

Notes to the Financial Statements

For the year ended 31 December 2002

1. GENERAL

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activity of the Company is investment holding. The principal activities of its subsidiaries are the manufacture and sale of Hoe Hin Brand of products, treasury and 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 and presentation of financial statements. The revised accounting policies are set out in note 3 to the financial statements. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative information has 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.

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 “Statement of changes in equity” which replaces the “Statement of recognised gains and losses” included in previous financial statements. The new statement reconciles the movement during the year of components of the shareholders’ equity, including issued capital, reserves and accumulated profits.

SSAP 11 (revised) “Foreign currency translation”

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The revised SSAP requires that the income statement of subsidiaries operating in overseas are translated at average rates for the year on consolidation and the option to translate at rates of exchange ruling at the balance sheet date was removed. This SSAP has not had any significant impact on the financial statements.

Notes to the Financial Statements

For the year ended 31 December 2002

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

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 a cash flow statement which classifies cash flows during the year into operating, investing and financing activities. Interest and dividend received and paid, which were previously presented under a separate heading “Return on investments and servicing of finance”, are classified as operating, investing and financing activities where appropriate. Cash flows arising from taxation are classified as operating activities, unless they can be separately identified with investing or financing activities. In addition, pledged bank deposits are classified as cash and cash equivalents in the consolidated cash flow statement. Comparative amounts have been restated in order to achieve a consistent presentation.

SSAP 34 “Employee benefits”

SSAP 34 prescribes the accounting treatment and disclosures for employee benefits. This SSAP has not had any significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost as modified by the revaluation of investment properties and land and buildings, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December each year. All material inter-company transactions and balances have been eliminated on consolidation.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

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 carried in the balance sheet arose on an acquisition prior to 1 January 2001 and will continue to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential.

Investment properties are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the income statement.

Upon the disposal of an investment property, the relevant portion of the investment properties revaluation reserve realised in respect of previous valuations will be credited to the income statement.

No depreciation is provided on investment properties unless the unexpired lease term is 20 years or less.

Property, plant and equipment

Property, plant and equipment other than land and buildings are stated at cost less accumulated depreciation and accumulated impairment losses.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as an income or expense in the income statement.

Depreciation is provided to write off the cost less accumulated impairment losses of property, plant and equipment, over their estimated useful lives as set out below, from the date on which they become fully operational and after taking into account their estimated residual values, using the straight-line method:

Leasehold properties held under
long and medium-term leases

– Land	Over the unexpired term of leases
– Buildings	50 years 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

Land and buildings are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation less any accumulated depreciation and accumulated impairment losses. 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 other properties revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, when it is recognised as income. A decrease in net carrying amount arising on revaluation of an asset is recognised 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. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, has the power to govern the financial and operating policies so as to obtain benefits from its activities. Investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

Investments in securities

Investments held on a continuing basis with an identified long term purpose are classified as investment securities, which are stated at cost less any provision for impairment losses that is expected to be other than temporary.

The carrying amount of individual investment securities, or holdings of the same securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The impairment loss is recognised as an expense in the period in which the decline occurs.

The impairment loss is written back to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are stated in the balance sheet at their fair value. Changes in fair values are recognised in the income statement as they arise.

The profit or loss on disposal of investment securities and other investments is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment loss (Continued)

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment loss is recognised as an expense immediately, except where the relevant asset is carried at valuation, in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment loss is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment loss is recognised as income immediately, except where the relevant asset is carried at valuation, in which case the reversal of impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue and costs, if applicable, can be measured reliably and on the following basis:

Sale of goods is recognised on transfer of risks and rewards of ownership, which generally coincides with time when goods are delivered to customers and title has passed.

Rental income under operating leases is recognised in the period in which the properties are let out and on the straight-line basis over the lease terms.

Interest income is accrued on a time proportion basis on 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.

Gain or loss on disposal of investments in securities are recognised on the transaction date when the relevant sale and purchase contract is entered into.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

The Group maintains its accounting records in Hong Kong dollars and transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

On consolidation, the balance sheets of overseas subsidiaries denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date while the income statements are translated at the average rates. Exchange differences arising on such translation are dealt with as a movement in exchange reserve.

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 asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Operating leases

Leases where substantially all the rewards and risks of ownership of the assets remain with the leasing company are accounted for as operating leases. Rental payable and receivable under operating leases are recognised as expense and revenue on the straight-line basis over the lease terms.

Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of change in value, net of bank overdrafts. For balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Notes to the Financial Statements

For the year ended 31 December 2002

3. SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditure is incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditure expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Employee benefits

Defined contribution plans

With effective from 1 December 2000, the Group joined a Mandatory Provident Fund (“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 obligations for contributions to defined contribution retirement scheme are recognised as an expense in the income statement.

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION

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.

Geographical segments

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

	Year ended 31 December 2002								
	Hong Kong	Other regions in the PRC	Southeast Asia	Northern America	United Kingdom	Europe (excluding United Kingdom)		Others	Consolidated
						United Kingdom	Others		
HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	
Segment revenue	38,840,072	29,572,218	6,123,316	4,728,593	6,538,426	141,826	1,020,628	86,965,079	
Segment results	9,952,986	5,791,613	5,379,240	2,739,667	6,366,456	(1,039,841)	2,513,167	31,703,288	
Unallocated corporate expenses								(7,465,418)	
Profit from operations								24,237,870	
Finance costs								(2,494,214)	
Profit before taxation								21,743,656	
Taxation								(4,461,785)	
Net profit for the year								17,281,871	

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

Balance sheet

At 31 December 2002

	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	106,702,076	11,793,104	69,389,914	3,643,738	98,501,141	-	18,792,358	308,822,331
Unallocated corporate assets								12,369,686
Consolidated total assets								<u>321,192,017</u>
Liabilities								
Segment liabilities	58,655,756	15,600	408,191	-	121,864	-	-	59,201,411
Unallocated corporate liabilities								3,787,114
Consolidated total liabilities								<u>62,988,525</u>

Other information

For the year ended 31 December 2002

	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	281,430	-	-	-	-	-	-	281,430
Depreciation	2,598,843	-	-	-	-	-	-	2,598,843

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

	Year ended 31 December 2001							
	Hong Kong	Other	Southeast	Northern	United	Europe	Others	Consolidated
		regions in				(excluding		
HK\$	the PRC	Asia	America	Kingdom	United Kingdom)	HK\$	HK\$	
Segment revenue	38,623,424	22,426,844	4,752,266	6,432,772	5,914,004	65,972	819,939	79,035,221
Segment results	4,725,805	1,066,548	(1,769,731)	4,302,097	5,181,748	(998,724)	604,841	13,112,584
Unallocated corporate expenses								(5,837,796)
Profit from operations								7,274,788
Finance costs								(2,869,494)
Profit before taxation								4,405,294
Taxation								(1,663,145)
Net profit for the year								2,742,149

Notes to the Financial Statements

For the year ended 31 December 2002

4. SEGMENT INFORMATION (Continued)

Geographical segments (Continued)

Balance sheet

	At 31 December 2001							
		Other	Southeast	Northern	United	Europe		
	Hong Kong	regions in	Asia	America	Kingdom	(excluding	Others	Consolidated
	the PRC				United	United		
	HK\$	HK\$	HK\$	HK\$	HK\$	Kingdom)	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 31 December 2001							
		Other	Southeast	Northern	United	Europe		
	Hong Kong	regions in	Asia	America	Kingdom	(excluding	Others	Consolidated
	the PRC				United	United		
	HK\$	HK\$	HK\$	HK\$	HK\$	Kingdom)	HK\$	HK\$
Capital additions	2,944,240	–	–	–	–	–	–	2,944,240
Depreciation	2,699,194	–	–	–	–	–	–	2,699,194

Notes to the Financial Statements

For the year ended 31 December 2002

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 31.12.2002	At 31.12.2001	Year ended 31.12.2002	Year ended 31.12.2001
	HK\$	HK\$	HK\$	HK\$
Hong Kong	117,626,452	116,230,758	281,430	1,235,360
Other regions in the PRC	11,793,104	9,987,515	–	–
Southeast Asia	69,389,914	60,381,682	–	–
Northern America	3,643,738	4,027,728	–	–
United Kingdom	98,501,141	76,652,250	–	–
Others	20,237,668	22,173,924	–	1,708,880
	321,192,017	289,453,857	281,430	2,944,240

Business segments

The following table provides an analysis of the Group's sales revenue from operations by business segments:

	Sales revenue by business segments	
	Year ended 31.12.2002	Year ended 31.12.2001
	HK\$	HK\$
Manufacturing and sales of Hoe Hin Brand of products	77,646,449	69,103,884
Property investment	6,392,325	6,927,494
Treasury investment	2,907,269	2,980,540
Others	19,036	23,303
	86,965,079	79,035,221

Notes to the Financial Statements

For the year ended 31 December 2002

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 the business segments:

	Carrying amount of segment assets		Additions to investments properties, property, plant and equipment	
	At 31.12.2002	At 31.12.2001	Year ended 31.12.2002	Year ended 31.12.2001
	HK\$	HK\$	HK\$	HK\$
Manufacturing and sales of Hoe Hin Brand of products	100,385,435	105,848,718	281,430	1,235,360
Property investment	117,475,599	95,677,771	–	–
Treasury investment	101,790,298	86,213,391	–	–
Others	95,375	203,152	–	1,708,880
	319,746,707	287,943,032	281,430	2,944,240
Unallocated corporate assets	1,445,310	1,510,825		
	321,192,107	289,453,857		

Notes to the Financial Statements

For the year ended 31 December 2002

5. OTHER REVENUE

	2002 HK\$	2001 HK\$
Commission income	102,930	93,493
Dividends from listed investments	253,467	230,860
Gain on disposal of other investments:		
Listed	81,067	195,069
Unlisted	–	37,550
	437,464	556,972

6. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	2002 HK\$	2001 HK\$
(a) Finance costs		
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	2,494,214	2,869,494
	2002 HK\$	2001 HK\$
(b) Other items		
Auditors' remuneration	508,600	654,371
Cost of inventories	28,291,170	25,689,773
Contribution to defined contribution scheme	525,232	556,263
Operating lease charges on land and buildings and advertising spaces	2,628,487	2,212,067
Provision for long service payments	440,516	229,434
Gain on disposal of property, plant and equipment	(8,740)	(190,135)
Gross rental income from investment properties less outgoings of HK\$646,606 (2001: HK\$377,461)	(5,745,719)	(6,497,833)
Royalty charges	181,337	134,602

Notes to the Financial Statements

For the year ended 31 December 2002

7. DIRECTORS' EMOLUMENTS

Directors' emoluments are as follows:

	2002	2001
	HK\$	HK\$
Directors' fees	150,000	150,000
Management remuneration	2,926,438	2,856,438
Management bonus	436,612	154,843
Provision for long service payments	17,028	19,027
MPF contributions	24,000	26,000
Housing allowances	1,237,320	1,257,320
Holiday allowances	40,000	–
Subsistence allowances	206,565	206,565
	5,037,963	4,670,193

Management bonus is calculated as guaranteed 2.5 percent of the consolidated net profit after taxation with a minimum guaranteed amount of HK\$100,000, according to the terms specified in the directors' service agreements.

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

	2002	2001
	HK\$	HK\$
Band		
Nil – HK\$1,000,000	2	3
HK\$1,000,001 – HK\$1,500,000	2	1
HK\$2,000,001 – HK\$2,500,000	1	1
	5	5

During the year, directors' fees paid to the independent non-executive directors amounted to HK\$60,000 (2001: HK\$60,000).

Notes to the Financial Statements

For the year ended 31 December 2002

8. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, three (2001: three) are directors whose emoluments are included in the amounts disclosed in note 7 above. The aggregate of the emoluments of the other two (2001: two) individuals are as follows:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Salaries	1,097,900	1,073,900
Mandatory provident fund contributions	24,000	24,000
	1,121,900	1,097,900

The two individuals with the highest emoluments are within the HK\$1,000,000 band for the years ended 31 December 2001 and 2002.

During the years ended 31 December 2001 and 2002, 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 years ended 31 December 2001 and 2002, no directors waived any of their emoluments.

Notes to the Financial Statements

For the year ended 31 December 2002

9. TAXATION

Hong Kong Profits Tax has been provided at the rate of 16% (2001: 16%) of the estimated assessable profit the year. Overseas taxation has been provided on the estimated assessable profits for the year at the rates of taxation prevailing in the relevant jurisdictions.

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	3,098,344	1,062,410
Over provision in prior years	(158,393)	(19,133)
	2,939,951	1,043,277
Overseas taxation		
Current year	361,732	612,600
Under provision in prior years	162,146	7,268
	523,878	619,868
Deferred taxation (<i>Note 23</i>)	997,956	–
	4,461,785	1,663,145

The major components of deferred taxation not (credited) provided for the year are as follows:

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
(Shortfall) Excess of tax allowances over depreciation	(1,420,446)	803,085
Tax losses utilised	112,484	231,904
Other timing differences	88,139	(21,261)
	(1,219,823)	1,013,728

Notes to the Financial Statements

For the year ended 31 December 2002

10. NET PROFIT FOR THE YEAR

The consolidated net profit for the year includes a profit of HK\$11,689,396 (2001: HK\$1,240,428) which has been dealt with in the financial statements of the Company.

11. DIVIDENDS

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Interim dividend of 3.8 cents (2001: 2 cents) per share	4,940,000	2,600,000
Final dividend of 6 cents (2001: 2 cents) per share	7,800,000	2,600,000
	12,740,000	5,200,000

12. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit for the year of HK\$17,281,871 (2001: HK\$2,742,149) and the 130,000,000 (2001: 130,000,000) ordinary shares in issue during the year.

Notes to the Financial Statements

For the year ended 31 December 2002

13. INVESTMENT PROPERTIES

	Investment properties in Hong Kong under long leases <i>HK\$</i>	Investment properties in other regions in the PRC under long leases <i>HK\$</i>	Freehold investment properties in United Kingdom and Singapore <i>HK\$</i>	Total <i>HK\$</i>
Valuation				
At beginning of year	11,350,000	1,350,000	80,792,375	93,492,375
Exchange realignment	–	–	8,142,920	8,142,920
Revaluation (deficit) surplus	(2,600,000)	–	14,682,605	12,082,605
At balance sheet date	8,750,000	1,350,000	103,617,900	113,717,900

Investment properties located in Hong Kong and other regions in the PRC and Singapore were valued respectively on an open market value basis on 31 December 2002 by Memfus Wong Surveyors Limited and Dovebid (S) Pte Ltd., independent professional valuers. Investment properties located in United Kingdom were valued by Cushman & Wakefield Healey & Baker, independent professional valuers, on an open market basis. The net surplus arising on revaluation has been credited to the investment properties revaluation reserve (Note 26).

At the balance sheet date, the carrying amount of the investment properties of the Group rented out under operating leases was HK\$112,617,900 (2001: HK\$93,492,375).

Notes to the Financial Statements

For the year ended 31 December 2002

14. PROPERTY, PLANT AND EQUIPMENT

The Group	Other properties in Hong Kong under long leases HK\$	Other properties in Hong Kong under medium-term leases HK\$	Plant and machinery HK\$	Furniture, fixtures and equipment HK\$	Motor vehicles HK\$	Total HK\$
Cost or valuation						
At beginning of year	13,600,000	25,300,000	11,842,244	13,932,349	1,708,880	66,383,473
Additions	–	–	108,252	173,178	–	281,430
Revaluation deficit	(2,300,000)	(4,250,000)	–	–	–	(6,550,000)
Write-off	–	–	–	(675,329)	–	(675,329)
Disposals	–	–	–	(49,000)	–	(49,000)
At balance sheet date	11,300,000	21,050,000	11,950,496	13,381,198	1,708,880	59,390,574
Comprising:						
At cost	–	–	11,950,496	13,381,198	1,708,880	27,040,574
At professional valuation in 2002	11,300,000	21,050,000	–	–	–	32,350,000
	11,300,000	21,050,000	11,950,496	13,381,198	1,708,880	59,390,574
Depreciation						
At beginning of year	–	–	5,989,392	8,595,309	341,777	14,926,478
Charge for the year	126,753	562,222	728,028	840,063	341,777	2,598,843
Eliminated on revaluation	(126,753)	(562,222)	–	–	–	(688,975)
Write-off	–	–	–	(675,329)	–	(675,329)
Eliminated on disposals	–	–	–	(49,000)	–	(49,000)
At balance sheet date	–	–	6,717,420	8,711,043	683,554	16,112,017
Net book values						
At 31 December 2002	11,300,000	21,050,000	5,233,076	4,670,155	1,025,326	43,278,557
At 31 December 2001	13,600,000	25,300,000	5,852,852	5,337,040	1,367,103	51,456,995

Other properties were independently valued on an open market value basis on 31 December 2002 by Memfus Wong Surveyors Limited, 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 accumulated impairment losses of approximately HK\$29,358,000 (2001: HK\$35,608,000).

Notes to the Financial Statements

For the year ended 31 December 2002

15. INVESTMENTS IN SECURITIES

	Investment securities		Other investments		Total	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
The Group						
Equity securities:						
Listed	–	–	12,889,953	14,715,000	12,889,953	14,715,000
Unlisted	1,344,700	1,344,700	–	–	1,344,700	1,344,700
	1,344,700	1,344,700	12,889,953	14,715,000	14,234,653	16,059,700
Debt securities, listed	–	–	13,956,914	2,885,488	13,956,914	2,885,488
	1,344,700	1,344,700	26,846,867	17,600,488	28,191,567	18,945,188
Comprising:						
Listed						
Hong Kong	–	–	2,376,156	2,345,990	2,376,156	2,345,990
Elsewhere	–	–	24,470,711	15,254,498	24,470,711	15,254,498
Unlisted	1,344,700	1,344,700	–	–	1,344,700	1,344,700
	1,344,700	1,344,700	26,846,867	17,600,488	28,191,567	18,945,188
Carrying amount included in:						
Current assets	–	–	26,846,867	17,600,488	26,846,867	17,600,488
Non-current assets	1,344,700	1,344,700	–	–	1,344,700	1,344,700
	1,344,700	1,344,700	26,846,867	17,600,488	28,191,567	18,945,188
The Company						
Listed overseas:						
Equity securities	–	–	2,080,576	2,475,657	2,080,576	2,475,657
Debt securities	–	–	3,684,120	–	3,684,120	–
Carrying amount included in current assets	–	–	5,764,696	2,475,657	5,764,696	2,475,657

Notes to the Financial Statements

For the year ended 31 December 2002

16. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2002	2001
	HK\$	HK\$
Unlisted shares, at cost	84,339,832	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 Marketing Limited (previously known as 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	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
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	Inactive
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 and treasury investment

Notes to the Financial Statements

For the year ended 31 December 2002

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	
Princely Profits Limited*	British Virgin Islands/ United Kingdom	1 ordinary share of US\$1	–	100	Inactive
Princesland International Limited*	British Virgin Islands/ United Kingdom	1 ordinary share of US\$1	–	100	Property investment
Velton Enterprises Limited#	British Virgin Islands/ United Kingdom	30,000 ordinary shares of US\$1 each	–	100	Inactive

* Subsidiaries not audited by Moores Rowland.

** 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.

The subsidiary was dissolved on 21 January 2003.

17. INVENTORIES

	2002	2001
	HK\$	HK\$
Finished goods	2,450,945	2,487,914
Raw materials	4,346,980	5,040,790
Bottles, caps and packing materials	4,420,039	5,049,523
	11,217,964	12,578,227

The amount of inventories carried at net realisable value is HK\$92,575 (2001: HK\$178,589).

Notes to the Financial Statements

For the year ended 31 December 2002

18. TRADE RECEIVABLES

The Group allows credit period ranging from 90 days to 240 days to its customers. The aged analysis of trade receivables is as follows:

	2002 HK\$	2001 HK\$
Within 30 days	9,737,311	7,873,272
31 – 60 days	9,720,896	3,821,033
61 – 90 days	4,020,273	8,758,307
More than 90 days	11,158,634	3,039,440
	34,637,114	23,492,052

19. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
As stated in the balance sheet				
Bank balances and cash	20,640,101	14,242,297	9,014,700	6,678,709
Pledged deposits (note 29)	63,237,979	61,208,298		
Bank overdrafts	(402,915)	(380,964)		
As stated in the consolidated cash flow statement	83,475,165	75,069,631		

Notes to the Financial Statements

For the year ended 31 December 2002

20. TRADE PAYABLES

The aged analysis of trade payables is as follows:

	2002 HK\$	2001 HK\$
Within 30 days	959,259	682,853
31 – 60 days	268,164	–
More than 60 days	–	18,375
	1,227,423	701,228

21. BANK LOANS, SECURED

	2002 HK\$	2001 HK\$
The maturity of the bank loans is as follows:		
Within one year	50,022,000	–
More than one year but within two years	–	45,250,000
	50,022,000	45,250,000
Less: Amounts falling due within one year included in current liabilities	(50,022,000)	–
Amounts falling due after one year included in non-current liabilities	–	45,250,000

The bank loans are repayable in a lump sum on or before 30 June 2003 and bear interest at 1.10 percent per annum above the London Interbank Offered Rate.

The bank loans are secured by the Group's investment properties with an aggregate carrying value of HK\$97,542,900 (2001: HK\$74,662,500) at the balance sheet date.

Notes to the Financial Statements

For the year ended 31 December 2002

22. PROVISION FOR LONG SERVICE PAYMENTS

	The Group		The Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
At beginning of year	3,777,978	3,768,656	1,830,436	1,811,409
Additional provisions	440,516	229,434	17,028	19,027
Amount used	(156,266)	(220,112)	-	-
At balance sheet date	4,062,228	3,777,978	1,847,464	1,830,436

The Group's and the Company's net obligation in respect of long service payments under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

23. DEFERRED TAXATION

	2002 HK\$	2001 HK\$
Deferred tax charged for the year (<i>note 9</i>) and at balance sheet date	997,956	-

At the balance sheet date, the major components of the deferred tax (assets) liabilities, provided and unprovided, are as follows:

	Provided		Unprovided	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
The Group				
Excess of tax allowances over depreciation	997,956	-	473,240	1,893,686
Tax losses carried forward	-	-	(1,616,540)	(1,729,024)
Other timing differences	-	-	(649,956)	(738,095)
	997,956	-	(1,793,256)	(573,433)

Notes to the Financial Statements

For the year ended 31 December 2002

23. DEFERRED TAXATION (Continued)

	Unprovided	
	2002	2001
	HK\$	HK\$
The Company		
Unutilised tax losses	(182,661)	–
Other timing differences	(295,594)	(292,870)
	(478,255)	(292,870)

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

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 disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for deferred taxation purposes.

No provision has been made in the financial statements for taxation which would be payable on the distribution of the Group's share of profit retained by overseas subsidiaries.

24. ISSUED CAPITAL

	2002	2001
	HK\$	HK\$
Authorised:		
300,000,000 ordinary shares of HK\$0.1 each	30,000,000	30,000,000
Issued and fully paid:		
130,000,000 ordinary shares of HK\$0.1 each	13,000,000	13,000,000

There was no movement in the share capital of the Company for the two years ended 31 December 2001 and 2002.

Notes to the Financial Statements

For the year ended 31 December 2002

25. SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Scheme”) on 27 June 2002. The purpose of the Scheme is to enable the Company to attract, retain and motivate talented participants to strive for future developments and expansion of the Group, to encourage the participants to perform their best in achieving the goals of the Group and to allow the participants to enjoy the results of the Company attained through their efforts and contributions. Participants includes (i) any director and employee of each member of the Group; (ii) any discretionary object of a discretionary trust established by any employee or director of each member of the Group; (iii) any executive or employee of any business consultant, business partner, professional and other advisers to each member of the Group; (iv) any substantial shareholder of each members of the Group; (v) any associates of director or substantial shareholder of the Company; and (vi) any employee of the Company’s substantial shareholder or any employee of such substantial shareholder’s subsidiaries or associated companies, as absolutely determined by the Board of Directors.

The directors may, at their discretion, invite any participant to take up options. An option is deemed to have been granted and accepted by the grantee upon the duplicate letter comprising acceptance of the option duly signed by the grantee and paying HK\$1 by way of consideration for the grant thereof.

The subscription price for shares in the Company under the Scheme will be highest of (i) the closing price of the shares of the Company as stated in the Stock Exchange’s daily quotations sheet on the date on which an option is granted (which date must be a business day); (ii) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share of the Company.

The total number of shares of the Company which may be issued upon exercise of all options to be granted under the Scheme and any other share option schemes of the Company shall not in aggregate exceed 13,000,000 shares of the Company, being 10% of the total number of shares of the Company in issue as at the date of approval of the Scheme. An option may be exercised during a period to be determined by the directors in its absolute discretion and in any event such period shall expire not later than 10 years after the date of grant of the option.

The maximum entitlement for any one participant is that the total number of shares issued and to be issued upon exercise of the options granted to each participant under the Scheme in any 12-month period shall not exceed 1 percent of the total number of shares in issue of the Company. Any further grant of options in excess of the 1 percent limit shall be subject to shareholders’ approval in general meeting with such participant and his associates abstaining from voting. The Scheme will remain in force for a period of 10 years from 27 June 2002.

No option was granted pursuant to the Scheme since its adoption.

Notes to the Financial Statements

For the year ended 31 December 2002

26. RESERVES

	Share premium HK\$	Negative goodwill HK\$	Revaluation reserve		Exchange reserve HK\$	Accumulated profits		Total HK\$
			Investment properties HK\$	Other properties HK\$		Proposed dividends HK\$	Undistributed profits HK\$	
The Group								
At 1 January 2001	24,925,458	12,808,008	30,122,887	2,450,200	(160,126)	9,100,000	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 disposal	-	-	(321,125)	-	-	-	-	(321,125)
Exchange difference arising on translation of financial statements of overseas subsidiaries	-	-	-	-	(6,176)	-	-	(6,176)
Net profit for the year	-	-	-	-	-	-	2,742,149	2,742,149
Interim dividend declared	-	-	-	-	-	-	(2,600,000)	(2,600,000)
Final dividend proposed	-	-	-	-	-	2,600,000	(2,600,000)	-
2000 final dividend transferred to dividend payable	-	-	-	-	-	(9,100,000)	-	(9,100,000)
At 31 December 2001	24,925,458	12,808,008	33,539,942	2,205,600	(166,302)	2,600,000	144,376,888	220,289,594
At 1 January 2002	24,925,458	12,808,008	33,539,942	2,205,600	(166,302)	2,600,000	144,376,888	220,289,594
Exchange realignment	-	-	3,176,472	-	-	-	-	3,176,472
Surplus (deficit) on revaluation of properties (Notes 13 and 14)	-	-	12,082,605	(248,422)	-	-	-	11,834,183
Exchange difference arising on translation of financial statements of overseas subsidiaries	-	-	-	-	161,372	-	-	161,372
Net profit for the year	-	-	-	-	-	-	17,281,871	17,281,871
Interim dividend declared	-	-	-	-	-	-	(4,940,000)	(4,940,000)
Final dividend proposed	-	-	-	-	-	7,800,000	(7,800,000)	-
2001 final dividend transferred to dividend payable	-	-	-	-	-	(2,600,000)	-	(2,600,000)
At 31 December 2002	24,925,458	12,808,008	48,799,019	1,957,178	(4,930)	7,800,000	148,918,759	245,203,492

Notes to the Financial Statements

For the year ended 31 December 2002

26. RESERVES (Continued)

	Share premium HK\$	Contributed surplus HK\$	Accumulated profits		Total HK\$
			Proposed dividends HK\$	Undistributed profits HK\$	
The Company					
At 1 January 2001	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 declared	-	-	-	(2,600,000)	(2,600,000)
Final dividend proposed	-	-	2,600,000	(2,600,000)	-
2000 final dividend transferred to dividends payable	-	-	(9,100,000)	-	(9,100,000)
At 31 December 2001	24,925,458	67,707,053	2,600,000	3,267,755	98,500,266
At 1 January 2002	24,925,458	67,707,053	2,600,000	3,267,755	98,500,266
Net profit for the year	-	-	-	11,689,396	11,689,396
Interim dividend declared	-	-	-	(4,940,000)	(4,940,000)
Final dividend proposed	-	-	7,800,000	(7,800,000)	-
2001 final dividend transferred to dividends payable	-	-	(2,600,000)	-	(2,600,000)
At 31 December 2002	24,925,458	67,707,053	7,800,000	2,217,151	102,649,662

Notes to the Financial Statements

For the year ended 31 December 2002

26. RESERVES (Continued)

The share premium represents the excess of the net proceeds from issuing of share capital of the Company over its par value.

The negative goodwill, revaluation reserves and exchange reserve are recognised as a result of accounting treatments as detailed in note 3 to the financial statements.

The balance of contributed surplus of the Company represents the difference between the nominal value of the Company's share allotted on 28 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.

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

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Contributed surplus	67,707,053	67,707,053
Accumulated profits	10,017,151	5,867,755
	77,724,204	73,574,808

27. AMOUNTS DUE FROM/TO SUBSIDIARIES

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

Notes to the Financial Statements

For the year ended 31 December 2002

28. CASH GENERATED FROM OPERATIONS

	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Profit before taxation	21,743,656	4,405,294
Interest income	(2,907,269)	(2,980,540)
Dividend income from investments in securities	(253,467)	(230,860)
Revaluation deficit in respect of properties other than investment properties	5,612,603	4,321,704
Gain on disposal of property, plant and equipment	(8,740)	(190,135)
Gain on disposal of other investments	(81,067)	(232,619)
Gain on disposal of investment properties	–	(252,800)
Goodwill written off	–	2
Interest expenses	2,494,214	2,869,494
Net unrealised holding loss on investments in securities	1,775,096	2,228,048
Exchange differences	(334,605)	779,626
Depreciation of property, plant equipment	2,598,843	2,699,194
Changes in working capital:		
Inventories	1,360,263	(3,887,655)
Long-term receivable	360,000	360,000
Trade receivables	(11,145,062)	4,376,431
Deposits, prepayments and other debtors	761,215	1,611,530
Bills receivable	5,369,952	(993,703)
Trade payables	470,701	(245,479)
Accrued charges and other creditors	(117,115)	1,428,923
Provision for long service payments	284,250	9,322
Cash generated from operations	27,983,468	16,075,777

Notes to the Financial Statements

For the year ended 31 December 2002

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\$83,172,000 (2001: HK\$85,350,000) of which HK\$50,424,915 (2001: HK\$45,630,964) were utilised at the balance sheet date.

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

	The Group		The Company	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Investment properties	97,542,900	74,662,500	–	–
Bank deposits	63,237,979	61,208,298	7,357,134	8,483,206
Investments in securities	22,617,407	14,431,286	4,923,196	–
	183,398,286	150,302,084	12,280,330	8,483,206

Investment properties have been pledged to secure bank loans and the remaining bank deposits and investments in securities have been pledged to secure general banking facilities granted to the Group.

Notes to the Financial Statements

For the year ended 31 December 2002

30. OPERATING LEASE COMMITMENTS

The Group as lessee

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases of HK\$178,835 (2001: HK\$575,400), which are payable within next year.

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

The Group as lessor

The Group leases out substantially all of its investment properties under operating leases. Most of the investment properties have committed tenants with remaining lease terms ranging from less than 1 year to 17 years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Within one year	7,397,478	5,998,030
In the second to fifth years inclusive	22,778,946	18,984,638
Over five years	20,913,156	20,932,509
	51,089,580	45,915,177

31. CONTINGENT LIABILITIES

The Company

At the balance sheet date, the Company had contingent liabilities not provided for in the financial statements in respect of guarantee of bank loans and general banking facilities granted to its subsidiaries amounting to HK\$50,022,000 (2001: HK\$45,250,000).

Notes to the Financial Statements

For the year ended 31 December 2002

32. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the financial statements, during the year, the Group had the following transactions with related parties.

- (a) Sales at a 50 percent discount on retail prices to Hong Kong Pak Fah Yeow Charity Association Limited (the "Charity") amounted to HK\$25,598 (2001: HK\$29,223). Mr. Gan Wee Sean and Mr. Chiu Sin Kuen, are also the shareholders and directors of the Charity.
- (b) 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 license to use certain trademarks relating to White Flower Embrocation registered in Malaysia and Singapore for a period of one year from 1 January 2002 in consideration of an annual royalty payment equivalent to 10 percent of the invoiced sales in Malaysia and Singapore less returns and discounts. During the year, royalties in the amount of HK\$181,337 (2001: HK\$134,602) 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.
- (c) 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 Group and received professional fees amounting to HK\$398,826 (2001: HK\$46,450) for those services.

33. COMPARATIVE FIGURES

In addition to the restatement of comparative information following the adoption of new or revised SSAPs as disclosed in note 2 to the financial statements, the net exchange loss and the net unrealised loss arising on marking to market of certain investments in securities, which were previously included in "Other operating expenses", are aggregated and presented as "Net unrealised holding loss on investments in securities" on the face of the consolidated income statement in order to give a better understanding of the Group's financial performance.

In addition, comparative information regarding provision for long service payments has been reclassified as a non-current liability in order to conform with current year's presentation.