue	39,832	6,441	1,553	10	(2,526)	45,310
Segment results	10,340	6,168	(3,983)	(222)	-	12,303
Unallocated corporate expenses						(2,500)
Profit from operations						9,803

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

	Six months ended 30 June,	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
This is stated after charging (crediting):		
Cost of inventories	14,524	14,260
Dividends income	(154)	(133)
	14,370	14,127

5. TAXATION

	Six months ended 30 June,	
	2002 (unaudited) HK\$'000	2001 (unaudited) HK\$'000
Hong Kong	1,353	1,490
Overseas	225	452
	1,578	1,942

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the period. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

6. DIVIDENDS

At the board meeting held on 22 April, 2002, the directors proposed a final dividend of HK2 cents per share totaling HK\$2,600,000 for the year ended 31 December, 2001 (year ended 31 December, 2000: HK7 cents per share totaling HK\$9,100,000), which has been reflected as an appropriation of accumulated profits for the year. Upon the approval by shareholders on 27 June, 2002, the appropriation was transferred to dividends payable.

On 24 September, 2002, the directors declared the payment of interim dividend of HK3.8 cents per share in respect of the six months ended 30 June, 2002 (2001: HK2 cents per share) payable to the shareholders of the Company whose names appear in the Register of Members on 18 October, 2002.

7. BASIC EARNINGS PER SHARE

The calculation of earnings per share is based on the profit attributable to shareholders for the period of HK\$12,242,000 (2001: HK\$6,327,000) and the 130,000,000 ordinary shares in issue during the two periods.

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

Exchange realignment of HK\$4,520,000 contributed to the increase in the carrying value of investment properties brought forward from 1 January, 2002.

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 31 December, 2001 do not differ significantly from those which would be determined using fair values at 30 June, 2002. Consequently, no revaluation surplus or deficit has been recognised in the current period.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

At 30 June, 2002, included in the Group's debtors, deposits and prepayments were trade receivables of HK\$31,159,000 (31 December, 2001: HK\$23,492,000). The Group allows on average credit period of 90 days to its trade customers. Details of the aging analysis of trade receivables are as follows:

	At 30 June, 2002 (unaudited) HK\$'000	At 31 December, 2001 (audited) HK\$'000
0 – 30 days	4,795	7,873
31 – 60 days	4,577	3,821
61 – 90 days	13,320	8,758
Over 90 days	8,467	3,040
	31,159	23,492

10. CREDITORS AND ACCRUED CHARGES

At 30 June, 2002, included in the Group's creditors and accrued charges were trade payables of HK\$330,000 (31 December, 2001: HK\$701,000). Details of the aging analysis of trade payables are as follows:

	At 30 June, 2002 (unaudited) HK\$'000	At 31 December, 2001 (audited) HK\$'000
0 – 30 days	329	683
31 – 60 days	1	–
More than 60 days	–	18
	330	701

11. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the periods.

12. 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\$87,926,000 (31 December, 2001: HK\$85,350,000) of which HK\$47,826,000 (31 December, 2001: HK\$45,250,000) were utilised respectively at the balance sheet date.

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

	At 30 June, 2002 (unaudited) HK\$'000	At 31 December, 2001 (audited) HK\$'000
Investment properties	78,913	74,663
Bank deposits	68,921	61,208
Securities	24,944	14,431
	172,778	150,302

13. LONG SERVICE PAYMENTS

At 30 June, 2002, the Group had provided for the long service payments in the condensed consolidated 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 30 June, 2002 under the circumstances specified by the Ordinance, the maximum further potential exposure would have been approximately HK\$1,314,000 (31 December, 2001: HK\$1,130,000). No provision has been made in the condensed consolidated financial statements in respect of such further long service payment liability.